THE ROLE OF INDUSTRIAL MARKETING IN AN ORGANISATION

A CASE STUDY OF BERTOLA MACHINE TOOLS LTD. KADUNA.

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August 2000

DECLARATION

I hereby declare that this project is original and a product of my study.

All materials used have been acknowledged accordingly in the references.

SIGNATURE_____ DATE 1/12/99

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CERTIFICATION

This Project report entitled, **"THE ROLE OF INDUSTRIAL MARKETING IN AN ORGANISATION: A CASE STUDY OF BERTOLA MACHINE TOOLS LTD., KADUNA ."**
BY UZOAMAKA IFEOMA OKO (MRS) meets the regulation governing the award of the degree of Master of Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This project is dedicated to my loving, humble and amiable husband, **Kanayo Chikodinaka Oko** and to my wonderful children, **Onyinye, Chiamaka, Chukwudi and Chukwuemeka.**

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I give all glory and thanks to God Almighty for giving me the strength, zeal and ability to write this project. And to my husband and children, I am most grateful for their immeasurable support.

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I am specially indebted to my parents, Dr. Gabriel Chidume Azie and Mrs Jessie Adaeze Azie for their sacrifice and encouragement throughout my school days. May the Lord reward you. Amen.

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ABSTRACT

The objective of all production in any organization is consumption. It is therefore obvious that the demand for industrial goods depends ultimately upon individual and family purchases of consumer goods. Fluctuations in consumer demand send out shock waves in the industrial market. Consumer confidence in the economy can produce extreme optimism among business people, and the lack of it can lead to extreme pessimism. Thus we often refer to industrial market as a boom-or-bust industry.

Consequent upon the derived nature of demand, activities in the industrial markets are complex. Moreover, in their buying and/or selling both simple and complex equipment/components are involved. The services of professional buyers and professional sales people are therefore required.

Some industrial marketers do not know that they should often develop and direct marketing programmes to ultimate consumers even though they do not sell directly to them. Few intelligent industrial buyers prefer to deal with a supplier that understands the requirement of both the industrial buyer and the buyer's customers.

The researcher has extensively discussed topics such as: Types of industrial product and their patterns of supply; Characteristics of industrial markets; Industrial buyer behaviour; Why and how do we segment industrial markets?; How and to whom should we promote industrial products?

Delving into the above topics now reveals the role of industrial marketing in an organisation.

TABLE OF CONTENTS

		PAGE
Title Page		i
Declaration		ii
Certification		iii
Dedication		iv
Acknowledgements		v
Abstract		vi
Table of Contents		vii
List of Tables		xi
List of Appendices		xii
Abbreviations		xiii
Definitions		xiv
CHAPTER ONE		1
1.1	Introduction	1
1.2	Brief History of Bertola Machine Tools, Ltd., Kaduna	3
1.3	Hypothesis	4
1.4	Statement of the problem	4
1.5	Purpose and significance of the study	5
1.6	The scope of the study	5
1.7	Limitations of the study	6
1.8	Plan of the study	6
CHAPTER TWO: LITERATURE REVIEW		8
2.1	Industrial Marketing Defined	8
2.2	Types of industrial products and their patterns of supply	10
2.2.1	Major equipment (installations)	10
2.2.2	Raw and Processed Materials	11
2.2.3	Accessory Equipment	12

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2.2.4 Component Parts and Sub-assemblies 12
2.2.5 Operating Supplies 13
2.2.6 Industrial Service 13
2.3 Industrial Customers 14
2.3.1 Commercial Enterprises 15
2.3.2 Government Organisations 17
2.3.3 Institutional Customers 17
2.4 Characteristics of Industrial Markets 17
2.4.1 Marketing structure and demand 18
2.4.2 Nature of the buying unit 19
2.4.3 Types of decision and the decision process 19
2.4.4 Use of Leasing 20
2.5 Industrial buyer behaviour 21
2.5.1 Types of industrial buying 22
2.5.2 The industrial buying process 24
2.5.3 Participants in the industrial buying process 28
2.5.4 Major influences on industrial buyers 30
2.6 The industrial buyer 33
2.6.1 The Decision Making Unit (DMU) 36
2.6.2 Composition of the DMU 38
2.7 Uncertainties in industrial buying situation 41
2.7.1 Need uncertainty 42
2.7.2 Technical uncertainty 42
2.7.3 Marketing uncertainty 43
2.7.4 Acceptance uncertainty 44
2.7.5 Transaction uncertainty 45
2.8 Industrial market segmentation 46
2.8.1 Bases for segmentation 46

2.8.2 Necessity for segmentation 48
2.8.3 Benefits of segmentation 51
2.9 Promotion in industrial markets 52
2.9.1 Forms of promotion 52
2.9.2 Promotion objectives 53
2.9.3 Promotion to industrial customers 54
2.9.4 Industrial Salesman 55

REFERENCES 57

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction 60

3.2 Sources of Data 60

3.2.1 Primary Data 60

3.2.2 Secondary Data 61

3.3 Instruments used for data collection 61

3.3.1 Questionnaire 61

3.3.2 Personal interview 62

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction 63

4.2 Product 63

4.3 Buying process 66

4.4 Segmentation 70

4.5 Promotion 71

4.6 General 73

REFERENCES 74

CHAPTER FIVE: SUMMARY, CONCLUSION

AND RECOMMENDATIONS

5.1 Summary 75

5.2 Conclusion 76

5.3 Recommendations 79

BIBLIOGRAPHY 81

APPENDIX 86

LIST OF TABLES

Table 2.1 Major stages of the industrial process in relation to major buying situations.

APPENDIX

QUESTIONNAIRE

ABBREVIATIONS

DMU:	Decision making unit
EDI:	Electronic data interchange systems
JIT:	Just-in-time production
MRO:	Maintenance, repairs, and operating supplies.
OEM:	Original equipment manufacturers

DEFINITIONS

1. Buying centre: All individuals and units that participate in the business buying decision process.
2. Derived demand: Industrial/business demand that ultimately comes from (derives from) the demand for consumer goods.
3. Marketing: A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
4. Industrial (Business) Market: All the organisations that buy goods and services to use in the production of other products and services or for the purpose of reselling or renting them to others at a profit.
5. Industrial Product: Products bought by individuals and organisations for further processing or for use in conducting a business.
6. Market Segment: A group of consumers who respond in a similar way to a given set of marketing stimuli.
7. Electronic Data Interchange (EDI) System: A system whereby a seller links customers' computers to its own, allowing customers to order needed items instantly by entering orders directly into the computer.

CHAPTER ONE

INTRODUCTION

1.1 GENERAL INTRODUCTION

It is believed that apart from technological development in the atomic and space age, no field of management has undergone pronounced change than marketing. Marketing was stimulated by the industrial revolution which promotes the theory of mass production.

It is pertinent here, to briefly explain what marketing is all about -just in a sentence. Marketing is the total system of business activities designed to plan, price, promote and distribute want-satisfying products to target markets to achieve organisational objectives.

During the 1960s there emerged what is known as the 'Marketing Concept'. William J Stanton stated:

> *"The marketing concept is based on two fundamental beliefs. First, all company planning, policies and operations should be oriented toward the customer; second, profitable sales volume should be the goal of a firm. In its fullest sense, the marketing concept is a philosophy of business which states that the customer's want satisfaction is the economic and social justification of a company's existence".*

Peter Drucker, the world's leading writer on the whole field of management summarised it all by saying: "It is the customer who determines what business is".

The industrial market is made up of buyers from all industries such as agriculture, mining, construction, manufacturing,

transportation, communication, electric and gas, finance and other services. In effect, industrial market consists of all the organisations that buy goods and services to use in the production of other products and services or for the purpose of reselling or renting them to others at a profit.

There are various types of industrial products. The demand for these products is derived from the ultimate consumer demand and their buyers are fewer but larger than the ultimate consumers. The decision to purchase an industrial product is not one taken by instinct or impulse; it is usually the culmination of a variety of activities which may span a considerable time period.

This research project is purposely among others to expose students of marketing to the latest view points regarding the paramount questions which industrial marketing practitioners must address: the texts used for the literature review are very current (up to 1997 editions). Topics selected for inclusion in this research piece are provocative and therefore make an interesting reading for all.

The interviews and questionnaires were intended to reveal the 'modus operandi' of the practice of industrial marketing in Bertola Machine Tools Ltd., Kaduna.

The purpose was to gather data on how they do it and thereafter recommend how they can do it better. The findings will therefore have some specific implications for marketing managers as they prepare for the challenges of the new millennium.

1.2 BRIEF HISTORY OF BERTOLA MACHINE TOOLS LTD., KADUNA

Bertola is a coinage from the proprietor's name Alberto Iyan.

Bertola Machine Tools Ltd. is a private company which was incorporated in September, 1983. It started business the same year with an initial share capital of N500,000. Its total assets now stands at about N80m. It is purely an indigenous marketing company that deals in industrial products of all kinds.

The company has its head office at Lagos with three branches at Kano, Kaduna and Uyo. It has a staff strength of about 300.

In its organizational structure, it has the chairman and the board of directors as the highest decision making body. They formulate policies that cover all aspects of the company. Next in command is the Managing Director and Chief Executive who is responsible to the board of directors. He oversees the overall implementation of policies.

The company's major objectives are to make profit as well as contribute to the economic development of the country by carrying business of industrialists, servicing and distributing all range of industrial and machine tools and appliances. These include electric power tools of all makes, industrial machines, chain saws , generator hard wares and equipment as well as accessories and hand tools of all descriptions.

1.3 HYPOTHESIS

One can not practise what he/she does not know either by definition or causation. Do marketing personnel know the role of industrial marketing in an organisation?

1.4 STATEMENT OF THE PROBLEM

Many people are yet to understand what industrial marketing is all about; because of this abysmal ignorance many organisations, especially industrial marketing concerns, have slighted this area of marketing. This has therefore made it impossible for some managers of industrial goods and services to formulate and implement realistic and practical marketing decisions in industrial market.

It is regrettable that most organisations consider industrial marketing only in consumer setting; others are "I-know-it-all" oriented, ignoring the many contributions that the area of behavioural sciences has given us.

Some were simply not up-to-date and did not deal with some current concerns of industrial market such as: industrial buying behaviour, the decision making unit, uncertainties in industrial buying situation, segmentation and promotion in industrial marketing.

Industrial marketers nevertheless experience some problems which are similar to those of consumer product marketers. They as well rely on basic marketing concepts: principles and decisions are however applied in unique ways to take into account the nature of industrial markets. These problems which industrial marketers encounter are to be addressed in this work.

1.5 PURPOSE AND SIGNIFICANCE OF THE RESEARCH

The role of industrial marketing in an organisation is what every industrial marketer should be aware of, bearing in mind the nature and characteristics of industrial marketing. Just as management is no longer by hunches, so also is industrial marketing. Every industrial marketer should be conversant and current with the concepts, principles and trends governing industrial marketing, such as the industrial buying behaviour. Lack of such knowledge would make the industrial marketer look like a wood cutter cutting trees with a blunt axe.

Thus, this study, as a matter of fact, is intended:

i. to develop a better understanding of what industrial marketing is all about so as to enhance a realistic formulation and implementation of practicable decision in industrial markets.

ii. to make recommendations on how industrial marketing should be better practicalised.

1.6 THE SCOPE OF THE STUDY

This study for effectiveness covers only Bertola Machine Tools Ltd., Kaduna. A total of 10 members of the company were interviewed and their views in the areas of buying behaviour, marketing concept, promotions etc. were critically assessed with a view to determining their perception of the role of industrial marketing.

1.7 LIMITATIONS OF THE STUDY

Many limitations are inherent in carrying out a research of this nature. They include:

i. Research methodology adopted: Questionnaires and personal interviews were employed as a method of collecting primary data. There may be some degree of subjectivity in the respondents' answers and this will definitely affect the researcher's findings.

ii. Time: The time for the submission of this study was very limited as a project of this importance needs considerable time and attention for remarkable impact.

iii. Finance: Financial constraints were of course a major militating factor considering the poor economic situation in the country presently. Consequently, the researcher's ability in collecting much needed data and information were curtailed.

1.8 PLAN OF THE STUDY

This project is divided into five chapters. Chapter one starts with the introduction of the study. It also deals with the background of the study, statement of the problem, limitations of the study, purpose and significance of the research, the scope of the study and the hypothesis.

Chapter two focuses on Literature review. Here, topics treated include characteristics of industrial markets, the industrial buying behaviour, segmentation and promotion of industrial goods etc.

Chapter three deals with the research methodology. It tries to discuss the sources of data as well as the methods of collecting the data.

In chapter four, the data are presented and analysed. In this chapter efforts are made at measuring the level of the industrial personnels' knowledge of the role of industrial marketing in their organisation. The results of this presentation are analysed.

Chapter five draws out the summary, conclusion and the recommendation of the project.

CHAPTER TWO

LITERATURE REVIEW

2.0 In this chapter, the researcher, basically attempts to review some authors' views on industrial marketing. This provides the researcher with a theoretical basis for the study.

2.1 INDUSTRIAL MARKETING DEFINED

There is no definite definition of industrial marketing. There are as many definitions as there are authors of industrial marketing textbooks. Various authors have defined it according to their various perceptions of the meaning depending on which context it is being used. For example, Stanton et al (1991)[1] simply defined industrial marketing as "the marketing of industrial goods and services to industrial users" while Pride (1985)[2] defined it as "a set of activities towards facilitating and expediting exchanges involving industrial products and customers in industrial markets". Peterson (1977)[3] defined it as "the marketing of goods and services destined for use in providing other goods or services."

These definitions are tenable but are however sterile in the sense that some features of the consumer market must be appreciated to make them viable. This is because the objective of all production in any organization is consumption. It is therefore very obvious that the demand for industrial goods depends ultimately upon individual and family purchases of consumer goods.

Hence, the demand for all industrial goods is said to be a derived demand. Sheth (1969)[4] defined industrial marketing as marketing of goods used in producing consumer goods, other business or industrial goods and services and/or in facilitating the operation of an enterprise, which may include land and building for business purposes, equipment (installation and accessory), operating supplies, raw materials and fabricated materials.

One may then ask: what are industrial goods? Doyle and Saunders (1985)[5] defined them as those goods used in the production of other goods and services. This definition omits industrial services which are playing an increasingly important part in the operation of a number of industries. Such services include acid-treatment for oil wells and prospecting services, aerial surveys, fumigation of offices and so on.

Industrial goods according to Sheth (1969)[4] move in a series of steps from the mine, forest, farm, air or ocean in which the raw materials originate, through everything from a simple to a very complex of manufacturing and marketing operations before reaching the final step where they are assembled into the end product.

Therefore, to a layman, industrial marketing is the marketing of industrial goods and services to industrial users that is, people who use the goods to produce other goods. But to the learned, industrial marketing entails human activities directed towards satisfying wants and needs of professional buyers and other individuals influencing purchases in commercial, institutional and governmental organisations through exchange processes.

2.2 TYPES OF INDUSTRIAL PRODUCTS AND THEIR PATTERNS OF SUPPLY

Industrial products range from complex, custom-made machinery that cost thousands of naira to mass-produced supply items of standard design at little and affordable cost. It is important to identify and categorise different products since this gives an insight into the main influences affecting buying decisions and choice of vendor. Differences in demand associated with different types of products and their categorisation that feature major characteristics such as unit price, frequency of purchase and pattern of supply could be helpful to the marketer who wants to clarify differences in demand associated with the different types of products. Stanton et al (1991)[1] identified five (5) categories of industrial products namely:-

2.2.1 Major equipment (installations):-

These are manufactured for specific purposes and are highly specialised to their own functions e.g. transformers, generators, furnaces, cranes etc. They are also long-lived, complex, expensive, bulky, custom-made and built to specification.

In evaluating major equipment, buyers will consider such properties as productivity, versatility, durability, maintenance, economy of operation and time and labour-saving features. The purchase of such equipment is usually decided by the top management of the organisation since it involves a huge financial capital outlay.

Pattern of supply: Direct buying is always employed and this may be carried out on behalf of the ultimate user by specialised consultants and or contracting firms. That is, the equipment are directly distributed from the wholesalers or assemblers to the user. Training of users may also be included in the terms of purchase.

2.2.2 **Raw and Processed Materials:**

These are goods that enter into the completed product which must be subjected to further manufacturing before selling to the final customer. Three broad categories of these materials include:

(a) Products of mines, forest or farms such as ores, timber that are yet to undergo the manufacturing process.

(b) Commodities that have undergone one or more manufacturing processes and are still in crude form e.g. pig iron, thread/yarn, tin etc.

(c) Materials that have gone through a more elaborate manufacturing process such as cloth and plate glass that have not yet entered the end product.

Raw materials are usually bought in large quantities, often in advance of production requirements. The major concerns of the buyer are quality, price delivered to the plant, and the dependability or reliability of the seller.

Pattern of Supply: Because of the basic element of total cost involved, buyers are always interested on the market prices etc. Therefore the pattern of supply tends to attract various kinds of brokers who are in the system to supply such materials.

2.2.3 **Accessory Equipment:**

These equipment facilitate the basic operations in a production process of an industrial firm but do not have any significant influence on the scale of operations of the firm. They are of lesser cost compared with major equipment. Examples are fork-lift trucks, chain hoists, small motors, etc. These products are typically built for stock rather than custom unit. They are somewhat standard in design and identical items that can be sold to various customer types.

The decision to buy such equipment is usually made by fewer executives (Burskeric, 1976)[6].

Pattern of Supply: Supply of accessory equipment is usually carried out by industrial distributors or agents.

2.2.4 **Component Parts and sub-assemblies:**

Components are fabricated parts which perform a specific function and do not require further modification to be installed as part of the finished product. Examples are batteries, tyres, wheels in the automative industry. Some of these parts are standardised, although some purchasers may still prefer their own specifications.

Pattern of supply: There are two patterns of supply namely:

(a) Direct: Component parts are often sold direct to original equipment manufacturers (OEM) who usually place a contract of a year's supply or thereabout (Burskeric, 1976)[6]. For instance, PAN has standing order for the supply of its radiators, tyres, belts, etc.

(b) Indirect: Component parts and sub-assemblies wear out with time and could thus be replaced by service stations or company's own repair units. The pattern of supply therefore indicates the use of dealers who constitute a major segment often called replacement market.

2.2.5 **Operating Supplies:**

The operating and maintenance supplies are materials consumed in the operation of a business and which do not enter into the final product. (Examples are lubricating oil, cleaning solvents, pencils, ink, etc.) They are short-lived, low priced and can be purchased with minimum effort. In the course of purchase of these items, the purchasing officer is concerned with such attributes as utility, ease of application, efficiency, economy of use and durability.

Pattern of supply: The pattern of supply of this type of industrial products resembles that used in the sale of consumer products, yet its standardised nature minimises the need for direct contact between the seller and the buyer. Also, because these products are low in unit value, bought in small quantities and go to many users, middlemen (dealers and agents) are extensively used for the supply.

2.2.6 **Industrial Service:**

Giles (1990)[7] mentioned this sixth category of industrial products. He observed that the industrial service is very important, as it is not all industrial companies that are involved with marketing physical tangible products. Within the last two decades, many

companies have emerged which provide a wide range of intangible services such as advertising, business consultancy, courier/delivery services, sanitary, warehousing services, etc.

Burskeric (1976)[6] posited that the decision to buy industrial services is made at relatively high levels in the organisation and such decisions are not reached quickly or without considerable thought and investigation.

Pattern of Supply: Distribution is most often direct. (Jackson and Cooper, 1988)[8]

2.3 INDUSTRIAL CUSTOMERS

Industrial customers are purchasers of industrial goods who buy these goods to satisfy the requirements of the organizations rather than to satisfy personal desires. That is, they are informed buyers, planning purchases carefully and making use of the detailed requisitions Mossman et al (1974)[9]. Both business and non-business organizations are in the ranks of industrial customers. These industrial customers or manufacturers are firms whose customers are other business firms or organizations and they attempt to sell goods and services by developing awareness of their product offerings. Industrial customers can be categorized into three, namely, Commercial enterprises, governmental organizations and institutions.

2.3.1 **Commercial Enterprises:** Some commercial enterprises , rather than sell directly to the ultimate consumers, buy goods and services for use. They can be subdivided into three:

(a) **Original equipment manufacturers** (OEM):These are commercial customers that buy products to be used in manufacturing of their own products which they now sell in the industrial or consumer market. For example, an electronics company selling components to a manufacturer of television sets would consider the TV firm as an OEM. The product of the industrial marketer (the electronics company)ends up in the product of the customer (the TV manufacturer). That is, the purchased product becomes an integral part of the customer's product.

(b) **User customers:** This refers to commercial enterprises purchasing goods or services for use in producing other goods and or service which are then sold into the industrial or consumer market. Examples of user customers are manufacturing companies purchasing drilling machines, gear-cutting machines and other pieces of machinery that they use in their production process.

In contrast to the OEM, the industrial products purchased by user customer never end up in the final product being produced by the industrial customer. In a purely economic sense, the user customer is a purchaser of capital goods that are used to produce other goods and or services. The user customer buys

the product or service and uses it to produce the product or service that it in turn sells to its customers.

(c) **Resellers (Industrial Distributors):** This third type of commercial enterprise customers is the industrial distributor. Strictly speaking distributors are not customers in the industrial market but are rather middlemen who purchase products from manufacturers or other distributors and then in turn sell these same products often in the same form as purchased to other distributors, OEM or to user customers. The reseller market, therefore consists of all the individuals and organisations acquiring goods for the purpose of reselling or renting them to others at a profit.

It is however, important to note that industrial customers of the commercial enterprise classifications are not exclusively OEM or users or distributors. An illustration will clarify this. A fabrication plant may be an OEM customer when purchasing component parts from some suppliers. At the same time the plant purchases machinery for its production line, thereby qualifying it as a user customer. Also the plant may act as a distributor for another manufacturer by distributing products that are compatible with the products that it produces on its production line. This then means that the same company can be an OEM, a user and distributor at the same time, but normally not for the same supplier. An OEM does not purchase for the same reasons as does a user customer neither does it buy the same product as the user.

2.3.2 Government Organisations:

Government market consists of governmental units such as Federal, State and Local Governments. They purchase or rent goods for carrying out the main functions of government. (Kotler and Armstrong, 1997)[10].

In the United States of America, 20 percent of the gross national product (GNP) is bought by government, the federal government being the largest customer (Schoell, 1990)[11]. Even in Nigeria, the Federal Government is also a customer. Moreover, government purchases are affected by social, political and economic goals.

2.3.3 Institutional Customers

Institutional customers include schools, hospitals, prisons and other institutions that provide goods and services to people in their care (Kotler and Armstrong, 1997)[10]. This shows that the customers can be public or private. The institutional market is rather a hybrid of government and private organisations that must be considered on an individual basis according to their purchasing practices and policies.

2.4 CHARACTERISTICS OF INDUSTRIAL MARKETS

Industrial markets are very large and diverse. In some ways they are similar to consumer markets since both involve people who assume buying roles and make purchase decisions to satisfy needs. However industrial markets differ in many ways from consumer markets. The researcher having gone through the books: Marketing by Schoell (1990)[11] and Principles of Marketing by Kotler and

Armstrong (1997)[10] came up with the following characteristics of industrial (business) markets.

2.4.1 **Marketing Structure and demand:**

The industrial marketer normally deals with *far fewer but larger buyers* than the consumer marketer does (Wilmshurst, 1995)[12]. A major industrial customer may account for millions of naira sales. Industrial markets are also more *geographically concentrated;* this refers to the number of different final markets which are the sources of ultimate demand from which the industrial products are derived (Fisher and Ury 1981)[13].

The demand for industrial products is a derived demand; it results from the demand for consumer products (Cardozo, 1983)[14]. *Derived demand* is a situation in which the demand for one product results from the existing demand for another product (Schoell, 1990)[11]. The primary demand for industrial products is more *price inelastic,* that is, their total demand is not affected much by price changes, especially in the short run. Also, industrial markets have more *fluctuating demand.* The demand for many business goods and services tends to change more and more quickly than the demand for consumer goods and services does. A small percentage increase in consumer demand can cause large increase in business demand. Also, a mild decrease in consumer demand leads to a large decrease in business demand (Kotler and Armstrong 1997)[10]. Similarly, fluctuations in consumer demand send out shock waves in industrial markets. Thus, industrial market is often referred to as a boom-or-bust industry.

2.4.2 **Nature of the Buying Unit:**

Business purchase usually involves *more buyers* and a *more professional purchasing effort.* Industrial buyers generally take a more formalized approach to buying than ultimate consumers do. For more costly and complex purchases, buying committees, made up of people with various types of expertise, often participate in the buying decision. Industrial buyers are professional buyers and selling to them requires professional sales people (Schoell, 1990)[11]. *More direct buying* is carried out by industrial buyers; that is, they buy from the producers.

Industrial marketers also engage in more production to order than consumer product marketers. This type of purchasing is often called *contract buying* or *specification buying* . There is a great deal of *reciprocal buying* in industrial marketing. A marketer may buy from its supplier primarily because that supplier also buys from the marketer.

2.4.3 **Types of decisions and the decision process:**

Industrial buyers face more complex buying decisions. This is because purchases involve large sums of money, complex technical and economical considerations, and interactions among many people at many levels of the buyer's organisation.

The buying process tends to be *more formalized.* Purchases usually require detailed product specifications, written purchase orders, careful supplier searches and formal approval.

In the industrial buying process, buyer and seller are often much *more dependent* on each other. Here, the industrial marketers may comfortably work closely with their customer during all stages of the buying process - from helping customers define problems, to finding solutions, to supporting after-sale operation.

In this era, computer-assisted buying is becoming more prevalent in the industrial market, mainly in purchasing frequently used maintenance, repairs and operating supplies (MRO items). One approach employed is called blanket ordering. *Blanket ordering* is a procurement method in which the buyer and supplier enter into a long term contract under which the supplier offers speedy and reliable delivery or a reduced price for repeat purchases of supplies and the buyer must use that supplier for the duration of the agreement.

2.4.4 **Use of Leasing**

An alternative to purchasing is *leasing:* a renting arrangement in which a lessor grants use of a product to a lessee for a period of time in return for stated regular payments. Industrial buyers are increasingly, leasing equipment such as power plants, printing presses, office copiers, offshore drilling rigs etc.

The lessee gains such advantages as having more available capital, getting the seller's latest products, receiving better servicing, and gaining some tax advantages. The lessor often ends up with a larger net income and the chance to sell to customers who might not have been able to afford outright purchase.

2.5 INDUSTRIAL BUYER BEHAVIOUR

In industrial market goods are not purchased for themselves but for the contribution they can make to the economic, political or social objectives of the purchaser. Stanton in his book 'Fundamentals of Marketing' wrote "Industrial buying behaviour, like consumer buying behaviour is initiated when an aroused need (motive) is recognised. This leads to goal oriented activities designed to satisfy the need".

McTavish and Maitland (1980)[15] advanced some features of industrial marketing that tend to shape its behaviour. They are:

i. Buyers are rationally motivated. Buying organisations do not buy for personal consumption but for the purpose of further production, re-selling or servicing (Kotler, 1994)[16].

ii. Buyers are less susceptible to sales promotion

iii. Buyers' techno-economic needs must be met.

In Industrial marketing buying decisions do not just happen. Buying is treated as an ongoing relationship of mutual interest to both buyer and seller (Stanton et al, 1991)[1]. The buying decision process is a complex set of activities engaged in by members of the buying organisation which result in a commitment to purchase goods and services from a vendor. Buying is not an event but an organised decision making process which culminates in a contractual obligation.

There are certain paradigms which help shape the industrial buying behaviour. They are discussed under the following headings (1) types of industrial buying, (2) the industrial buying process, (3) participants in industrial buying decisions, (4) major influences on business buyers.

2.5.1 **Types of Industrial Buying**

Industrial buying is divided into buyclasses. *Buyclasses* are the three types of industrial buying situations (i) Straight rebuy (ii) modified rebuy, and (iii) new task.

Straight rebuy: Straight rebuy buying means buying a product that has been purchased before with satisfactory results from an established vendor (Schoell, 1990)[11]. Such order- reorder buying requires less time and often is automated because of its repetitive and routine nature.

"In" suppliers try to maintain product and service quality. The "out" (rival) suppliers have a tough time taking business from such an entrenched supplier. They try to offer something new or exploit dissatisfaction so that the buyer will consider them.

Modified rebuy: The buyer, here, seeks to modify product specifications, delivery schedules, prices, or suppliers. The modified rebuy usually involves more decision participants than the straight re-buy. "Out" (rival)suppliers that can offer products and customer support services that better match the buyer's needs can take business from the "in" (present) supplier. This causes the present vendor to be concerned about losing the customer. Potential vendors consider it an opportunity to win new business.

New task: Here, the organisation faces a new need or problem and the buyer gathers information from vendors who can offer products to satisfy the need or solve the problem. This type of buying decision is complex and involves extensive problem solving.

New task buying is common when a firm begins production of a new product. In such cases the reputations of potential suppliers are the major factor in choosing suppliers. New task buying involves more time than the other two buy classes, and more people usually participate in the buying decision.

Industrial marketers must tailor their marketing efforts to the type of buying situation they face. An "in" supplier in a straight re-buy situation may retain that status by continued good service and responsiveness to changing requirements. An "out" supplier has the difficult task of demonstrating to decision makers that it has the capabilities that merit its consideration as a potential supplier. An 'in" supplier in a modified re-buy situation should try to change the buying situation of straight re-buy by providing superior service. An "out' supplier would want to prevent this by presenting the buyer with innovative solutions to problems. An "in" supplier in a new task situation has an established relationship with the buyer and is in a better position than "out" suppliers to anticipate the buyers' problems and requirements.

Systems buying: Kotler and Armstrong (1997)[10] came up with a fourth buying situation called systems buying. Systems buying refers to buying a packaged solution to a problem, from a single seller, and without all the separate decisions involved. That is, instead of buying and putting all the components together, the buyer asks for bids from suppliers who could supply the components and assemble the package or system.

Systems selling is a two-step process. First, the supplier sells a group of interlocking products, e.g. glue with applicator and dryer. Second, the supplier sells a system of production, inventory control, distribution, and other services to meet the buyer's need for a smooth-running operation.

2.5.2 **The Industrial Buying Process**

The industrial buying process applies primarily to new task buying. Modified and straight re-buys generally do not involve all these steps because they require less extensive problem solving. These steps are called buyphases. Buyphases are the problem-solving steps used by industrial buyers primarily in new task buying. (Schoell, 1990)[11] The table below lists the eight steps of the industrial buying process

Table 2.1 Major Stages of the Business Process in Relation to Major Buying Situations

	BUYING SITUATIONS		
Stages of the Buying Process	New Task	Modified Rebuy	Straight Rebuy
1. Problem recognition	Yes	Maybe	No
2. General need description	Yes	Maybe	No
3. Product specification	Yes	Yes	Yes
4. Supplier search	Yes	Maybe	No
5. Proposal solicitation	Yes	Maybe	No
6. Supplier selection	Yes	Maybe	No
7. Order-routine specification	Yes	Maybe	No
8. Performance review	Yes	Yes	Yes

Source: Adapted from Robinson, Faris and Wind[17], Industrial Buying and Creative Marketing (1967) p. 14.

i **Problem/need recognition:** The buying process begins when someone in the company recognises a problem or need that can be met by acquiring a specific good or service. Problem or need recognition can result from internal or external stimuli. Internal stimuli may include: (1) the company wants to market a new product that requires new production equipment and materials, (2) a machine may break down and needs new parts, (3) purchasing manager is not satisfied with a current supplier's product quality, service, or prices and decides to seek a new one, (4) the user of a piece of machinery demonstrates its inefficiency to a supervisor, (5) a major piece of equipment becomes obsolete and must be replaced. External stimuli include (1) a vendor's salesperson calls and offers a better product or a lower price, (2) a vendor sends a brochure to the production manager explaining how its equipment can reduce maintenance costs, (3) attendance at a trade association meeting or a trade show convinces top managers that the firm's equipment is obsolete, (4) an article in a trade journal discusses a new data processing system that will cut costs and make information available to decision makers faster (5) a vendor uses advertising such as is commonly done nowadays in the print media.

Industrial marketers must capitalize on every opportunity to convert these developments to sales. They do this by developing effective ad campaigns and professional sales forces to reach people and help them recognize their needs and help solve their problems.

ii **General Need Description:** Having recognised a need, the buyer identifies and describes in detail the quantity and quality of the needed product. Customers are increasingly asking manufacturers of machine tools to work more closely with them to meet their requirements. In this phase, the alert industrial marketer can help the buyers define their needs and provide information about the value of different product characteristics.

iii **Product Specification:** The buying organisation, with the help of a value analysis engineering team, develops the item's technical product specifications. *Value analysis* is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production. Sellers, too can use value analysis as a tool to help secure a new account. By showing buyers a better way to make an object, outside sellers can turn straight rebuy situations into new-task situations that give them a chance to obtain new business.

iv **Supplier Search:** The buyer now conducts a search to identify the best vendors that are likely to be able to supply the needed product. The buyer can compile a list of qualified suppliers by reviewing trade directories or phoning other companies for recommendations. The supplier's task is to get listed in major directories and build a good reputation in the market place.

v **Proposal solicitation**: Here, the buyers invite qualified vendors to submit proposals for evaluation. Industrial marketers must therefore be skilled in researching, writing and presenting proposals. Proposals should be marketing documents, not just technical documents as it can be used to create a differential advantage for the marketer's product over his competitors.

vi **Supplier Selection:** Choosing the vendor that best satisfies the firm's needs and placing the order requires the buyer to prepare a list of desired vendor attributes. Examples of these attributes are: technical support services, dependable delivery, reasonable credit terms and adequate product warranties. Others may include quality products and services, ethical corporate behaviour, honest communication and competitive prices, geographic location, performance history and reputation (Kotler and Armstrong, 1997)[10]

Some buyers prefer multiple sources of suppliers to avoid being totally dependent on one supplier and to allow comparisons of prices and performance of several suppliers over time.

vii **Order – Routine Specification:** This includes the final order with the chosen supplier(s) and lists items such as technical specifications, quantity needed, expected time of delivery, return policies and warranties. In the case of maintenance, repair and operating items, buyers may use blanket contracts rather than periodic purchase orders.

viii **Performance Review:** This is a follow-up and involves an evaluation of product and vendor performance. The performance review may lead the buyer to continue, modify, or drop the arrangement.

2.5.3 Participants in the Industrial Buying Process:

Much of the work of the typical purchasing agent consists of straight rebuys. When a purchase requisition comes in, the purchasing agent places an order without consulting anyone else. But in many cases-especially new task buying-multiple buying influence is important. *Multiple buying influence* means the buyer shares the purchasing decision with people, perhaps even top management. These people constitute what is called the buying centre. The *buying centre* is the decision making unit of a buying organistaion; it is made up of a set of people who determine both what will be purchased to fill an organisation's needs and from whom the products will be purchased (Kotler and Armstrong, 1997)[10]. Five types of actors play a role in the buying decision process:

(i) Users are the members of the organisation who will use the product or service. They can be secretaries, factory workers, production line workers or their supervisors. Users often exert considerable buying influence and help define production specification. Salespersons must recognise this, perhaps by talking with them to learn about their needs.

(ii) Influencers are the people inside and outside the organisation who help shape buying decision criteria. They have some voice in setting product specifications or evaluating vendor offerings. Technical personnel are particularly important influencers. For example, finance personnel may set maximum price limits on buying alternatives, engineering personnel may set tolerance limits for precision equipment, and an outside consulting engineer may be called on to evaluate the merit of several vendors' product designs. These people can not be ignored by salepersons.

(iii) Buyers are the persons authorized to handle the details of contracting with suppliers-that is, they select the suppliers and arrange terms of purchase. They may help shape product specifications but they play their major role in selecting vendors and in negotiating. But if the contract is a long-term one involving considerable purchase commitments, members of top management may participate as buyers.

(iv) Deciders are the persons formally or informally authorized to select or approve the final suppliers. When very costly products are involved, the deciders may be members of top management. For less expensive, routinely purchased products the decider is also the buyer (McCarthy and Perreault, 1990)[18]

(v) Gatekeepers are the people who control the flow of information (about potential purchases) into, within and out of the buying organization. For example, secretaries can turn away vendor salespersons, and a production manager can establish policies preventing vendor salespersons from talking to assembly-line workers. Other gatekeepers can be purchasing agents, research assistants and receptionists. A salesperson who cannot deal effectively with gatekeepers may never get to the other participants. Selling to gatekeepers often requires considerable human relations skills.

2.5.4 Major influences on Industrial buyers

Industrial buyers are subject to many influences when they make their buying decisions. Some marketers may want to assume that buyers will favour the supplier who offers the lowest price, or the best product or the most service - that is, economic influence. Although industrial buyers are said to be cold, calculating and impersonal, they are also human and social. They react to both reason and emotion - they respond to both economic and personal factors. (Jackson et al, 1988)[8].

When suppliers' offers are similar and organisational goals are met, industrial buyers can allow personal factors to play a role in their decisions. However, there are various groups of influences on industrial buyers. Kotler and Armstrong (1997)[10] listed four of such influences as environmental, organisational, inter-personal and individual.

(i) Environmental factors: Industrial buyers are influenced heavily by factors in the current and expected economic environment, such as the level of primary demand, the economic outlook, and the cost of money.As economic uncertainty rises industrial buyers cut back on new investments and attempt to reduce their inventories. For instance, the Structural Adjustment Programme (SAP) of the Federal Government reduced the purchasing power of the public, especially for vehicles. Consequently, the demand for both private and commercial vehicles dropped.

An increasingly important environmental factor is shortages in key materials. For instance, the large scale manufacturers in Nigeria hardly get enough foreign exchange for the importation of some of their raw materials. Also, many companies now are more willing to buy and hold larger inventories of scarce materials to ensure adequate supply.

Industrial buyers are also affected by technological, legal, political, and competitive developments in the environment. Culture and customs can strongly influence industrial buyer reactions to the marketer's behaviour and strategies, especially here (Nigeria) where the north and south have divergent culture. The industrial buyer must therefore watch these factors, determine how they affect the buyer and try to turn these challenges into opportunities.

(ii). Organisational factors: Each buying organisation has its own objectives, policies, procedures, structure and systems which must be understood by the industrial marketer. The industrial marketer

should know the people involved in the buying decision, their evaluative criteria, company's policies and limits on its buyers. In addition they should be aware of the organisational trends in the purchasing area. Answers to the following questions will help: Is their purchasing centralised? Are there long-term contracts? Do they make use of electronic data interchange (EDI) systems?* Do they employ just-in-time (JIT) production systems?*

(iii) Interpersonal factors: The buying centre usually includes many participants who influence each other. The industrial marketer often finds it difficult to determine what kinds of interpersonal factors and group dynamics enter into the buying process. It has been discovered that some participants may have influence in the buying decision because they control rewards and punishments, are well liked, have special expertise, or have a special relationship with other important participants[10]. Interpersonal factors are often very subtle. Whenever possible, industrial marketers must try to understand these factors and design strategies that take them into account.

(iv) Individual Factors: Each participant in the industrial buying decision process brings in personal motives, perceptions, and preferences. These individual factors are affected by personal characteristics such as age, income, education, professional identification, personality, and attitudes toward risk. Also, buyers have different buying styles. Some may be technical types who make in-depth analyses of competitive proposals before choosing a supplier. Other buyers may be intuitive negotiators who are adept at pitting the sellers against one another for the best deal.

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* See definition of terms

2.6 THE INDUSTRIAL BUYER

Industrial buyers, as the name implies do the buying in the purchasing department. They must obtain the *right product* or item from the *right place* at the *right time*, in the *right quantities*. This can be achieved if they have the following attributes (Akpan, 1998)[19]:

(i) They must be typically specialised to commodities, for example, one buyer may buy all building materials, another may buy the electrical fittings etc. This specialisation allows buyers to become experts at purchasing their particular commodities.

(ii) Buyers must know their materials and the going prices of commodities and their availability.

(iii) They must be cost and value conscious, strong negotiators who constantly push the lowest prices possible with their suppliers.

(iv) Knowledge of laws that govern their areas of responsibilities in purchasing is also very important eg. contract laws, misrepresentation and fraud, infringement of patent rights, damage claims against suppliers and shipping regulations are only a few of the areas where laws and regulations must be understood by buyers.

The industrial buyers are usually less emotional in their buying than final consumers. Buyers look for certain product characteristics including economy both in original cost and in use, productivity, uniformity, purity and ability to make the buyer's final product better (McCarthy and Perreault, 1990)[18].

In addition to product characteristics, buyers consider the seller's reliability and general cooperativeness, the ability to provide speedy maintenance and repair, steady supply under all conditions, and reliable and fast delivery; and any past and present relationship (including previous favours). Many buyers use vendor analysis which is formal rating of suppliers on all relevant areas of performance.

Industrial buyers, rather than being "sold", want salespeople to provide accurate information that will help them buy wisely. They like information on new goods and services and tips on potential price changes, strikes, and other changes in business conditions.

Of course, industrial buyers don't just rely on salespeople for information. They get information from a variety of sources: marketing sources such as buyers from supplier firms, trade shows, sales literature, sales catalogues, and non-marketing sources such as buying centre members, consultants, trade associations, news publications, product directories etc. The time and expense of searching for and analysing a lot of information may not be justified for a minor purchase. But a major purchase often requires real detective work.

Industrial buyers are actually problem - solvers. Officially, industrial buyers process purchase requisitions, request for quotations, make suppliers selection, place purchase orders and

follow up the purchase orders and negotiate prices. In essence, they are the backbone of the purchasing department. Competence among buyers can be the difference between being very profitable or folding up.

Because of the rational and less emotional nature of industrial buyers, Elbert Hubbard,** many years ago, provided the following unflattering characterisation of the industrial buyer:

> *"The typical buyer is a man past middle life; spare, wrinkled, intelligent, cold, passive, non-committal, with eyes like a codfish; polite in contact, but at the same time unresponsive; cool, calm, and as damnably composed as a concrete post, or a plaster of Paris cast; a human petrification with a heart of feldspar, and without charm, or the friendly germ; minus bowels, passions, or a sense of humour. Happily they never reproduce, and all of them finally go to hell".*

In fairness to all, those engaged in industrial purchasing process are men dedicated to the advancement of the profit position of their company. They seek to achieve the corporate goal by purchasing goods and services in such a way that the combination of product quality, price, and service received is optional.

A less idealised picture is that which shows the industrial buyer as a self-seeking individual who is not above accepting gifts or other consideration in exchange for favouring certain suppliers with orders for that may or may not best meet the needs of the firm. It must be borne in mind that the average industrial buyer is a human being who

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** Culled from A. B. Akpan's lecture on Purchasing System and Techniques (1998)

(iii) Those who make major buying decision; make recommendation, must approve purchases, affect the conditions of use; conduct the buying.

There are three units that are actively involved in the buying centre. They are the information unit, decision making unit and the control unit.

The job of the information unit is to provide information for use in the decision making unit. The decision making unit is the key unit within the centre, and is made up of those who are actively taking part in the decision, either in the role of deciding and recommending or in that of authorising the decision. To take control firstly, purchase decisions are influenced by business policy taken at top management level. Thus the decision making unit finds itself working within the limits set by the company's policy on such matters as reciprocal trading, the minimum number of suppliers and the degree of centralization or decentralization of purchasing activities (Syddell, 1977)[21].

It is pertinent to state here that the decision making unit is likely to be the only unit within the buying centre which can be regarded as "a group having a purpose". The type of role played by the individuals in the control and information units usually means that such units are rarely more than "a mere collection of people".

The entire decision making process is also seen to involve three stages:

i. Product specification stage: The specifications and other matters relating to the setting of standards is the responsibility of some authorized and appropriate qualified persons.

ii. Selection of Supplier(s) stage:- Here, the potential supplier is selected by the purchasing officer base on the product specification.

iii. Authorization stage:- The authorizing officer, who is normally a superior officer, signs and approves the purchase after a scrutiny of the supplied product(s).

2.6.2 **Composition of the Decision Making Unit**

The Decision making unit (DMU) is dynamic in nature - it is situational. With every stage, the composition changes and the responsibility of influencing a buying decision falls on a new officer or group of officers. Therefore, the composition of the DMU within the buying centre will usually consist of individuals with varying degrees of affiliation to other groups within the organisation.

According to Lawyer (1967)[22] the composition of the DMU is to a larger extent determined by two main factors: product complexity and commercial uncertainty.

Product complexity depends upon the following factors:

i. The inherent complexity of the product being purchased which is influenced by its technology, its newness and the

extent to which there are differences between products meeting the genuine need.

ii. The inherent complexity of the content in which the product is to be applied, such as the newness of the class of application and the related problem of installation and subsequent operation and service.

iii. Perception of the product as technically complex depending upon the previous experiences of the buying organisation in relation to the product and the sophistication of the firm's customary technological environment, i.e. its nature and level.

Commercial uncertainty depends upon:-

i. The magnitude of the sum involved: this is partly purchase cost and other initial outlays but also include any possible consequential costs arising elsewhere in the buying firm, e.g. costs of a possible labour dispute if working practices are to be affected. Or it could be long-term commitment, express or implied e.g. the fact that a shift to a new raw material may involve dependence upon one source of supply or upon the supplier's ability to keep a production process in operation.

ii. The extent to which the costs and benefits are predictable where forecasts are of low reliability commercial uncertainty is increased.

THE PATTERN OF BUYING INFLUENCES

		PRODUCT COMPLEXITY	
Commercial uncertainty		LOW	HIGH
	High	Policy maker Emphasis	Total Involvement
	Low	Buyer Emphasis	Specialist Emphasis

From these factors given by Lawyer, it can be concluded that the degree of product complexity concerns itself with the relationship of the product technology and the existing technical knowledge of the customer, while commercial uncertainty measures the degree of business risk and its impact on future company profits.

With low product complexity and commercial risk, the purchasing officer and his department are involved. Where technology is complex and untried, and commercial risks are sky high numerous personnel at various levels may be involved. When product complexity is high, but commercial uncertainty is low the technologist is dominant, whereas if commercial uncertainty is high

and product complexity low it is the policy maker who tends to take over.

Due to the flexible nature of the DMU it will be an exercise in futility to list its group members. This places a marketer in a difficult situation as to who to contact for supply of his products.

However two approaches aimed at identifying members of the DMU have been suggested by McNutt (1976)[23]. They are :-

a. Enquiries among publishers: Here is suggested contact with the editors and publishers of business newspapers and magazines for their opinions on the important buying/influencing factors for a given product.

b. Enquiries among Customers: Questions such as the following might be asked: In so far as product X is concerned, who, by title or function in your organisation initiates or requests purchase? Issues actual purchase orders? A further question would try to seek out indirect influences on buying.

2.7 UNCERTAINTIES IN INDUSTRIAL BUYING SITUATION

Studies carried out by Lehmann and O'shaughnessy (1974)[24] and others enable us to identify five principal types of uncertainties in buying situations. They are: need uncertainty, technical uncertainty, market uncertainty, acceptance uncertainty and transaction uncertainty.

We shall discuss these uncertainties together with their marketing implications.

2.7.1 **Need Uncertainty:**

According to Hakanson et al (1977)[25], need uncertainty means that the buying organisation lacks a clear and unambiguous definition of the specifications for a product (and attendant services, if any) to be purchased. This type of uncertainty is most likely to appear in the early stages of the purchase process in new task situations and is unlikely to occur in straight rebuys.

As reported by Hakanson et al, purchasers prefer to deal with known vendors or at least those who are culturally close to manage need uncertainty. This type of uncertainty could occur in any product category and at any important level.

Marketing Implication of Need Uncertainty Marketers facing a situation of high need uncertainty should stress their abilities as suppliers to help the customer define the need and solve the underlying problem (or capitalize on the underlying opportunity).

2.7.2 **Technical Uncertainty:**

This implies that the product may not perform properly in the buying organisation's environment. The cause may be the failure of the product itself to meet specifications (i.e. a performance problem) or the lack of proper integration into the operating systems of the buying organisation (i.e. procedural problem).

Uncertainty with respect to the product itself is most likely to occur in new task situations and more likely to occur in situations in which custom products are used than when standard products are purchased. Sheth et al (1969)[4] in their

contribution stated that the uncertainty related to integration of the product into the organisation could occur either in a new task or in a modified rebuy situation in which the ability of a new vendor to provide post-purchase service support was untested.

Technical uncertainty may occur in any type of product, but appears more likely to occur in the purchase of custom items than standard ones.

Marketing Implication of Technical Uncertainty: Technical uncertainty with respect to product itself may be reduced through providing samples, test results, and reports from other users of the product.

Technical uncertainty related to the integration of the product into the buying organisation's operation may be reduced through firm and detailed offers of post purchase installation and training services and offers to modify delivery schedules and even product characteristics, if necessary. Testimonies from previous customers of a vendor new to particular buying organisation will also serve to reduce technical uncertainty.

2.7.3 **Marketing Uncertainty:**

This refers to the heterogeneity among offerings and the rate of change in vendor's product and also other attendant services. (Hakanson et al 1977)[25]. That is, market uncertainty occurs when there are many sellers, sellers have markedly different characteristics and the market changes rapidly with the result that

sellers are hard to compare. This uncertainty can occur in any product but occurs most in custom items than standard ones. It can also occur in new task or rebuys of any type of product.

Buying organisation facing market uncertainty in particular product classes typically maintain contacts with a large number of vendors and attach a high importance to purchases in that product class. Robinson et al (1967)[17] found that buyers who perceived product classes as generic (that is, homogeneous) purchased a higher percentage of their requirements from distributors than did those who perceived the product classes as non-generic (that is heterogeneous).

Market Implication: Where a buyer considers high market uncertainty, competition among vendors may focus on product characteristics and perhaps related services. Marketers should invest appropriately in product development and stress technical characteristics of the product. Marketers may be able to turn buyers' perception of market uncertainty to their advantage by attempting to increase the amount of market uncertainty perceived in straight rebuy situations, in order to convert the situation to a modified rebuy. This approach involves persuading buyers that all offerings are not the same (generic). The approach also appears more likely to be profitable to manufacturers than to distributors.

2.7.4 **Acceptance Uncertainty:**

This is a resistance to purchase a product due to the failure of personnel in the buying organisation to agree on whether the purchase is appropriate, even though the need may be clearly

defined. Lehmann and O'shaughnessy (1974)[24] submitted that acceptance uncertainty may arise from a resistance to change within the buying organisaton or from competition for funds within the buying organisation. They called the later a "political problem".

Acceptance uncertainty typically arises more in important new task situations to purchase capital equipment than to purchase other categories of products.

Marketing Implication:- Acceptance uncertainty based on resistance to change may require marketers to follow procedures similar to those for situations high in technical uncertainty. Acceptance uncertainty rising from competition for resources within the organisation may be addressed through multi - level selling emphasising return on investment concepts.

There is a need to recognise that the intra-organisational considerations unrelated to the benefits of a proposed purchase may prevent successful consummation of a sale.

2.7.5 **Transaction Uncertainty:**

Cardozo et al (1974) analysed transaction uncertainty and referred to it as uncertainty associated with delivery dates or terms of sale. It is likely to occur in dealing with a vendor unfamiliar to the buying organisation and will therefore appear in many modified re-buy and new task situations. It may also arise in straight rebuys and may occur in the purchase of any type of product at any level of importance.

Market Implication: Vendors new to a particular buying organisation may reduce transaction uncertainty through providing detailed post purchase service agreements and testimony from previously satisfied customers. Suppliers with an established relationship with the buying organisation can minimise transaction uncertainty by reliably meeting delivery date and terms of sale.

2.8 INDUSTRIAL MARKET SEGMENTATION

Stanton et al (1991)[1] defined market segmentation as the process of dividing the total heterogeneous market for a good or service into several segments, each of which tends to be homogenous in all significant aspects. Management selects one or more of these market segments as the organisation's target market. A separate marketing mix is developed for each segment or group of segments in this target market.

The fact that markets are heterogeneous and customers are different gives the reason for segmenting markets. This in turn provides the justification for differenciating marketing efforts according to the needs of customers and their sensitivity to marketing stimuli (Doyle and Saunders, 1985)[5]

2.8.1 Bases for Segmentation

There is increasing recognition that useful segmentation of industrial markets can fruitfully be found beyond conventional divisions such as *industry type, product application or customer location.* Segmentation variables may have to be sought according to

buyer behaviour or in the relationship between the selling and buying firm i.e. whether the relationship is according to a "marketing mix" point of view or and "interaction" approach. Moreover, segmentation can be performed on both the macro and micro levels. "Macro segmentation" applies to broad customer groupings, whereas 'micro segmentation' is concerned with how individual customers vary in terms of say, their technology or buying behaviour. Again, the segmentation policy pursued may be a function of the type of decision being taken, i.e. whether strategic (macro segmentation most relevant), or tactical/operational (micro segmentation most relevant). Such considerations suggest that there are differences between industrial and consumer markets which will have consequences for segmentation.

Flodhammar*, on the basis of such factors, says that in summary, industrial customers differ from each other with regard to:

i. the technology (T) in their production processes.
ii. their economy (E), for example their price sensitivity
iii. their market growth and potential (M)
iv. the competition (C) for the customer.
v. the customer's buying policy (O_1)
vi. the composition of the buying centre (O_2)

This analysis yields what the author calls his $TEMCO_1O_2$ approach. Market planning thus becomes a matter of identifying segments, describing their characteristics and probable reactions to seller mixes,

* Culled from A. B. Akpan's MBA lecture notes on Industrial Marketing, 1998[19].

evolving strategies and tactics for each segment and bringing a programme into action.

2.8.2 **Necessity for Segmentation**

Companies do not have equal opportunities to segment their markets. The firm with a limited product line and limited markets will feel its openings are fewer than a multi-product enterprise facing many markets, whose products have wide applications. Conversely, the firm with only a few main customers may deliberately seek new market segments in order to avoid over-dependence on a vulnerable one. Also, the firm bent on expansion needs better market knowledge, which in turn leads to a search for new segments and niches in the market. Thus, a firm's need for segmentation is partly a matter of how it chooses to react to its market environment. However, according to Choffray and Lilien (1978)[26] the following factors will influence the firm's ultimate segmentation decision:

i. Variations in Customer Size: Customer size can be measured by such factors as sales volume, number of production facilities, and a number of sales offices. The well-known 80/20 rule (or the heavy half-rule) therefore has wide application in industrial markets i.e. the industrial seller finds that 80 percent of his sales are derived from 20 percent of his customers. The firm then uses separate distribution channels to reach each segment. The large-volume accounts may be sold to directly by the company's sales force. The smaller accounts

may be aggregated and served through manufacturers' agent or other forms of middlemen.

ii. Variations in Technological Content of Product Range: Some products/systems are complex and demand technical sales support, technical service, and technical dialogues with potential users. Others are more standardised, less technically complex and lower priced. Such differences are fundamental to segmentation policies.

iii. Application Width of a Product: Generally, the wider the application of a product, the greater the potential for segmentation. Products such as office copiers or hand welding machines find numerous applications in different industries, perhaps justifying special organisation and resource allocation by the producer to reflect the peculiarities of different segments.

iv. Customer Industries are Heterogeneous: Some industries are heterogeneous and can consist of customers buying simple components or complex systems, and customers buying as end users or as contractors, as original equipment builders or for replacement markets. Segmentation by industry alone will be insufficient in such cases and would have to be supplemented by more searching criteria.

v. Variation in the Financial and Profitability Characteristics of Customers: Let us take price sensitivity of firms for example. At times of boom, and with much-needed new capital equipment on long delivery, the price sensitivity of buying firms may be low in contrast with their desire to get new machines quickly while the boom lasts.

Aims may range through profit maximisation (however defined), growth (perhaps at the expense of short run profits), and 'satisfactory' or 'steady' profits. Such variations provide segmentation clues to the seller, including guidelines for possible promotional appeals.

vi. Geographic Location: The demand for organisation's products also varies according to geographic location, for example, the producers of certain types of timber divide their markets geographically because their customers' needs vary regionally. Geographic segmentation may be especially appropriate for reaching industries that are concentrated in certain locations e.g. textiles companies are concentrated in Northern Nigeria while breweries are mostly in the South.

vii. Buyer Behaviour: This can serve as a segmenting variable in industrial market because buying decisions in an industry are made by people who are paid to solve buying problems and who usually function as part of an organised group. Buyer behaviour is influenced by the structure and goal of the organisation of which the individual is a part. (Webster

and Wind, 1972)[27] Those engaged in industrial purchasing process are men dedicated to the advancement of the profit position of their company. They seek to achieve the corporate goal by purchasing goods and services in such a way that the combination of product quality, price and services received is optional.

2.8.3 **Benefits of Segmentation:**

Sellers may prosper through developing brands for specific market segments whose needs are imperfectly satisfied by the mass market offering. McCarthy and Perreault (1990)[18] stipulated that the seller who is alert to the needs of the different market segments may gain in three ways:

i. He is in a better position to spot and compare marketing opportunities. He can examine needs and satisfaction of each segment against current offering and low satisfied segments may represent excellent marketing opportunities.

ii. He can make finer adjustment of his product and market appeals. Instead of one marketing programme aimed to draw in all potential buyers (the "shotgun" approach), the seller can create separate marketing programmes aimed to meet the needs of different buyers (the "rifle" approach).

iii. The seller can develop marketing programmes and budgets based on a clearer idea of the responses characteristic of specific market segments. He can allocate funds more efficiently to achieve the desired effect in different parts of the market.

2.9 PROMOTION IN INDUSTRIAL MARKET

According to McCarthy and Perreault (1990)[18] promotion is communicating information between seller and potential buyer to influence attitudes and behaviour. The marketing manager's *promotion* job is to tell target customers that the right *product* is available at the right *place* at the right *price.*

How the messages are delivered depends on what blend of the various promotion methods one chooses. It is pertinent at this juncture to briefly explain the main forms/methods of promotion:

2.9.1 **Forms of Promotion**

i Personal selling – *flexibility is its strength.* Personal selling involves direct face-to-face communication between sellers and potential customers. Face – to - face selling also provides immediate feedback which helps sales people to adapt. Sales people are included in most marketing mixes. But personal selling can be very expensive. So it is often desirable to combine it with mass selling and sales promotion.

ii. *Mass Selling - reaching million at a price or even free:* Mass selling is communicating with large numbers of potential customers at the same time. It is less expensive than personal selling. But when the target market is large and scattered, mass selling can be more expensive.

Advertising is the main form of mass selling. *Advertising,* is any paid form of non-personal presentation of ideas, goods, or services by an identified sponsor. It includes such media as magazines, newspapers, radio, TV and signs.

While advertising must be paid for, another form of mass selling-publicity-is "free". Publicity is any unpaid form of non-personal presentation of ideas, goods, or services. Of course , publicity people are paid. But they try to attract attention to the firm and its offering without having to pay media costs.

iii. *Sales Promotion - to Spark immediate interest:* Sales promotion refers to promotion activities that stimulate interest, trial, or purchase by final customers or others in the channel. Sales promotion may be aimed at consumers, at middlemen, or even at a firm's own employees. Objective of sales promotion is to complement mass selling and personal selling.

2.9.2 **Promotion Objectives:**

For a firm's promotion to be effective its promotion objectives must be clearly defined. There are three basic promotion objectives:

i. Informing: This is educating potential customers to know something about the product if they are to buy. Most producers and marketers of industrial products (especially raw materials) nowadays put up adverts in the print media heralding the availability or new arrival of their products.

ii. Persuading: This means the firm will try to develop or reinforce a favourable set of attitudes in the hope of affecting buying behaviour. This often focuses on reasons why one brand is better than competing brands.

iii. Reminding: If target customers already have positive attitudes about the firm's product then a reminding objective might be suitable. This objective can be extremely important in some cases. Even though customers have been attracted and sold to once, they are still targets for competitors' appeals. Reminding them of their past satisfaction may keep them from shifting to a competitor.

All the above objectives are concerned with affecting behaviour by providing more information. Even more useful is a more specific set of promotion objectives that states exactly who you want to inform, persuade, or remind and why. But, this is unique to each company's strategy.

2.9.3 **Promotion to Industrial Customers**

Industrial customers are much less numerous than final consumers; therefore there is more reason to emphasise personal selling. Industrial customers may have technical questions or need

adjustments in the marketing mix. Producers' or wholesalers' representatives can be more flexible in adjusting their companies' appeals to suit each customer. They also are able to call back later and provide confirmation and additional information. Personal selling becomes more practical as the size of each purchase increases. And larger unit purchases are more typical in industrial markets.

When it is hard to identify all of the companies-or even industries-that might use a product, adverts in trade publications can inform potential customers that the product is available and stimulate inquiries (McCarthy and Perreault, 1990)[18]. Then a salesperson can follow up.

From all indications, industrial marketers rely more on personal selling by their own sales forces, industrial trade shows, and advertising in specialised media (e.g. trade publications and internet) to promote their products. This promotion is targeted to users, influencers, gatekeepers, deciders and buyers.

Many types of industrial products are bought infrequently. Even many small items that are used daily are bought under supply contract negotiated between the buyer and the seller. According to Schoell (1990)[11] the industrial market should not ignore these customers - sales calls are still needed. They keep customers informed of product developments and keep salespersons up-to-date on potential buyers and their needs.

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2.9.4 **Industrial Salesman:**

Tack (1975)[28] observed that industrial sales-person could not be replaced by advertising or any other form of sales promotion. This

is because industrial salespersons have educational qualifications in disciplines relating to the product they market. It is therefore advisable for industrial suppliers to tailor their sales presentation to the need of particular buying situation. It is important to note that between the industrial buyer and salesperson confidence is important - this may take some time but it should not be lightly set aside.

Saunders (1985)[29] identified a four interrelated theme of interest when optimising the elements of the industrial marketing mix and the sub-sets normally referred to as the communications mix and promotional mix which the key role of personal selling and long pre and post sales services periods are associated with some industrial products. The theme focuses attention on information flows and the relationship-building activities in industrial marketing. With this, it is easy to see why the sales force offering face-to-face contact has claimed an important position in the communication mix.

Personal selling is the focal point in an industry for the determination of information while advertising plays the major role in the consumer field. But without a salesperson's advice and guidance, many manufacturing projects would be held up. This explains why industrial buyers are most times heavily dependent upon their suppliers.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study is to discuss the role of industrial marketing in an organisation. A case study of Bertola Machine Tools Limited, Kaduna was carried out in order to determine what is and what ought to be.

In undertaking this study a random sample of 10 officers of Bertola Machine Tools Ltd. were selected. These 10 comprised the general manager, purchasing officers, marketing officers and salespersons. In order to obtain their views on the role of industrial marketing in an organization, questionnaires were given to each of them. Hence, the data for this study were obtained mainly by means of a questionnaire (although personal interviews were also conducted).

3.2 SOURCES OF DATA

This study draws its data from both primary and secondary sources.

3.2.1 Primary Data

Primary data were collected from the general manager, purchasing officers, marketing officers and salespersons in Bertola Machine Tools Ltd., Kaduna.

3.2.2 Secondary Data

The secondary data were collected from Business Times and Business columns of Guardian newspapers.

3.3 Instrument used for Data Collection

Two instruments were used for collecting data for this study. They are the questionnaire and personal interviews..

3.3.1 Questionnaire

In conducting this study the principal instrument used for the collection of data was the questionnaire. The items in the questionnaire were arranged in five categories:

i. Product
ii. Buying process
iii. Segmentation
iv. Promotion
v. General

There are 25 questions which are structured, unstructured and multiple choice types.

The respondents were provided with the following instructions: "Checkmarks may be used to answer the following questions about the role of industrial marketing in an organisation. You can pick more than one answer to a question. Feel free to make additional comments on your answers to any or all the questions."

3.3.2 **Personal Interview**

Personal interviews were held with the marketing officers, purchasing officers and some salespersons.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

In this chapter, we shall discuss, interpret and analyse the answers obtained from the questionnaires that were distributed to the General Manager, marketing officers, purchasing officers and salespersons of Bertola Machine Tools Ltd., Kaduna. We shall then be in a position to know the extent of their appreciation of the role of industrial marketing in an organisation.

For easy compilation and analysis of data, the questions were grouped into five to cover the following:

i. The product
ii. Buying process
iii. Segmentation
iv. Promotion
v. General

A total of 10 questionnaires were given to the general manager, marketing officers, purchasing officers and salespersons. Responses were received from all the 10 individuals that were selected; that is a response rate of 100%.

4.2 THE PRODUCT

The product is the focal point in a business enterprise. Products can either be consumer products or industrial products depending on

its category of consumers. From responses received, the consumers of the product from the company under study are distributors, manufacturers, government establishments and individuals. This shows that their product is an industrial product-a product bought by individuals and organisations for further processing or for use in conducting a business (Kotler , 1994)[1].

70% of the responses show that the mode of distribution of their products is both direct and indirect but more emphasis on indirect. From all indications most of their consumers are distributors, that is, resellers. This does not augur well for the company since it does not afford them the opportunity to interact with the users of their products. How then can the company be aware of the complaints, needs or even appreciation from their users?

On what guides one in the selection of product of manufacture 80% of the respondents believe that only profitable sales is the goal. 20% stated that both profitable sales and customer oriented planning and operations should be the goal. This question tries to find out if the respondents are aware of the marketing concept. According to William Stanton[2], marketing concept is based on two fundamental beliefs: First, all company planning, policies and operations should be oriented towards the customer; second, profitable sales volume should be the goal of a firm. This therefore shows that the staffers are not aware of the marketing concept – they are still dwelling in a seller's market.

The first two stages of the industrial buying process (see 2.5.2) will help in the selection of the product to manufacture. Succinctly put, a manufacturer can through its salesperson help a buyer to

recognise and specify his (the buyer's) need and thereafter produce and supply the product.

While marketing products, there are certain factors one should consider, such as cordial relationship with customers, meeting specification and quality, and meeting delivery date. All the respondents randomly picked only one of the factors. None of them thought it wise that all the three factors are necessary. According to Schoell and Guiltinan (1990)[3], in today's industrial market there is a growing spirit of cooperation between buyers and their suppliers. Also, the application of the JIT system enables the manufacturers (our buyers in this case) to keep their inventories to a bare minimum because they rely on their suppliers to deliver exactly on time the supplies they need to keep their plants operating without interruption. Bearing in mind the marketing concept, meeting specification and quality is another good factor. Therefore, while marketing industrial products, the organisation should consider as part of their marketing effort, cordial relationship with customers, meeting specification and quality, and meeting delivery date.

100% of the respondents agree that the demand of their products is affected by government policies, level of income of ultimate consumers and seasonal changes. This goes to confirm that the demand for industrial products is a derived demand – a situation whereby the demand for one product results from the existing demand for another product. Government at times bans the importation of certain items which may lead to more demand of the local industrial products. On the contrary, lifting of ban on certain items more often leads to abandonment of our local industrial

products. Also, the level of income of ultimate consumers sends shocks waves to the demand of industrial products.

From the personal interviews of some of the staff of the company, the researcher discovered that the demand of some of their products is seasonal. For instance, there is a high demand of generator hard wares during the dry season.

Given the nature of derived demand, industrial marketers should therefore gain an indept understanding of their own customers - and their customers' customers, and so on – until they reach the ultimate consumer. Usually, a mild increase or decrease in consumer demand leads to a steep increase or decrease in demand in the industrial market (Schoell and Guiltinan, 1990)[3].

According to all the respondents, there are some of their suppliers who are also consumers of their products. This is called reciprocity, which is an arrangement under which a customer buys from a vendor if the vendor buys from the customer. Reciprocity's importance as a buying strategy depends a great deal on environmental variables. For example, it can help offset declining sales during a recession without costly advertising. The risk here is that reciprocal buying and selling deals negotiated by upper-level managers will demoralise purchasing and sales personnel.

4.3 Buying Process

Industrial purchase usually involves more buyers and a more professional purchasing effort and as such industrial buyers are subject to many influences when they make their buying decisions. It is obvious that an organisation's production capacity is an important

consideration. Buyers want assurances that suppliers can meet their present and forecasted volume requirements. Because of this, industrial buyers practise multiple sourcing which is the establishment of a buying relationship with two or more vendors rather than with only one (Schoell and Guiltinan 1990)[3]. This ensures that a strike, major accident , or natural catastrophe at a supplier's plants will not completely shut off supplies. Multiple sourcing is especially important in industries subject to supply shortages.

100% of the respondents stated that the organisation, most times, makes purchases from the list of approved suppliers. This ensures that their buying decisions apply the three buying situations – straight rebuy, modified rebuy and new task. From the response, it shows that the company routinely reorders some supplies without any modifications and it also has satisfactory results from the established suppliers. They probably look outside when they seek to modify product specifications, delivery schedules, prices or even suppliers (i.e. modified rebuy). Or they may face a new need or problem which requires purchasing a product or service for the first time (new task).

100% of the respondents stated that the company has only one supplier for some products that are critical to their operation services. This is very inappropriate. One may imagine what will happen if that supplier-organisation experiences a major accident or natural disaster. Multiple sourcing is therefore very advantageous. It avoids complete shut-off of supply and also helps the buyer negotiate favourable purchase terms with its suppliers.

As to who influences the purchase of goods in the organsisation, 80% of the respondents picked the three options given - purchasing officer, end user and storekeeper. 20% randomly picked two each. In the industrial buying process a buying centre exists. The set of people who make up the buying centre determine both what will be purchased to fill the organisation's need and from whom the products will be purchased. These people play various roles as users, influencers, buyers, deciders, and gatekeepers (Kotler and Armstrong, 1997)[4]. Imbedded within these five actors are the purchasing officers, end users and storekeepers. One can clearly say multiple buying influence exists within a buying centre; this is a situation in which several persons participate in an industrial buyer's buying decision.

All the respondents agreed that their purchasing officers are not specialised in the items they buy. That is, any purchasing officer can purchase any product that is required. It is expected of an industrial buyer to obtain the right product/item from the right place, at the right time, in the right quantities and at the right price. For this to be achieved therefore, the purchasing officer must be typically specialised to commodities. That is, there should be purchasing officers who specially buy electrical items, metal chips, etc. This ensures the purchasing officers know the materials (quality-wise), their going prices, place and time-availability and even laws (if any) governing their purchase .

In the acquisition of industrial equipment for an organisation different calibre of staff are involved. They are the general manager, purchasing officers, technical experts and financial experts. But this is

not so in the company under study. 90% of the respondents picked only the general manager as the sole decision –maker. 10% chose one, two or three of the options given. Lawyer (1967)[5] states that the composition of the decision making unit is to a larger extent determined by two main factors: product complexity and commercial uncertainty. Product complexity concerns itself with the relationship of the product technology and the existing technical knowledge of the user (i.e. involvement of the technical experts). Commercial uncertainty measures the degree of business risk and its impact on future company profit (i.e. involvement of the general manager , financial experts and purchasing officers). Therefore for acquisition of an industrial equipment which is usually complex the general manager, purchasing officers, financial and technical experts have to put their heads together.

. 60% of the respondents agreed that they enter into long-term contract with some of their suppliers. With regards to maintenance, repair and operating supplies it is appropriate for industrial marketers to enter into long term relationships with their suppliers. This is in order to match the organisation's requirement more effectively and efficiently. One approach is called blanket ordering. This is a procurement method in which the buyer and supplier enter into a long-term contract under which the supplier offers speedy and reliable delivery or a reduced price for repeat purchases of supplies and the buyer must use that supplier for the duration of the agreement (Schoell and Guiltinan 1990)[3].

4.4 Segmentation

It is a known fact that markets are heterogeneous and customers are different . As a result, markets are segmented.

All the respondents stated that the branches of their organisation make different range of products. But on why they think it is so, 20% gave no response, 30% stated that it is management decision while 30% stated it is because of the types of customer-industries prevalent in a particular location. It is important to note that the demand for an industrial product varies according to geographic location (McCarthy and Perreault, 1990)[6]. From personal interviews, the researcher was told that the Port Harcourt branch of the organisation makes, among other things, machine tools for boats, trawlers and oil rigs. The Kaduna branch produces mostly tools used in breweries and textile companies while the Kano branch makes mostly tools used in textile companies and ginneries. The range of products from the Lagos factory includes tools used in breweries, textile companies, fishing trawlers and some other common tools.

From the above, it can be seen that geographical segmentation is especially appropriate for reaching industries that are concentrated in certain locations.

80% of the respondents stated that all the branches have the same marketing programmes. Since the markets have been segmented, it is expected that the next step should be to develop separate marketing programmes for each. Flodhammer reasons that market planning is a matter of identifying segments, describing their characteristics and probable reactions to seller mixes, evolving strategies and tactics for each segment, and bringing a programme

into action. Thus, the seller develops marketing programmes and budgets based on a clearer idea of the responses characteristic of specific market segments.

4.5 Promotion

The main objectives of promotion are to inform, persuade and remind buyers and potential buyers about the availability of the sellers' products or services.

In Bertola Machine Tools Ltd., they sensitize people about their products through adverts (mostly), personal selling and attendance at Trade Fairs. They do not do any form of sales promotion. The use of adverts in newspapers for industrial products is very common nowadays. This is because when it is hard to identify all the companies or industries that might use a product, adverts in trade publications and newspapers/magazines can inform potential customers that the product is available; this stimulates inquiries. Thereafter salespersons can follow up.

All the respondents stated that the salepersons at times remain in the office taking orders and at other times go out on the field canvassing for sales. 80% believe that the salespersons most times stay in the office. One should be aware that the buying centre concept presents a major marketing challenge in the industrial market. A salesperson must therefore learn who participates in the decision, each participant's relative influence, and what evaluation criteria each decision participant uses. Will a salesperson sit in the office and find out such information? For routinely bought supplies, (in the buyer organisation), the salesperson should make efforts at

interacting with and influencing the buyer-organisation's users and purchasers. At the other extreme, where costly and complex products such as heavy equipment and buildings are to be purchased, the salespersons should look out for all the five sets of participants-users, influencers, gatekeepers, deciders and buyers.

100% of the respondents believe that their salespersons do not meet with the ultimate consumers of their products. This is not proper. Given the nature of derived demand, industrial salespersons should gain an indepth understanding of their own customers - and their customers' customers, and so on - until they reach the ultimate consumer. Most industrial buyers prefer to deal with a supplier that understands the requirements of both the industrial buyer and the buyers' customers. Some industrial marketers often develop and direct marketing programmes to ultimate consumers even though they do not sell directly to them. Usually, a mild increase/decrease in consumer demand is magnified into a steep increase/decrease in demand in the industrial market.

The company does not formally provide aftersales services to their customers. It should be noted that the ability of industrial marketers to provide service on the products they lease or sell to their customers is a very important consideration. Breakdowns in equipment can cause expensive downtime in production operations if the equipment is not repaired promptly. Concern about after-sale service can even extend to the capabilities of independent dealers who resell the manufacturer's product.

4.6 General

They all agree that there are other competitors. To keep and win more customers, 30% signified they apply the following: improving product quality, increased promotion and improving channels of distribution(i.e. price reduction is excluded). 70% signified they use only the first two. To effectively and efficiently market a product, the 4Ps of marketing must be employed, especially where there are competitors. The 4Ps are product, promotion, price and place (distribution). Therefore, for a company to keep and attract more customers, it must improve its product quality, increase promotional activities, reduce price and improve its channels of distribution.

70% signified that they are not satisfied with the marketing arrangement in the organisation.

Some complained that only the General Manager and the Purchasing Manager take decisions to what and from whom to purchase items. They also make choice of suppliers.

Also, the salespersons are not given adequate funds to go out to look for customers.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

The aim of this study is to examine the contribution of industrial marketing in achieving marketing objectives of an organisation. In the researcher's opinion, it entails three basic aspects:

1. what, when, where and for whom to produce
2. what, when, where, how and who to buy the things for the organisation's operations.
3. where, how and to whom to sell the product.

To this end, Bertola Machine Tools Ltd., Kaduna was selected for a case study. Questionnaire was used to obtain responses on how they practise industrial marketing. The industrial marketing practices stated by various authors have been reviewed. Responses from the questionnaire have been analysed and compared with the authors' views in order to detect 'what is' and 'what ought to be'.

From all indications, industrial markets are large and diverse; they involve far more capital and items than do consumer markets. For instance, many sets of industrial purchases are made for only one set of consumer purchases. Industrial marketing therefore entails that all company planning and operations are customer-oriented. This ensures that after all the inputs – to the customers' satisfaction – profitable sales will result.

5.2 Conclusion

Analysis of the responses received from the company under study revealed a step-child treatment of industrial marketing by the company. Unless the company overhauls its marketing strategy we fear it might lead to its premature senescence. Its relegation of industrial marketing practices to the backseat tends to support mass production at the expense of creating value-satisfying goods and services that consumers will want to buy. What it offers for sale should not only include the generic product or service but also how it is made available to the customers, in what form, where, under what conditions, and at what terms of trade. Most importantly, what it offers for sale should be determined, not by the seller, but by the buyer. The seller takes cues from the buyer in such a way that the product becomes a consequence of the marketing effort, not vice versa.

The products of the company under study are mostly distributed indirectly – through resellers. This probably implies that the products may be mass produced – not differentiated from others in the market. Or the promotional activities are not adequate to intimate people about their product offerings. Or yet again, the salespersons have not actually gone out to do their job. One should bear in mind that in this current marketing era, customer orientation is focussing more and more on the areas of product quality and customer satisfaction and service.

A manufacturing outfit usually purchases industrial goods for its operations. The industrial buyer behaviour is hinged on the answers to the following questions: what buying decisions do

industrial buyers make?. Who participates in the buying process? What are the major influences on buyers? How do industrial buyers make their buying decisions? The straight rebuy which the company practises most often shows that they have satisfaction from their suppliers and it also encourages the spirit of co-operation between the buyer and seller. The snag here is that the company may not be thinking of any modifications in their product specification, delivery schedule, price, etc. It is therefore important to try out the modified rebuy, new task and also systems buying.

It is necessary for the purchasing officers to specialise in the items they buy.

The DMU is a must in every organisation especially for the acquisition of industrial goods for the organisation's operations. Its composition is determined by the product complexity and commercial uncertainty of the items to be purchased. But in the company under study, it seems it is the General Manager that single-handedly takes decision most times without co-opting the purchasing officer, technical and financial experts.

Since industrial buyers are geographically concentrated, there is need for segmentation. Bertola Machine Tools Ltd. has different products in their respective branches according to the local needs. When markets are segmented, the seller can develop marketing programmes and budgets based on a clearer idea of the responses characteristic of specific market segments. This, Bertola has not done.

The main objectives of promotion are to inform, persuade and remind buyers and potential buyers about the availability of the

seller's products or services. When it is hard to identify all the companies or industries that might use a product, adverts in trade publications, newspaper and magazines can inform potential customers that the product is available (this is the in-thing nowadays). Thereafter, salespersons can follow up. Sales promotion is not very common in industrial marketing. Bertola at times places adverts in some newspapers, intimating the public of their products. Salespersons are supposed to go out to meet people they think are key buying influences or all the participants in the buying centre. At Bertola, the salespersons most times stay in the office taking orders. Who then will canvass for sales?

The ability of industrial marketers to provide service on the products they lease or sell to their customers is critical. The more complex and costly an industrial product is, the more after-sale service it requires. The quality and reliability of a vendor's after-sale service are major concerns of industrial buyers. After-sale service is one of the most important criteria in their purchasing decisions.

When there are competitors (as there will always be) the organisation has to review its 4Ps of marketing. This can be done by improving product quality, increasing promotional activities, reducing price or improving channels of distribution. One or a combination of these may be appropriate.

The practice of the principles of industrial marketing is a far cry in the organisation under study. The organisaion is more or less still in the sellers' market of the 1940s.

5.3 Recommendations

The responses from the questionnaires and personal interviews have been collated, interpreted and analysed. Comparing these responses with the various authors' views of how industrial marketing should be practised, the researcher deems it fit to make the following recommendations to the company under study.

i. They should refocus their attention to product quality and customer satisfaction.

ii. The marketers should understand the environmental stimuli such as economic, technological, political and cultural and turn them into purchase responses in terms of product choice, supplier choice, delivery and payment terms.

iii. Practise multiple sourcing of those materials that are critical to the organisation's operation.

iv. Try their hand on systems selling which is currently a key business marketing strategy for winning and holding accounts. This they can do by providing complete systems that will meet their individual customer's needs.

v. Professionalise their purchasing officers.

vi. In order to meet their MRO supplies more effectively and efficiently, they should enter into long-term contractual relationships with their suppliers (Blanket ordering).

vii. They should also practise this blanket ordering with their buyers since it will help them develop customer loyalty

and also reduce selling costs through less frequent negotiation.

viii. Put in place an effective DMU by co-opting all relevant experts in the purchasing decision involving industrial equipment in the organisation.

ix. Develop different marketing programmes and budgets for the different branches.

x. Use adverts to alert customers to potential problems and then show how their products provide solutions.

xi. Make sales calls to customers to keep them informed of product development and also keep the salesperson up-to-date on potential buyers and their needs.

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QUESTIONNAIRE

Checkmarks may be used to answer the following questions about the role of industrial marketing in your organisation. You can pick more than one answer to a question.

Feel free to make additional comments on your answer to any or all of the questions.

1. What is your position in the organisation?
   a. General manager [ ]
   b. Marketing officer [ ]
   c. Purchasing officer [ ]
   d. Salesperson. [ ]

2. Who are the consumers of your products?
   a. Distributors [ ]
   b. Manufacturers [ ]
   c. Government establishments [ ]
   d. Individuals [ ]

3. What method(s) of distribution do you use in the marketing of your products?
   a. Direct [ ]
   b. Indirect [ ]
   c. Both direct and indirect but more emphasis on direct [ ]
   d. Both direct and indirect but more emphasis on indirect [ ]

4. What guides you in the selection of product of manufacture?
   a. All company planning and operations are customer oriented. [ ]
   b. Profitable sales is the goal [ ]
   c. Marketing activities are organisationally based [ ]
   d. Please, specify any other. [ ]

5. Which of the following do you consider when marketing your products? [ ]
   a. Cordial relationship with customers [ ]
   b. Meeting specification and quality [ ]
   c. Meeting delivery date [ ]

d. Specify any other. [ ]

6. Which of the following affects the demand of your products?
   a. Government policies [ ]
   b. Level of income of ultimate consumers [ ]
   c. Seasonal changes [ ]
   d. All of the above [ ]

7. Are there some of your suppliers who are also consumers of your products? Yes/No

8. Do you make your purchases from a list of approved suppliers?
   Always [ ] most times [ ]

9. Do you enter into long-term contracts with any of your suppliers of maintenance, repair and operating items Yes/No

10. How many suppliers supply those products that are critical to your operation services?
    One [ ] Two and more [ ]

11. Who influence(s) the purchase of raw materials in your organisation? [ ]
    a. Purchasing officer [ ]
    b. End user [ ]
    c. Storekeeper [ ]
    d. All of the above [ ]

12. Are your purchasing officers specialised in the items they buy?
    a. Yes/No

13. Who are the decision makers in the acquisition of industrial equipment in your organisation? [ ]
    a. The General Manager [ ]
    b. Purchasing Officers [ ]
    c. Technical Experts [ ]
    d. Financial Experts [ ]

14. Do all the branches of the organisation make the same range of products? Yes/No

15. If yes, please, briefly state why you think it is so

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16. Do you develop different marketing programmes and budgets for the different branches? Yes/No

17. In what ways do you sensitise the people about your product?
    a. Advertising [ ]
    b. Sales promotion [ ]
    c. Personal selling [ ]
    d. Specify any other [ ]

18. Do your salespersons remain in the office taking orders [ ] or they go out on the field canvassing for sales [ ]

19. Which of the above methods is more prominent?

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20. Do your salespersons meet with your customers (i.e. ultimate customers)? Yes/No

21. Does the organisation provide aftersales services of its industrial equipments? Yes/No

22. Are there any other manufacturers competing with you? Yes/No

23. Which of the following ways do you use in keeping and winning more customers?
    a. Improving product quality
    b. Increased promotion
    c. Price reduction
    d. Improving channels of distribution

24. Are you satisfied with the company's marketing arrangement? Yes/No

25. If No, please specify.
