

*only the trappings of marketing – declarations from senior management, people with appropriate job titles, etc.*

3. What should FPC do to help its salespeople? *FPC needs to give its salespeople more opportunities to re-establish good relationships with the distributors. Salespeople need more power to negotiate, and more power to bring back distributor comments and needs to the company for internal action.*

4. How might FPC build on their reputation for reliability and good engineering? *Buyers are looking for products which will reduce costs or increase sales. For the carwash manufacturers, using reliable pumps will reduce costs because of reduced maintenance and downtime, and may increase sales among those buyers who understand the importance of having reliable pumps. In the parts business, FPC need to show that buying original FPC parts pays off in the long run due to increased reliability.*

5. Why has the relationship between FPC and its distributors become so poor? *FPC has not delivered on its promises, and has shown that it is not to be trusted. Distributors feel that FPC has been less than honest by supplying direct to the oil companies, and as a result the distributors are now stocking competing products as well.*

## ***Chapter 2: How Business Organizations Buy***

This chapter looks at buyer behavior in the B2B field. It covers the similarities and differences between consumer behavior and industrial buyer behavior, some techniques used by industrial buyers, the structure and function of the decision-making unit in organizational purchasing, and the influences on the industrial buyer.

**Essay title:** Bribes and gifts – where is the dividing line? *Students should be able to identify the ethical issues involved in gift-giving as opposed to bribery. Issues of transparency, timing of the gift, and amount of the gift are obviously relevant. Better students should also be able to identify specific circumstances in which a bribe would be regarded as normal business practice, and where it certainly would not, and to discuss the moral issues surrounding those circumstances.*

**Practical exercise:** Imagine yourself to be the marketing manager for a company which supplies payroll calculating services. Using the Internet and such other sources

as might be available, identify five companies which might be suitable potential customers for your service. Bear in mind that companies with very large numbers of employees might have their own systems, but would of course represent large contracts for your firm. Having identified your companies, decide how you would approach each one. What differences would there be in the benefits you offer to each firm? Why would you need to offer different benefits?

**Class exercise:** You are to assume the role of marketing managers for a company which produces ventilation and air-conditioning equipment for offices. Working in small groups, work out the key selling points for your products for the following organizations:

1. The income tax office.
2. A major retail bank.
3. A grocery supermarket.
4. A hotel chain.

You may find the following information useful:

- A. 62% of office work is completed before lunch.
- B. Shoppers spend in proportion to the length of time they are in the store.
- C. stuffy atmospheres increase staff error by up to 30%.
- D. Poor ventilation is a major cause of irritability and aggression.

*Students should be able to recognise the benefits to service industries of creating a pleasanter atmosphere, and the benefits to all the industries of a reduction in staff error and increased efficiency. Better students will be able to identify other potential benefits, such as a reduction in food spoilage due to heat, reduction in absenteeism due to sickness, and a reduction in aggressive behavior from customers who may already be stressed (e.g. in the hotel or the tax office).*

### **Case Study Answers**

1. The political environment has influenced the decision-making in three main ways. First, the local and national government departments concerned have been cutting back on expenditure. Second, non-citizens have been attending classes, which will undoubtedly focus attention on policies and procedures since taxpayers will not be happy to be subsidising foreigners. Third, the involvement of government in the funding of the university means that the organization must comply with strict anti-corruption rules, and, more importantly, must create systems which demonstrate compliance with those rules.
2. The DMU might include the IT department (gatekeepers and users) staff members (also users), the Chancellor (decider), the local and national government (influencers), the Management Information Systems Department (buyers) and representatives from support departments such as Human Resources (influencers).

3. See Q2.
4. Environmental influences include the current world economic climate – this is responsible for the cutbacks in expenditure by governments, and will affect the choices the University has open to it. Another environmental influence is demand from foreign students: as this rises, the University will have to ensure that either it obtains full tuition fees from foreigners, or that they are effectively excluded from enrolling.
5. The DMU will have a range of options, including visiting the firm, checking credit ratings, asking colleagues and even other customers whether your firm is reliable to deal with, and checking on your customer base to see whether other customers are likely to take priority over them.

### ***Chapter Review Answers***

1. Government departments typically put contracts out to tender. The buyer would begin by researching some companies to determine their capability, then would invite them to tender. It is likely that the tender would also be advertised in the industry journals, but the buyer is likely to talk to some companies beforehand in order to research the important features and benefits which the system would need.
2. Buyers can be affected in many ways by the internal politics of their organizations. Rivalries with other buyers, desire to please the boss, a desire for promotion (or for an easy life), and a knowledge of which behaviors are acceptable and which are not will all influence the buyer. None of these are directly related to the qualities of the products being bought.
3. Cleaning materials need to be effective at cleaning and environmentally friendly, of course, but for an organization there are extra considerations. The materials must also be easy and quick to use, since the cleaners' time is the most expensive part of the overall cost of cleaning. Absolute cash cost of the materials is a factor, but is less important than the other two factors.
4. A supplier is likely to consider the following factors about a purchaser:
  - The creditworthiness of the purchaser.
  - The level of purchases (level of need) likely to flow from the deal.
  - The ease of entry, i.e. whether a competitor is already supplying the purchaser, whether the supplier is already supplying some other products, etc.
  - Reputation of the buyers.
  - Ability to use the firm as a reference to sell to other firms.
5. Relatively few objective criteria are available for evaluating suppliers, but certainly financial solvency is one which can be checked. Purchasers would want to assess the capability of the company, and delivery reliability could be assessed if the figures are available. After-sales service quality might be assessed in terms of speed of response and efficiency of response.

### ***Multiple Choice Questions***

1. What is an initiator?
  - (A) A type of salesman who initiates first contact with a buyer.
  - (B) The person in the buying firm who first recognises a problem. \*
  - (C) The person in the firm who controls the flow of information.
  
2. Which of these is NOT a member of the DMU?
  - (A) Gatekeeper.
  - (B) User.
  - (C) Salesperson. \*
  
3. Which of the following is NOT a risk avoidance tactic used by buyers?
  - (A) Multisource the order.
  - (B) Use an agent. \*
  - (C) Visit the vendor's operations.
  
4. Which of the following is NOT an organizational influence on buyers?
  - (A) Structures.
  - (B) Economy. \*
  - (C) Technology.
  
5. What does OEM stand for?
  - (A) Original equipment manufacturer. \*
  - (B) Original energy marketer.
  - (C) Open-ended marketing.
  
6. What is a reseller organization?
  - (A) An organization which sells again to the same company.
  - (B) An organization which buys goods in order to sell them to someone else. \*
  - (C) An organization which resells goods which have been returned as faulty.
  
7. A customer which is involved in maintaining, repairing and overhauling products after they have been sold is called:
  - (A) An aftermarket customer. \*

(B) An institutional customer.

(C) A maintenance customer.

8. What is a modified rebuy?

(A) A repeat purchase in which the seller makes a better offer.

(B) A situation where the seller buys the goods back.

(C) A situation where the buyer places a repeat order, but with some modifications. \*

9. What is value in use?

(A) A measure of the life of a product.

(B) A measure of the money saved by using a product.

(C) A price that equates the overall costs and benefits of using one product rather than another. \*

10. Which of the following is NOT an approach to evaluating suppliers?

(A) Categorical plan.

(B) Economical plan. \*

(C) Cost-ratio plan.

### **Frankfurt Pump Questions for Chapter 2**

1. How might Frankfurt Pump be evaluated as a supplier by its customers? *FPC appears to be relying heavily on its engineering reputation as a supplier evaluation, but in fact many of the distributors are likely to be talking to each other and to other firms in the industry about FPC's poor service quality.*
2. What can FPC do about its aftermarket customers? *The aftermarket customers in this case are the independent repair firms. These repairers have no particular incentive to use FPC parts, and every incentive (costwise) not to do so. FPC need to make an effort to offer incentives to these people to use FPC parts rather than the cheaper alternatives. Either the prices should be dropped, or a scheme put in place to reward repairers for using FPC parts.*
3. How might FPC use its knowledge of the DMU to promote future parts sales? *Currently the replacement parts business is being dominated by parts pirates, based on cost. In fact, the oil field engineers (users) are likely to prefer the security of using original, genuine FPC parts. FPC could work through them to insist that service engineers use only genuine parts, and that financial directors understand the importance of maximising pump reliability by only using genuine parts.*

4. How might FPC use its knowledge of buyer behavior to encourage distributors to stock and sell FPC pumps and parts? *The company should invite distributors to visit the FPC factories on a regular basis, as this will reduce the perceived risk of doing business with FPC, and should also consider how derived demand can be encouraged by persuading engineers to specify FPC when designing installations.*
5. How should FPC build on its initial successes in the sewage business? *The sewage business is completely different from the oil industry in that the pumps are typically bought on tender. FPC should therefore have a dedicated sales force, and a separate marketing plan, for this sector, aiming to offer something which the other pump manufacturers are unable to supply. In particular, the reliability of the pumps is a crucial USP.*

### ***Chapter 3: Strategic Planning for Global Business Markets***

This chapter looks at marketing strategy in a global, business-to-business marketing context. It covers the basics of marketing strategy, on the assumption that students may not have studied this previously, but applies it to the global context.

**Essay title:** Mission, vision and objectives: rhetoric or reality? *Students should be able to critique the different forms of expressing corporate strategy, and explain the pitfalls in trying to apply them to reality. The better students should also be able to consider the degree to which such statements are likely to be rhetoric rather than reality, in the context of modern business life.*

**Practical exercise:** Obtain a copy of your University or College's mission statement. To what extent is the mission statement put into practice? How much of it is a blueprint for action, and how much of it is a set of aspirations? How might it be