Chapter 1

The Nature and Scope of Business Marketing Management

LEARNING OBJECTIVES

After reading this chapter you should become familiar with:

- The nature and scope of business marketing management
- The type of products and services bought by organisational customers
- The major differences between business marketing and household marketing
- Some unique aspects of business marketing management
- Challenges of managing business marketing
- The evolution of business marketing in India
- The importance of having an independent exposure to business marketing, besides basic marketing

Rana and Priya are young MBAs – less than 30 years old, from a leading business school of India. Rana is an engineer and Priya is an economics major. Both are working with FMCG (Fast Moving Consumer Goods) companies. Essentially in the B2C (Business to Customer) market space, Priya, having spent five years with a leading multinational, was sharing her company's attempts to support an initiative on the programme, "Excellence in Marketing", by ET now – a leading TV business channel of India. Her company had developed a series of cases that could contribute to the learning of MBA students and managers at large.

While listening to her, I complimented the efforts being taken by her company. I realised that it was so much easier for a B2C company to share its experiences on a mass media like the TV and make a beneficial impact on the audience, be it students, housewives, managers and/or any other group. Being in the B2C domain, its experiences could be comprehended by millions and millions of viewers. Through its regular TV commercials and advertisements in the print media, Priya's company enjoys very high visibility and awareness amongst the public.

BUSINESS MARKETING: ALL PERVASIVE YET INVISIBLE

The brands associated with Fast Moving Consumer Goods (FMCG) companies, their high visibility and glamour, the non-technical nature of their products, the thrill of managing channel dealers and retailers, make FMCG Companies like Hidustan Unilever, P&G, Coca Cola, Nestle, Johnson & Johnson, Colgate Palmolive, Cadbury, etc. the first choice of a large number of the MBA students specialising in marketing. In India, 80 per cent of the MBAs are engineers, but still, a majority of them would not like to join companies like Larsen & Toubro, Siemen's or Tata Steel in their marketing function. In other words, B2C marketing, rather than business marketing has been the choice of most of the MBAs coming out of business schools – whether they are the top ranking business schools like the IIMs or XLRI, or some lesser known business schools. Not only do most of the MBA students prefer FMCG companies, the themes of most of the marketing seminars held have also been based on B2C marketing situations. Further, most of the speakers, be it real-life managers or the academia, constantly bombard examples and cite research on consumer products and brands.

Low visibility, less glamour (none to very less advertising, absence of mass media visibility, no fashion shows etc.) and the more technical nature of the job, are some of the challenges the field of business marketing faces while trying to attract the desired talent. Consequently, these companies end up employing raw engineers from lesser known engineering colleges, for their marketing function. These engineers are then trained or developed by their bosses, who may not be MBAs themselves and might have learnt marketing through trial and error or through their bosses. This 'hand me down' approach has been a very useful way of developing the marketing talent of a large number of business marketers. Experience has no substitute. However, the *gurukul* approach (an age old concept of education in India) of developing the *shishya* (student) has led to a situation where business marketing has been reduced to certain rituals like: the submission of quotations, negotiation for orders, chasing of orders, entertaining customers, order follow-up, execution of orders and finally, the collection of money. But like in B2C marketing, there is a large body of scholarly knowledge and concepts in the field of business marketing that can create a sound foundation for the business marketing professionals. This chapter attempts to create this foundation and provide perspectives to make business marketing more professional and effective for millions and millions of organisations that are primarily functioning in the business marketing domain. It is an attempt to attract MBA graduates like Rana and Priya to opt for business marketing as their career.

Even though low on visibility and high on economic impact, the discipline of business marketing has not received the recognition and respect it deserves. It is widely known that nearly 50 to 60 per cent of the GDP (Gross Domestic Product) of any country is managed through the exchanges within the domain of business marketing. Thus, considering that India's GDP is estimated at $4000* billion in 2022, nearly 50 to 60% of GDP would be managed by the activities and exchanges belonging to the discipline of business marketing. It is like the invisible hand which drives the economy. Small or big, all organisations depend and benefit from the transactions of business marketing. It is a 'behind the curtain' kind of an activity in a play on the stage.

Consider a company like the Hindustan Unilever Limited (HUL). Most of its products are sold as brands to the household customers (B2C marketing). A majority of HUL brands would classify as falling under the FMCG category. For this reason, HUL is known as a consumer products company. Its brands figure prominently in several examples of household marketing. However, in order to produce products like shampoos, facial creams, detergents for fabric wash, bathing soaps, toothpaste and many similar products, it needs to procure a wide variety of raw materials as ingredients. Besides these, it has to procure plastic and paper containers for packaging, fragrances, oils and many more products. In order to run its factories, it requires electricity, fuel, water, maintenance and operating spares. Thus, on sales of approximately $6 billion in the year ending March 2018, HUL's major purchases were around $2.5 billion.[1] Out of this, HUL spent nearly $1.5 billion on raw materials, $400 million on packaging

*Throughout this book, for the purpose of international comparison, the monetary value has been expressed in the United States of America (USA) Dollars. The exchange rate used is ₹70 for 1 US Dollar. This rate was prevalent in the year 2018.

material and $50 million on stores and spares. Marketing of all these would have been performed by companies and individuals who would classify as business marketers. All these purchases would form part of the 'revenue items', and would be shown in the profit and loss account of the annual reports of the company. Further, in order to produce the end products (brands), HUL would require processing plants, packaging plants, conveyer equipment and several other forms of major and minor capital goods and services. For its R&D labs, it would need to buy many sophisticated testing equipment. All these would form part of the capital equipment and fixed assets. These would be shown as the gross block or fixed assets of HUL's balance sheet.

In order to procure such a wide assortment of products and services, HUL would have a big procurement department. But this huge purchasing activity would never be seen or known to its household customer, for instance, the housewife. She would never be able to even figure out as to who supplied millions of plastic bottles or billions of laminated sachets to pack the shampoo in. But all of what she uses has been made possible because of the efforts of thousands and thousands of organisations working in the area of business marketing. What is true for HUL products is also true for products like trucks, cars, bicycles, refrigerators, TVs, music systems, sarees, shirts, cola drinks, bottled water, bathroom fittings and thousands of consumer products, sold to millions of households in India and elsewhere.

Consider another example, that of an educational institute like XLRI (a leading post graduate School of Business and Human Resources in Jamshedpur, India). XLRI is a non-profit organisation. To manage its educational programmes, it has to procure computers, audio visual aids like projectors, photocopying machines, paper, stationery items, office furniture, class room furniture, air conditioners, drapes, vegetables, cooking oil, etc. Here too, the list would run into thousands of items. Unlike HUL, it may not employ more than two to three persons to take care of its procurement needs. But without the support of business marketing, XLRI would have not been able to manage its educational programmes. Like these two, HUL and XLRI, the Indian economy consists of millions of organisations, falling under the categories of manufacturing, services, government owned departments, public sector undertakings (PSUs) and the like. None of these organisations would be able to manage their affairs without the support of business marketing. But to their customers and end users, the effort of business marketing would remain invisible.

Evolution of Business Marketing Management from Industrial Marketing

It may be appropriate at this stage of our discussions to share the evolution of the term Business Marketing. Till the late 1960s, the most commonly used term for this discipline was Industrial Marketing. It had a connotation of dealing with firms which were essentially in manufacturing or producing what could be loosely labeled as industrial or technical products. It also gave the impression that its scope was limited to manufacturing firms which were essentially, for-profit, commercial organisations. Soon, several authors realised the narrowness of the scope of the term Industrial Marketing. So, by the 1970s, authors started using words like 'Organisational Marketing' or marketing to 'Organisational Customers'. This widened the scope of the discipline of Industrial Marketing. They appeared to be all inclusive terms. They were being used to cover all types of organisations: manufacturing, institutional and government, for-profit and not-for-profit organisations, etc. The late 1980s saw the emergence of the term, 'Business Marketing'. The increasing popularity of information technology in the late1990s, made terms like B2B and B2C (Business to Customer) more popular.

By 2006, 'Business Marketing' seemed to have become the most commonly used term for what began as 'Industrial Marketing'. Business marketing, to the majority of the readers, may appear to cover only for-profit and commercial organisations. But, in essence, it covers both, for-profit as well as not-for-profit organisations. It includes products and services bought by businesses, government bodies and institutions like banks, hospitals, schools and universities. In fact, according to many academicians and practitioners, the most appropriate term for this discipline would be 'Organisational Marketing Management'. But keeping in line with the recent developments, we would be using the term 'Business Marketing' in this book.

NATURE AND SCOPE OF BUSINESS MARKETING

For a business marketer, the customer is an organisation. In this situation, buying would always be done 'on behalf' of the organisation. Even when some products are common to both, B2C as well as business markets, like air-conditioners, electrical fans, diesel generating sets, edible oil, vegetable and furniture items, etc., the marketers of these 'common products', to be effective, will need two different marketing strategies – one for the B2C markets, where buying is for self, and another for the business markets, where buying is 'on behalf' of some organisation. Two major challenges for business customers are transparency and accountability in buying decisions. In order to provide a good feel of the differences between business and B2C marketing, the subsequent discussions would study several dimensions.

The Domain of Business Marketing

Before a product or even a service reaches its end customer, it passes through several exchanges involving value additions. These value additions are provided by different constituents of the 'value chain' of the whole economy. This value chain would vary for each product category, like cars and tractors, as also for different industries like the automobile industry and the apparel industry. Figure 1.1 provides a conceptual view of this value chain and the stages for each type of industry in the economy.[2] Figure 1.1 shows six stages of the value chain. The first five stages of the value chain belong to the domain of 'business marketing'. All the exchanges and transactions in these stages are managed by the efforts of business marketers. It is only the last stage that truly belongs to the domain of household marketing, i.e. B2C marketing. But, it being the last and the most visible face of the marketing activity tends to give us an impression that marketing is needed only for household goods and services. But this last stage of 'highly visible marketing' would not be possible without the support of the earlier components of the value chain. The Value Chain of Figure 1.1 contains the names of some well known business marketers of India for each stage.

The domain of business marketing, as shown in Figure 1.1, indicates that it could contain thousands and thousands of products and services in each stage of the value chain. By 2018, India alone had around 70 to 80 million organisations,[3] which could be associated with business marketing. Globally, the number of organisational customers may run into billions. In short, there is too much of product and customer diversity in business marketing. The following section will present some common perspectives and characteristics to capture this vast variety. It would first begin with giving a general idea of what organisations buy. The second perspective would deal with the type of market structures. The third section would be on the nature of demand for industrial products and services. Collectively, these perspectives will give the reader a fair idea about the nature and scope of business marketing and the business markets.

First → Raw Material Extraction	Second → Material Processing	Third → Manufacturing	Fourth → Final Assembly	Fifth → Distribution and After Markets	Sixth Wholesales and Retail Sales to Household Consumers
ONGC	Indian Oil	Larsen & Toubro	Tata Motors	Pantaloons	Big Bazaar
Oil India Ltd.	Tata Steel	Bharat Forge	Maruti Suzuki India Ltd.		Titan watches
Reliance Industries	Reliance Industries	Sundaram Fasteners Ltd. (SFL)	Godrej Boyce	Service provider for cars, elevators, air conditioner	Raymonds
Coal India	Sterlite	Sona Steering	LG	Westside	Auto Dealer Showroom
Tata Steel	Hindalco	Rane Brakeline	Nokia, Hindustan Unilever Ltd. (HUL)s		VIP Suitcases

← Domain of Business Marketing: → Domain of B2C marketing

Source: Sarin 2010, p 29.

Figure 1.1 The Value Chain of an Economy: Domain of B2B Marketing

PERSPECTIVE OF ORGANISATIONAL BUYING BASKET: WHAT ORGANISATIONS BUY

Literature on business marketing provides several ways of classifying the products and services that organisations buy. Alexander, Cross and Hill [1967][4] had classified the purchases of a typical manufacturing organisation under eight categories, which are:

- Major Capital Equipment
- Minor Capital Equipment
- Office Equipment
- Raw Material
- Components and Parts
- Consumables
- Processed Material and Chemicals
- Services

Kotler[5] regrouped these into three broad classifications. These are:

- Entering Goods: Raw Materials, Components and Parts.
- Foundational Goods: Major and Minor Capital Goods, Office Equipment.
- Facilitating Goods: Operating Supplies, Consumables and Services.

Major Capital Equipment

These are needed to produce the end products. Their buying is not very frequent. They involve a commitment of long term capital by the organisations. The selection of technology and negotiations for the commercial terms become very critical. At times, raising of funds too might become very challenging. Buying of capital equipment would imply a very high involvement of a large group of people, including technical and commercial experts. The amount investment in capital equipment would depend on the nature of an industry. Thus, to set up a thermal plant of 1000 mega watt, the investment made by a company like Tata Power, at the rate of $8 million per mega watt (2018 prices), could be nearly $800 million. Similarly, a cement plant of one million ton annual capacity may require an investment of $1 billion in 2018. A steel mill, to produce one million ton of ordinary steel, may require around $500 million (2018 prices). Within these plants, there would be a need for a wide variety of capital equipment. Thus, a steel plant would need a blast furnace, steel making furnaces, oxygen plants, compressors, power generating sets, coke making plants, sintering plants, re-heating furnaces, continuous casting machines, bulk material handling equipment and so on. The buying criteria would include several parameters of performance. The buying decisions would need to take into account the pay-back periods and the expected return on investments. For the buyers, the major considerations would revolve around minimising the risks. The buying task would require a lot of time to arrive at the purchase decisions. The whole exercise would fall under the category of projects or capital goods buying. For the marketers of such specialised products and services, the customer base would be very narrow, i.e. there would be very few customers. Also, their cash flows and even the order booking would be linked to the state of the economy and the state of the industry at that point of time. For an emerging economy like India, the creation of such projects is very critical. These projects would involve not only the buying of capital equipment but also the selection of appropriate technologies, including technology partners.

Minor Capital Equipment

These include products like electrical motors, pumps, valves, greasing and maintenance equipment, welding machines, grinders, desktop computers, printers, copiers and the like. These may be more like standard products and not tailor made for the business customers. Business marketers call these 'proprietary products'. These have less purchase value as compared to large capital equipment. But these remain part of the fixed assets of the organisation. For these, depending upon the policies, sanctions may be needed by the board or may be directly purchased by the heads of the concerned departments.

The Revenue Items

These items are listed in the Profit and Loss statement of an organisation. They account for a large portion of the annual purchasing done by organisations like HUL, Maruti Suzuki India Ltd., Mahindra & Mahindra, SAIL and millions of large, medium, small and tiny sector organisations. The buying effort required is enormous for organisations like Maruti, Tata Motors, Ashok Leyland, LG and Hyundai Motors. These organisations would classify as Original Equipment Manufacturers (OEMs). They depend very heavily on bought-outs, i.e. outsourcing from a select group of vendors. The selection and development of vendors requires enormous organisational efforts and energy. As good quality vendors can provide sustainable competitiveness, the management of vendors is very strategic. The purchasing activities involved in obtaining these items generally come under the purview of the 'material management department' or the 'purchase department'.

Organisations classify Raw Material, Components and Consumables and Services as part of 'Revenue Items' and their expenses appear in the Profit and Loss statements. Capital Goods, both major and minor, and Office Equipment become part of the fixed assets and are shown in the balance sheet of an organisation.

(a) Raw Materials A major component of the cost of goods sold is raw material. Raw materials may account for as high as 60 to 70 per cent of the cost in the case of processed industries like steel, aluminum, petroleum refineries, copper or sponge iron producing units. Similarly, other manufacturing units too would need raw material to produce their end products. Thus, Godrej Boyce would need cold rolled sheets and coils to produce their office furniture like filing cabinets or almirahs. Advani Oerilkon would need electrode grade steel wire rods to produce welding electrodes. Usha Martin would need special grade steel wire rods to make wires and finally the wire ropes. Depending upon the availability and criticality of the cost of a particular raw material, companies may enter into ownership of the basic raw material, for instance, a steel plant may enter into iron and coal mining, a power plant might own coal mines and an aluminum plant may have captive bauxite mines. They could also go in for long term strategic partnership arrangements with the key suppliers. Non-availability of a raw material can kill an organisation. Similarly, the high price of raw materials like crude oil, iron ore, coal etc. can affect the profitability. For all such purchases, an efficient procurement and inventory and cash management for raw materials would be a strategic necessity for a business customer dealing with an industry where the quality, quantity and cost of raw material is very substantial.

Even though some of these raw materials may be purchased on price and delivery considerations, just like ordinary commodities, the business marketers of such raw materials are continuously trying to create good source credibility for their organisations. They try to create brands so as to move the buyers away from the price issues. When supplies exceed the demand, i.e., markets become favourable to buyers, the competitive war is fought on differentiation via superior quality and more ‘value’ through additional services. Tata Steel has been continuously practicing this strategy for most of its product mix, which include galvanised sheets for the roofs of factories, coated sheets for housing and appliances, wire rods for construction and welding electrodes or very sophisticated cold rolled sheets for cars.

There is also the example of Sundaram Fasteners Limited (SFL), a leader in the business of high tensile (HT) fasteners for long in India. These fasteners are required by the auto industry. Even though a low value item on a single piece basis, it is very critical for the safety of automobiles. Buyers like Maruti and Tata Motors, who buy these in millions, bargain hard for prices. But for years, SFL has been able to get a premium on its HT fasteners because of its image of a quality and reliable supplier. In order to maintain its quality image, it has to be very careful in the purchase of the wire rods it uses as raw material. The wire rods are the only raw material for SFL. They may account for nearly 80 to 85 per cent of the cost of the HT fasteners. Therefore, availability at competitive prices is critical. To ensure this, SFL had, for long, restricted its suppliers only to Tata Steel and Mukund Iron. In such a scenario, it took nearly 3 to 5 years for another very reputed supplier of wire rods to get a breakthrough. The company had to virtually agree to all the commercial terms of SFL. It also had to maintain a separate godown in Chennai to ensure the regularity of the supplies. Besides this, it had to maintain a quality that was superior to that being provided by its main competitors like Tata Steel and Mukund. This required a higher yield per ton of wire rods. Thus, what on the face of it, appears to be a straightforward marketing of commodities, turns out to be a very challenging task for the business marketers involved.

(b) Components Components are needed to produce end products like TVs, cell phones, refrigerators, washing machines, bicycles, scooters, cars and a host of such other products. Components could either be tailor-made for some specific purpose, or they could be proprietary items of the marketers (electrical starters, bearings, electrical motors, horns, pumps, tubes, TV tubes i.e. Cathode Ray Tubes, etc., are some handy examples). These components do not lose their identity. The most common and highly visible example of a component is the famous Intel chip for PCs, ‘Intel Inside’. It is a classic case of a component hidden inside an end product (i.e. a PC), which, due to a very creative tagline, enjoys tremendous visibility. OEMs, generally, require a lot of components and are the major buyers. It would be interesting to know that a truck needs around 10,000 components. For cars, this numbers could be as high as 30,000. For both, the business marketers as well as the buyers, the marketing and buying of components is a very important managerial activity.

(c) Consumables Consumables are needed to run plants and machinery. They are also needed to produce some end products. Thus, lubricating oil, grease, refractories, etc., are needed to run the plants. Paper is needed to get printouts. Grinding wheels and electrodes are needed to produce certain end products. Conveyer belts are needed to transfer materials from one place to another. Idlers and rollers are needed to run the conveyor belts. Pulleys are also needed to run these belts. Scrappers are needed to clean the belts. Guides are needed to ensure that the material being transferred does not fall of from the belts. For a manufacturing or a process plant, the list of consumables required would be very long. As the name suggests, the life of consumables is limited. Because of this, the buying is very regular for some fast-moving, i.e., frequently used consumables. Some examples of such fast-moving consumables could be toner for copiers, paper for printers and plain paper copiers, lubricating oil for machine tools and welding electrodes. For other consumables, the frequency of replacement may be less. Some examples are electrical items like cables, lugs for cable terminations and electrical contactors for motor starters.

Some of these items are also classified under the head, Maintenance, Repairs and Operating equipment (MROs). As the management of consumables could offer a major scope for cost reductions, organisations in India have become very careful in examining the usage pattern and life of these consumables. The earlier practice of buying these at the lowest price, from pre-approved suppliers, is giving way to buying superior products from more credible suppliers. Considering the total cost of operations or life cycle costing is becoming more popular than the criterion of buying at the lowest price alone.

(d) Processed Materials and Chemicals Even though processed materials and chemicals are also consumables, they need to be classified differently because of the difference in their end use. These are used as ingredients in producing a product. They lose their identity once they are used. A handy example could be the salt, spices and edible oil used in producing potato chips. Similarly, while producing castings, many foundries use chemicals and additives to make moulds. Another example could be the use of chemicals and additives while producing ready-mix concrete for the purpose of prolonging the setting time of the concrete. The quality of these consumables is very critical to ensure consistency in the quality of the end products. A whole lot of colours, pigments and chemicals are used to produce coloured and printed fabric for garments. Even a minor variation in the quality of these could affect the quality of the end product, i.e. fabrics and garments. These may account for a very low percent of the total cost in the fabric and of the final garment, but these specialty chemicals command very high prices and premium from the buyers.

(e) Services Besides such tangible products, business customers also need several services. One end of this spectrum could be the financial services. The other end could be the canteen and catering services. In between could be several services like securities, civil works, transportation, gardening and so on. Service industry per se, is the most dominant part of the GDP even for a country like India. Looking at its importance, a separate chapter has been devoted to discussing the challenges and tasks involved in the providing of 'services' to business customers.

(f) Office Equipments A separate mention of this head has been made to highlight the importance of these products for an organisational customer. Furniture, air-conditioning equipment, computers, plain paper copiers, audio visual aids like projectors and many other such products would come under this category. For an educational institution like the XLRI, these would be classified as major capital items. It would be the same for other institutions like banks and a large number of service oriented government and non-government organisations as well. In many organisations, office equipment are purchased on the basis of annual rate contracts. Once a rate contract is finalised, the buyer specifies the source (brand) and delivery schedules.

PERSPECTIVES OF MARKET STRUCTURES

The earlier discussions provided an idea about what business customers buy in terms of product and services. The second perspective of business marketing is provided by presenting some important characteristics of business markets.

Business Markets Have a Narrower Customer Base

For most of the products and services in the business market, the market base, i.e. the number of customers is limited. Though the number may vary from product to product, but as compared to the 250 million potential household customers of B2C in India, the number for the majority of products or services for business marketing may not exceed even a thousand. The rare exception could be products like computers, ceiling fans, stationery items and certain categories of appliances. It is this narrow customer base that enables marketers to distribute directly. Due to the narrow customer base, the business marketer can avoid the use of mass media and rely on personal selling. This also enables easy identification of the buyers and facilitates frequent interactions. This narrow base also implies the importance of strategic relationships amongst buyers and sellers. If the base were not narrow, then the business marketers too would have to perform marketing tasks similar to what the B2C marketers do for their customers. Thus, broad customer base would require indirect distribution, i.e. use of dealers and retailers, necessity of creating strong brands, use of mass media and many such activities.

The Dominant and Single Customer Situations

This characteristic is an extension of the narrow customer base situation. For instance, there are many auto component manufacturers who have only one customer, like Tata Motors or Maruti. Such a situation is also known as a captive customer or captive market situation. The prosperity of a business marketer in such a situation is directly linked to the performance of the single customer, i.e. the auto manufacturers in the above case. So, if the auto producer fails, the vendor would suffer too. Adityapur Industrial area – near Jamshedpur – has more than 600 auto component manufacturers. Till 2004, nearly 80 per cent had Tata Motors as their only customer. Whenever Tata Motors used to reduce its production, due to recession or a decline in the demand, the vendors also used to suffer severe cash crunches, even leading to the temporary closure of many. Though they knew that their fate was dependent on their single customer, due to limited resources, they remained dependent only on Tata Motors. However, over the years, they have broadened their base and are now dealing with more than one customer. The story in Box 1.1 captures the harsh reality of a dominant customer situation.

The A, B, C Categorisation of Customers

Leaving aside the extreme situation of a single customer or a dominant customer market, typically, the market structure of a large number of business marketers can be divided into A, B and C category

Box 1.1

Business Marketing Insights

ABC Ltd.: The Pains and Gains of a Single Customer Situation

Single customer or Dominant customer situations, though, on the one hand, give tremendous comfort when the going is good; on the other hand, when the going goes bad for the customer, a situation is created where the business marketers have no other option but to go out of business. ABC's case is illustrative of this harsh reality. The company came into being to produce sulphuric acid for XYZ Steel Co. The promoters got the business opportunity when XYZ decided to shut its own sulphuric acid plant. It needed sulphuric acid to produce ammonium sulphate, a chemical fertilizer. Making of ammonium sulphate was an unavoidable necessity for XYZ, as it could not release ammonia into the atmosphere and spread pollution. The going was good for some years till the time XYZ decided to stop producing ammonium sulphate. It decided to close its plant that produced the fertilizer. This meant disappearance of the market for the sulphuric acid. ABC's own attempt to set up an ammonium sulphate plant was a disaster. It lacked the managerial resources and technical knowledge required to manage such a process oriented chemical plant. Finally, ABC had to close both the plants after incurring huge losses and going into deep debts.

of customers. The A category of customers would account for 70 to 80 per cent of the total sales and profits of a business marketer. Their number could vary from 5 to 30. The B category would account for 15 to 20 per cent of the total sales and profits. The actual number may vary from 15 to 100. The C category may account for 5 to 10 per cent of the total sales and profits and the number may vary from 100 to 1,000 plus customers.

Horizontal and Vertical Market Situations

Literature on business marketing also uses descriptions like 'horizontal' and 'vertical' market situations. Horizontal market situations those are where products and services have a very large number of end uses and end users. Raw materials or 'intermediary products' like steel, nylon, plastics, copper, cotton, PVC, glass, etc., would have very broad 'horizontal markets'. 'Vertical markets' are situations of limited end users as well as limited end uses. Items like computer chips, steering wheels, flat screens for TV sets and fuel injection pumps for trucks would fall in this category. Similarly, several customised and special purpose plant and machines would also face the situation of vertical markets.

Geographical Concentration of Business Buyers

There are several products and services whose customers are concentrated geographically. For example, auto manufacturers in India are concentrated around three main hubs – Delhi, Gurgaon, NOIDA and Daruheda in the North, Pune and Mumbai in the West and Chennai and Bangalore in the South. The pharmaceutical industry is concentrated in the West (Mumbai and Gujarat) and in Hyderabad. Printing of synthetic sarees is predominantly done in Surat (Gujarat). Coal mining is confined to East and the central portion of India. There was a time, i.e. till the late 1990s, when Mumbai and New Mumbai accounted for nearly 60 per cent of the total sales of lifts (elevators) in India!!

Simultaneous Presence of Both Dominant and Fragmented Markets

There are several products for which demand exists throughout India but the market sizes may vary from metros to cities to rural areas. Office equipment like personal computers, laptops, office and home furniture, printers, lubricants, grease, air conditioners, elevators, sanitary ware and many more such products would face such a situation. The creation of market reach through appropriate channels and prompt service availability to all the markets, big or small, is a major challenge for business marketers as many small cities and geographical areas may not have the minimum 'critical mass' required to provide prompt and economical services. In India, where physical infrastructure is still poor in several portions of the country, serving these kinds of markets poses a very serious challenge.

PERSPECTIVES ON DEMAND CHARACTERISTICS

There are several peculiar characteristics and behavior associated with the demand for products that are needed by business customers. Some important characteristics are discussed below.

The Demand is Derived

The term 'derived demand' implies that the demand for the industrial products and services is a function of the demand for the end products in which they are used. Thus, the demand for tyres will depend upon the demand for cars, trucks, tractors and two wheelers like scooters and motor cycles. Moving one step backward on the value chain, the demand for natural rubber would depend on the demand for its several end uses. These would include tyres of all types, tubes, conveyor belts, rubber liners for material handling equipment and several household products where rubber is used. Similarly, a manufacturer producing cold rolled thin steel sheets would know that the demand for its steel sheets would depend on the demand for products like cars, house appliances, like TV sets, refrigerators, air conditioners, ceiling fans, personal computers and steel cabinets, and many more. For a product like tinplates, the demand would depend upon the demand for products like metal containers for food items, paints, milk powder, infant milk food, bottle enclosures, battery jackets and several other end uses of tinplates. The demand for electricity would be dependent upon the demand of the industries, service organisations and household segments. The demand for steel would generate a demand for steel plants and thousands of equipment used to set up a steel plant. The demand for cars would create a demand for several forms of capital equipment like presses to transform steel sheets, paint shops, assembly plants and several general and special purpose machine tools.

As an example, a standard refrigerator needs (i) Copper: 1.5–3.8 kg, (ii) Plastic: 8–15 kg, (iii) Steel: 25–40 kg and (iv) Paint: 0.4–0.5 litre. So, the copper, plastics, steel and paint manufacturers would try to estimate the demand for their products by multiplying the estimated annual production of refrigerators in India in a given year by the requirement of their products for each unit.

By this time, the reader must have sensed that for some products it would be easy to know the end customers and also to calculate the demand. Thus, it would perhaps be easy for ball bearing manufactures and tyre manufacturers to calculate the demand for their products if they are selling to auto manufacturers like Tata Motors and Maruti. But for a product with several end uses and end users, the assessment of demand and familiarity with all the possible users might become difficult. For some categories of goods and services, it would be extremely difficult to identify the specific consumption norms. Some such products are capital goods, electrical power, electrical cables, maintenance equipment, consumables like grease, lubricating oils and so on. But what is important to understand is that though difficult to assess, the demand would always be derived.

Price Inelasticity of Demand

Besides the derived nature of the demand, for several products and services, the demand, at least in the short term, remains price inelastic. This happens in situations where business customers would continue to buy the product even when its prices go up as it is essential to run their plant and produce their end-products. The buyers have no choice in such situations. Thus, Indian Oil Corporation or Reliance Industries cannot stop buying 'Crude Oil' even when the prices increase from $40 per barrel to $140 per barrel. Similarly, the prices of coking quality coal – needed for steel making – have increased three times in the last three years, but steel plants cannot stop buying coal as it is essential for production. Similarly, if all the tyre manufacturers raised their prices, Tata Motors would have no choice but to keep buying the tyres. These are situations where 'no substitute' for the product is available in the near term. Due to this, the buyers do not have any bargaining power and they have to keep on paying the price asked. Such demand is described as 'price inelastic'.

Volatility of the Demand

Rapid Fluctuations in the Demand: Due to its derived nature, there are situations where small changes in the demand for the consumer products in the B2C markets have caused wider swings in the demand for the related business products. This volatility of the derived demand has been partially explained by the phenomenon known as the 'bull whip effect' or the '*chabuk*' of the horseman effect. This happens when manufacturing organisations, sensing a shortage or price increase in the future, start building their inventories and buy much more than their normal requirement.

BUSINESS MARKETING CHALLENGES: CURRENT AND FUTURE

There are several challenges facing business marketing. This section will attempt to give an idea about the differences and similarities between business and B2C marketing.

Business Marketing: Some Unique Dimensions

Webster,[6] in his attempt to identify the uniqueness of business marketing, identified four distinguishing features of business vs. B2C marketing. These are:

- Functional interdependence
- Buyer–seller interdependence
- Product complexity
- Buying process complexity

(a) Functional Interdependence Functional interdependence implies that the sales and marketing department cannot function without the support of the several other functional teams of the organisation so as to meet its commitments to the customers. These commitments could be related to product design, packaging, delivery or services, or they could be commercial and legal commitments like payment terms or terms related to legal jurisdiction for settling conflicts and penalties. It is for this reason that experts, with several decades of experience in business marketing, have observed that: 'business marketing is more internal than external'. In simple terms, this means that marketing professionals of business organisations need to have coordination and persuasive skills to take care of both: the internal departments as well as their customers.[7] Looking at this reality, Webster also observed that 'marketing in the business marketing world is much more a general management responsibility than it is in the field of B2C marketing. In B2C marketing situations, even major changes in the marketing strategy can be made at the level of the marketing department. But the same cannot be done in business marketing situations. The business marketer has to seek the consent of several other departments before making any changes in the strategy.'

(b) Buyer-Seller Interdependence For a large number of products and services, there are opportunities where both the buyer and the seller can work together for mutual gains. This mutuality is needed when a customer, i.e. a buyer, depends upon the suppliers to develop his products. Manufacturers of automobiles have followed this policy for decades. Industry experts observe that nearly 75 to 80 per cent of a car or a truck is bought out. A truck has more than 8,000 to 10,000 components that are made from different materials like steel, rubber, plastic, nylon or aluminum. Some of these components are forgings, castings, gears, dash boards, bulbs, light covers, brake lining, fuel injection pumps, steering wheels, seats and so on. Without an effective management of vendors, the auto manufacturers would never be able to survive and flourish. Due to the increasing trend of outsourcing, effective and efficient vendor management and networking have become major challenges for business marketers.[8]

(c) Product Complexity An organisational buying basket would typically include a plethora of products, which may vary from safety pins to cleaning towels to plants, machinery, parts and components. It is a commonly shared opinion is that 'it is not the product but the buyer who determines whether it is B2C marketing or business marketing'. But in relative terms, one would find that organisational buyers generally buy products that are technically more complex than those bought in the B2C marketing space. Due to this reality, business organisations hire a larger number of engineers and technical personnel for their procurement and marketing functions.

(d) Buying Process Complexity The chapter on 'Organisational Buying' would provide deeper and wider insights into the process of buying. However, in this chapter, it would help to mention that organisational buying, which is always done on behalf of organisations as against individuals, requires an enormous amount of buying effort and resources so as to minimise risks and ensure smooth and profitable functioning of the organisations. Multi-person involvement in the buying decisions, adherence to the processes and such other peculiarities of business marketing make the buying decision more complex. Both the buyers and the sellers have to deal with issues of accountability and transparency. Maintenance of these two, i.e. accountability and transparency, requires enormous organisational efforts. This also creates its own complexities.

The story in Box 1.2 provides a glimpse into the ground reality of the business marketing personnel. It is a good lesson for less experienced and young readers.

The Challenges of Business Marketers: Are they Different from those of B2C Marketers?

Conceptually, there would not be any difference. However, the key differences would be in execution. The adage 'God is in the details', is very apt to describe the differences between the two: business and B2C marketing. Business marketers have to be very careful of the fine prints in the terms and conditions of the business buyers. In spite of the magnitude of the marketing effort, the business marketer faces almost the same concerns as the B2C marketer. The similarity of the concerns can be seen through the frequently asked questions of the executives belonging to business as well as B2C marketing.

Box 1.2

BUSINESS MARKETING INSIGHTS

What they do not teach MBAs*

Recollections of an MBA

After obtaining an MBA diploma, I was fortunate to join the marketing division of a top ranking business company. Within 15 days I realised the limitation of my classroom inputs. My MBA course had not made me familiar with terms like tender documents, inquiry, proposal, approval of drawing, pre-tendering activities to help customers to develop product specifications, release of acceptance orders and many more aspects of managing the marketing functions. Soon, wisdom dawned that business marketing is essentially a cross-functional activity requiring support from several functions like – R&D, design, production planning and control (PPC), plant manufacturing, dispatch of material, law and many more. Managing this cross-functional support required strong and cordial inter-personal relationships with peers, bosses, supervisors and even workers. I soon realised that business marketing cannot be a one man activity. Further, I felt that effective business marketing personnel require a strong external and internal customer orientation.

Three small incidents within the first six months made me aware of several unique aspects of business marketing.

One day, a mail came from a branch engineer. It was on behalf of a customer, seeking information on the delivery status of the order. The 'strongly worded letter' was expressing the customer's urgency and annoyance. My colleagues suggested that I share the letter immediately with our boss. On reading the letter, the boss remained unruffled and asked me several questions, like: when was the order placed, what delivery did we quote, is there any penalty associated with the delay, what is the order value, which equipment like, circuit breakers, motor starters, protection relays etc. are involved, any idea at which stage of execution the order is in, i.e. have the drawings been prepared and have we received approval, are we waiting for some information or clarifications; is the order clear and if so, has the production planning and control released the order to the plant, etc. Hearing his questions, I drew a blank and felt nervous. But the questions were an eye opener for me. These, in no time, helped me to understand the word 'delivery' in the context of business marketing!!!

My 'naivety' of the subject was fully exposed. One unprepared visit to my boss's chamber was sufficient to highlight what I had not learnt during my MBA education.

The second episode happened when I was asked to meet the Chief Engineer of a steel plant, who was visiting Mumbai from his works. He, along with his Purchase Manager, was on a follow-up visit. My company had supplied the equipment for the power plant of this steel company nearly a year before my joining. Besides the main equipment, the order included a supply of 'spares'. My company had not supplied most of the spares. The list of spares was long and I was totally ignorant about the unexecuted portion of the order. Unaware of the purpose, I went to meet the Chief Engineer. The meeting was a disaster. I was totally unprepared and could not provide answers to any of the queries. But this one meeting with a customer was sufficient to bring home the point that, 'never ever visit a customer without doing your homework'.

The third episode occurred when I was asked to carry a suitcase, full of drawings, for approval by a steel plant under construction. The approval was needed to start the manufacturing of the

*Modified version of the portion of the article by Sarin [2012][9] equipment. It was a big order and a delay in execution was affecting the production plan and delivery of orders from other customers. I was unhappy on two counts – I was being made to travel on a short notice and had to carry a bagful of drawings, which, in the normal course, could have been dispatched through the mail.

No book had ever told me that this would also be treated as the responsibility of a business marketer. But looking back, I realise that all these are like routine activities for any marketing person belonging to business marketing.

Interactions with a large number of business marketing professionals enabled the development of a list of 16 frequently mentioned challenges faced by the business marketers from India. This list is as follows:

1. How to go beyond the narrow obsession of sales and collection;
2. How to segment the markets and grow profitably;
3. How to identify and provide customer value;
4. How to derive 'value' from commodity type products;
5. How to sustain customer loyalty;
6. How to study consumer behaviour and grow profitably;
7. How can one position the products and services for business markets;
8. How to provide differentiated products;
9. How to brand business products and what could be the brand building activities;
10. How to prevent commoditisation of business products;
11. In a 'price' dominant scenario, what is the role of service;
12. How to increase the market share without indulging in price wars;
13. How to increase market share through 'fair' play;
14. How to manage channels for business products;
15. How to create a good marketing culture for business marketing companies; and
16. How to identify new market opportunities?

These 16 questions are almost similar to the checklist of '14' frequently asked questions of marketers[10]. These questions are as follows:

1. How can we spot and choose the right market segment(s)?
2. How can we differentiate our offerings?
3. How should we respond to customers who buy on price?
4. How can we compete against lower cost, lower price competitors?
5. How far can we go in customising our offerings for each customer?
6. How can we grow our business?
7. How can we build stronger brands?
8. How can we reduce the cost of customer acquisition?
9. How can we keep our customers loyal for longer?
10. How can we tell which customers are more important?
11. How can we measure the payback from advertising, sales promotion and public relations?
12. How can we improve sales force productivity?
13. How can we establish multiple channels and yet manage channel conflict?
14. How can we get the other company departments to be more customer oriented?

By comparing the lists, readers would be able to sense that the formulation of effective marketing strategies would need a similar set of questions, irrespective of whether it is business or B2C marketing. A 'check list' of questions is always helpful. Depending upon the nature of the industry, business marketers can 'tailor-make' the list of questions.

The Future Challenges of Business Marketing

An old adage is: 'markets and customers do not wait for anyone; they are changing faster than the marketers'. It is for the business marketers to identify and cope up with these changes. Two perspectives, one regarding marketing 'shifts' and another regarding 'rethinking business marketing' are being discussed below. Both provide excellent food for thought.

(a) The Marketing Shifts Kotler and Keller,[11] the global marketing gurus, identified 14 major developments that they have identified as 'marketing shifts'. The idea is to prepare for changes that are likely to happen in the near future. The developments and their impact may vary from product to product and industry to industry and marketers need to map them accordingly. The following checklist of these 14 'shifts' would thus be helpful:

1. From Marketing does the Marketing to everyone does the marketing.
2. From organising by product units to organising by customer segments.
3. From making everything to buying more goods and services from outside.
4. From using many suppliers to working with fewer suppliers in a partnership.
5. From relying on old market positions to uncovering new ones.
6. From emphasising tangible assets to emphasising the intangible assets.
7. From building brands through advertising to building brands through performance and integrated communications.
8. From attracting customers through stores and sales people to making products available online.
9. From selling to everyone to trying to be the best firm, serving well-defined target markets.
10. From focusing on profitable transactions to focusing on customer life time value.
11. From a focus on gaining market share to a focus on building on customer share.
12. From being local to being 'Glocal', i.e. both 'global and 'local'.
13. From focusing on the financial score card to focusing on the marketing score card.
14. From focusing on shareholders to focusing on stakeholders.

(b) Rethinking Business Marketing: Blurring of Lines between Business and B2C Marketing Besides studying the impact of the above-mentioned 14 marketing 'shifts', business marketers also need to be aware of the 'convergence' that is likely to take place between the business and B2C marketing practices. The developments of the last 10 to 15 years in business practices are now getting a concrete shape. Yoram Wind,[12] a widely respected 'thought leader' in the area of business marketing, has identified five developments which seem to be creating a new business reality for all the marketers. These are:

(i) Convergence of business and B2C markets, driven by the developments of the internet and the rise of small business.
(ii) A blurring of value chains through outsourcing and other relationships, that allow networks of firms to do what was once done within the firm.
(iii) A blurring of relationships with customers, as customers are invited to participate with companies in the design and delivery process.

(iv) A blurring of functions within the firm as marketing and other functions are more integrated through EDI and other systems.

(v) A blurring of products, services and customer experiences, moving from an industrial base to a knowledge based society and towards a new model for business and industrial marketing.

By identifying these developments, he is raising a very fundamental question – What should be the new model of business marketing? According to Wind, though it is too early to define the new model for business marketing, he feels that the research agenda for the future could include some dimensions of the new reality. This new reality could be a bundle of the following issues:

- Expanding the focus from buyers to shareholders
- Recognising new forms of relationships and empowered consumers
- Re-examining the role of outsourcing and the traditional 'make-buy' decisions
- Bridging disciplinary silos
- Importance of brand equity
- Information and communication technology
- Shift from products or services and from transactions to the total customer experience
- Designing products, services and business models for the developing world
- Re-thinking the role of marketing research and modeling
- Re-thinking matrices and dashboards

Wind feels that the time is ripe for a broader thinking that can embrace both consumer and business markets. Researchers need to examine the changing nature of relationships between the two. A new re-thinking of existing mental models (existing paradigms) is needed to uncover the complex inter-linkages amongst consumers and businesses.

EVOLUTION OF BUSINESS MARKETING IN INDIA: FROM 'RATIONING TO VALUE BASED MARKETING'*

Innumerable books and articles are available on Indian economy and the business environment of the last 60 years. Till 1991, the 'license and permit Raj' was the dominant trait of the Indian economy. A deep nexus existed between the politicians, bureaucrats and their favoured business organisations. This situation ensured a virtual monopoly of the Indian marketers.[13] Whosoever had the capacity, held the market share. The selling task of business marketers was mainly restricted to 'networking' with the members of the buying centre and the management of aggrandisement, i.e. use of cash and gifts to get orders. A combination of the 'production and selling' orientations was widely practiced. The 'production' orientation enabled the practice of the belief that 'physical availability of whatever we can produce is enough – the rest would be taken care of by the customers.' The 'selling' orientation led to the belief that, 'selling alone is the entirety of the business marketing task'. In this scenario, the customer had no choice and no voice.

The Rapid Transformation

The opening up of the Indian economy post 1991, led to the rapid toning up of the Indian business marketers. They needed to survive in a globally competitive environment. The first five years witnessed

*For a detailed discussion, reader may refer to the article 'My Years with Business Marketing in India: Reflections and Learnings from a Journey of 40 Years', Sarin 2012.

Indian companies – big or small – trying to obtain certifications like ISO 9000, 9001 and 14000 and the like. This helped them improve their processes. These certifications were seen as 'passports' for their export business. Besides obtaining the ISO certifications, several other initiatives, like Total Quality Management (TQM), Total Productive Management (TPM), Six Sigma, Value analysis, Quality Circle, Supply Chain Management and many more were also introduced.

Another important initiative taken up by Indian companies has been the evaluation of their performance on the basis of models similar to the Malcolm Baldridge award of the US. Many organisations, including the Tata Group of companies and those belonging to the Confederation of Indian Industries (CII), have developed their own versions of the models to ensure the comprehensive measurement of the performance of their firms on a regular basis.

The pressures of competition, combined with the adoption of techniques and frameworks aimed at improving their process orientation, led to a better customer orientation and broadening of the role and scope of the marketing function. Firms started admitting that 'selling alone is not marketing'. CEOs began ridiculing the same set of super performers as useless, as they did not even know the difference between 'Sales' and 'Marketing'!!!

Nearly 26 years back, five causes that led to the neglect of industrial (now business) marketing in India were:[14]

- Economy of shortages
- Myopic top management
- Restricted or small size of Indian markets, preventing R&D and innovations
- Role of aggrandizement, i.e. corruption in business buying
- Lack of academic research

Looking back, the Indian business scenario has changed a lot on several fronts. The market size has multiplied many times over, encouraging the business marketers to become more innovative and spend more on R&D. The orientation of the Indian organisations towards competition has shown a remarkable improvement; they have become agile and globally competitive. There is a sea change in their customer orientation. Majority of the business organisations are now conducting customer satisfaction-cum-feedback studies on a regular basis. The use of IT has improved their efficiency and responsiveness and has also helped them to achieve operational excellence on all fronts. Like their global counterparts, the Indian business marketers have become more agile so as to face global competition and serve their customers better.

THE PLAN AND ORIENTATION FOR THE BOOK

Besides motivating young graduates to take up a career in business marketing, this book aspires to make professionals working in business marketing more effective and efficient. Hyper competition, globalisation of business, rapid technological advances and the all pervasive use of IT, are some mega forces which are shaping and affecting business decisions, including the marketing strategy decisions. In spite of the increasing uncertainties, a decision maker has to take decisions. We hope that better knowledge would help in taking more informed decisions. Though the various chapters in this book would help in formulating competitive marketing strategies, we would like to share two frameworks at this stage itself, which would help in laying the foundation. The framework depicted in Figure 1.2 will aid in the developing of a strategic marketing management perspective. The second framework, shown in Figure 1.3, will help to understand the idea of marketing strategy and what would enable its implementation.

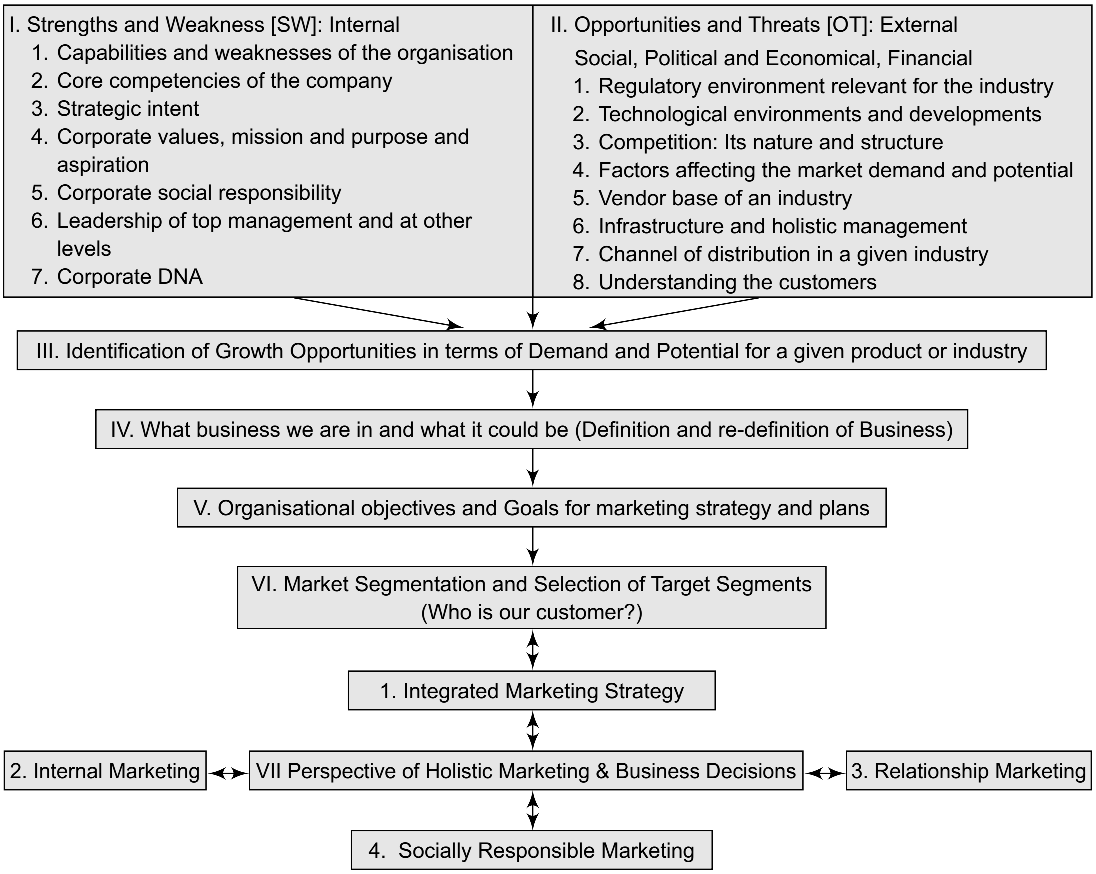

Figure 1.2 The Business Strategic Marketing Management Framework

The Strategic Marketing Framework

This framework provides the big picture, capturing all the dimensions and decisions needed to ensure the long term prosperity of an organisation. Strategic marketing, on the one hand, deals with the identification and creation of long term growth opportunities; while on the other hand, it also deals with the raising and resolving of the basic question: What is our Business? What it is at present and what it can be in the future?

Box I and II of Figure 1.2 will, provide an idea of what information would be required to be collected and analysed in order to arrive at these decisions. This can also be called the Strength, Weakness, Opportunity and Threat (SWOT) analysis. Box III is the culmination of this analysis in terms of the identification of the growth opportunities. This would, in turn, help in defining the business (Box IV). Box V suggests the formulation of organisational objectives and goals that would provide directions and challenges for the marketing strategy and plans. Box VI is the most important decision of marketing strategy and that is the selection of the target segment or target segments. By following the framework of integrated marketing strategy shown in Figure 1.3, the firm would aim to achieve its desired marketing

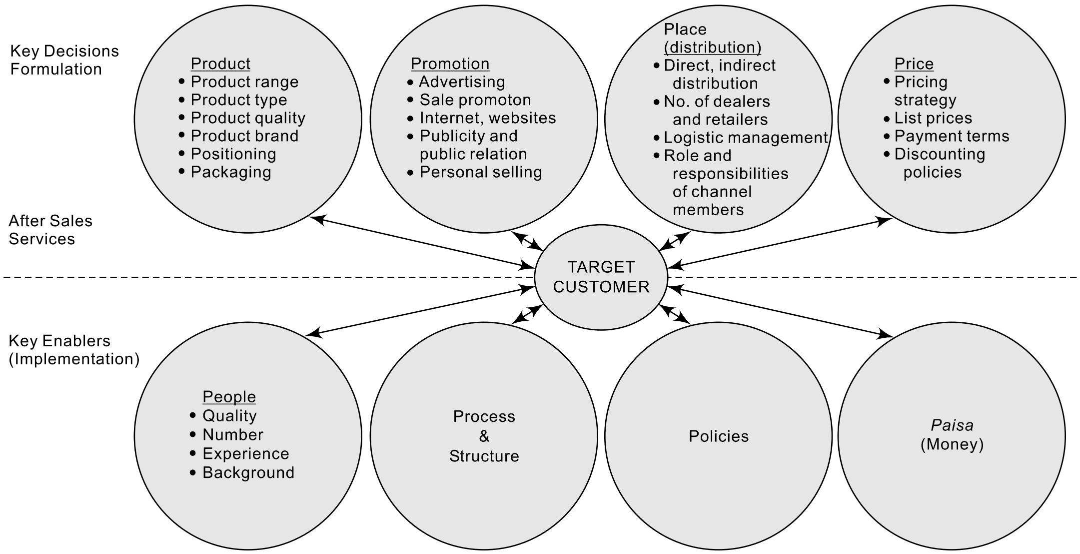

Figure 1.3 Integrated Marketing: Formulation and Implementation Strategy

objective and goal. However, all the decisions regarding the integrated marketing strategy should be within the purview of holistic marketing.[15] Box VII of Figure 1.2 contains the four dominant aspects of holistic marketing management. These are: integrated marketing (4 Ps of marketing mix elements contained in Figure 1.3), relationship marketing, internal marketing and socially responsible marketing. The concept of 'holistic marketing' recognises the idea that 'everything matters' in marketing–and that a broad, integrated perspective is often necessary. 'Holistic marketing is thus an approach to marketing that attempts to recognise and reconcile the scope and complexities of all the marketing activities.'[16]

The Idea of Marketing Strategy

Marketing strategy, in its simplest form, is a set of decisions. These decisions encompass the following:

1. Organisational objectives and time bound goals.
2. Segmentation of the markets and selection of the target segment.
3. Decisions on the marketing mix elements: Product, Promotion, Place and Price – these are popularly known as the 4 Ps of the marketing mix.
4. Managing the marketing function: The four most important areas are: People, Processes, Policies and *Paisa* (Hindi word for money). These, in Figure 1.3, have been shown as the 4 Ps for implementation.

Strategy is an integrative concept. The challenge for the decision maker is to achieve a cohesive impact of his competitive strategy. As shown in Figure 1.3, all decisions revolve around the target segment. Thus, the selection of the target segment is the most critical decision of any marketing strategy. Without a definite focus, nothing of substance can ever be achieved. Taking decisions for a 'target segment' or 'target customers' grants the focus.

The subsequent chapters would unfold several concepts, frameworks and ideas required to become an effective business marketer. Table 1.1 provides the list of some outstanding business marketers from India and from around the world. The list would enable the readers to take up a study of these companies and benefit from their experiences. These companies have remained leaders in their chosen fields for decades. This longevity would not have been possible if their respective managements had not taken the right decisions at the right time. This list is illustrative and not exhaustive.

Table 1.1 Some Outstanding Business Marketing Companies

INDIAN	GLOBAL
ACC	ABB
Bharat Forge Ltd.	Apple
Bharat Heavy Electricals Ltd.	Bosch
Godrej	Caterpillar
Grasim	Dell
Hindalco	Du Pont
Infosys	GE
Kirloskar Oil Engine	Google
Larsen & Toubro	Hitachi
Mahindra & Mahindra	IBM
MRF	Intel
Oil & Natural Gas Corpn. Ltd.	LG
Reliance Industries	Matsushita Electric (now Panasonic)
Steel Authority of India Ltd.	Microsoft
Tata Motors Ltd.	Mitshubishi
Tata Steel Ltd.	Nokia
TCS	Phillips
TELCON	Siemens
Usha Martin	SKF
Wipro Ltd.	Sony
	Thyssen Krupp
	Toyota
	United Technology

Outstanding marketing requires a convergence of several decisions, which ultimately make a harmonious and uniform impact. After reading the experiences of these companies, the reader would be able to appreciate the collective efforts of the people of these companies.

POINTS TO REMEMBER

1. Business marketing as a discipline, deals with 'organisational' customers. These include: commercial enterprises, government customers and institutions. 50 to 60 per cent of the Gross Domestic Product (GDP) of any country is managed through exchanges taking place within the domain of business marketing.

2. As the customers are organisations, the 'buying' is always done 'on behalf' of the organisation. Due to this, two major challenges faced by business customers are transparency and accountability. This makes the buying task more complex and challenging. In contrast to business marketing, B2C marketing deals with a situation where the buying is for self.
3. Many products and services could be common in both the domains. These could be bought by both, business as well as B2C customers, but the way they are bought would distinguish the business marketing task from the B2C marketing task. The buying processes in business marketing would be more complex and involve many persons. In order to be more effective, the business marketers have to improve their cross functional team work and also manage cross functional relationships between buyers and sellers. The marketing strategy requires the selection of the target segments and taking decisions on the several sub-elements of the marketing mix elements. While taking these decisions, a firm would need to have a 'holistic marketing management' perspective. This poses a major challenge.
4. The domain of business marketing extends up to the last stage of the value chain of an economy, which may be divided into six stages. Only whole-selling and retailing is managed by B2C marketing.
5. The diversity of the products and services bought is enormous. Broadly, these could be classified into eight categories – raw materials, major and minor equipment, capital goods, components, consumables, processed chemicals, office equipment and services. They can also be classified as: Foundational goods – plant and buildings; Facilitating goods – consumables, electricity, operating supplies and services; and Entering goods – raw material, components and parts.
6. A large number of business markets have a narrow customer base. Due to this, the marketing can be direct. Due to the limited number of customers, the buyer-seller relationship is very critical.
7. The demand for a large number of products is 'derived'. This means that demand for business products depends upon the demand for the 'end products' in which they are used. Thus, if four tyres are used in a car, then the demand for tyres would be dependent on the demand for cars.
8. The unique dimensions of business marketing are: functional interdependence, product complexity, buyer-seller interdependence and buying process complexity. These dimensions demand the business marketing practices to be different from B2C marketing practices.
9. In future, there could be lot of blurring of the lines between business and B2C marketing. This is happening due to the developments in Information Technology, increasing dependence on outsourcing and increase in buying through the 'net' for both, business and B2C customers.
10. The marketing strategy formulation has to be within the context of strategic marketing. This would help in maintaining the long term and broader perspective. The marketing strategy also needs to maintain a balance amongst all the elements of holistic management. The four components of holistic management are: integrated marketing, relationship marketing, internal marketing and socially responsible marketing.
11. Development of a marketing strategy requires the selection of target segments and decisions on the marketing mix elements. The marketing mix elements are product, promotion, place (distribution) and pricing. The implementation of the strategy would require support from another set of 4 Ps. These are: people, process and structure, policies and *paisa*, i.e. monetary resources.

12. In contrast to B2C marketing, every decision of a business organisation affects its marketing performance. The quality of the top management, the quality of the technology and the quality of its human resources would all play a very critical role in a business marketer's performance.

DISCUSSION QUESTIONS

1. Does business marketing need to be studied as a separate discipline? Can the students not learn and practice what the books in basic marketing management teach and provide? With the help of a few examples, justify that business marketing needs independent treatment.
2. Identify some products and services where the impact of derived demand is easily identifiable? Also identify some situations where it is difficult to identify the impact of derived demand.
3. India is an emerging economy, and there are products and services that are in shortage. Does marketing have any role to play in such situations? Confine your answer to business marketing situations only.
4. Identify some business companies that you may be familiar with, in the context of 'marketing shifts', and suggest how these companies should change their business market practices accordingly.
5. With the help of search engines, identify the market and industry characteristics of at least two business industries in India.
6. The chapter has discussed in length, the 'eight' product categories of the organisational buying basket. It has also discussed the classification as developed by Kotler, which classify goods as Entering Goods, Foundational goods and Facilitating Goods. Identify at least 12 products and reclassify these according to the 'three' dominant classifications of Kotler.
7. Identify some companies which do not seem to be following the idea of 'Holistic Marketing Concept'.
8. Pick a company and with the help of the marketing strategy framework, identify its marketing strategy.
9. Identify some critical features of the Indian business environment which may be relevant for formulating business marketing strategies of firms.
10. Give some examples where the lines between business marketing and B2C are likely to blur in the near future.

PROJECT WORK (INTERNET RESEARCH)

Students may like to visit search engines to compare the business markets and marketing practices of some Indian organisations with those of some other emerging economies and developed economies. Students can use the list of outstanding business marketers and with the help of their websites, compare their practices.

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