# Business Marketing Management: B2B



## MICHAEL D. HUTT

Arizona State University

### THOMAS W. SPEH

Miami University



Australia + Brazil + Japan + Korea + Mexico + Singapore + Spain + United Kingdom + United States

# CONTENTS IN BRIEF

	Preface		vii
PARTI	THE ENVIRON	MENT OF BUSINESS MARKETING	1
	Chapter 1	A Business Marketing Perspective	3
PART II	MANAGING R	elationships in Business Marketing	31
	Chapter 2	Organizational Buying Behavior	33
	Chapter 3	Customer Relationship Management Strategies for Business Markets	60
PART III	Assessing M	arket Opportunities	87
	Chapter 4	Segmenting the Business Market and Estimating Segment Demand	89
PART IV	FORMULATING	BUSINESS MARKETING STRATEGY	113
	Chapter 5	Business Marketing Planning: Strategic Perspectives	115
	Chapter 6	Business Marketing Strategies for Global Markets	140
	Chapter 7	Managing Products for Business Markets	163
	Chapter 8	Managing Innovation and New Industrial Product Development	189
	Chapter 9	Managing Services for Business Markets	214

1.4.1

- 8

	Chapter 10	Managing Business Marketing Channels	242
	Chapter 11	Supply Chain Management	263
	Chapter 12	Pricing Strategies for Business Markets	287
	Chapter 13	Business Marketing Communications: Advertising and Sales Promotion	311
	Chapter 14	Business Marketing Communications: Managing the Personal Selling Function	337
PART V	EVALUATING B AND PERFORM	Business Marketing Strategy ance	361
	Chapter 15	Marketing Performance Measurement	363
	Chapter Case	es	389
	Name Index		419
	Subject Inde	x	428



P	reface	į

PART I THE ENVIRONMENT OF BUSINESS MARKETING	1
Chapter 1 A Pusiness Marketing Paranetius	2
Chapter 1 A Business Marketing Perspective	
Business Marketing	4
Business Market Customers	5
Commercial Enterprises as Customers	6
A Concentration of Customers	6
Government Units as Customers	
Institutions as Customers	7
Business Marketing Management	8
B2B TOP PERFORMERS: Jim Ryan, Chairman, President and Chief Exe Officer, W. W. Grainger, Inc.	ecutive 9
Business Markets versus Consumer-Goods Markets	10
What Makes a Marketing Leader?	11
Creating the Customer Value Proposition	12
Characteristics of Business Markets	14
Business and Consumer Marketing: A Contrast	15
Smucker: A Consumer and Business Marketer	16
Distinguishing Characteristics	17
A Relationship Emphasis	17
The Supply Chain	18
Supply Chain Management	19
Managing Relationships in the Supply Chain	20
Commercial Enterprises as Consumers	20
Classifying Goods for the Business Market	22
Entering Goods	22
Foundation Goods	22
Facilitating Goods	24
Business Marketing Strategy	25
Illustration: Manufactured Materials and Parts	25
Illustration: Installations	26
Illustration: Supplies	26
A Look Ahead	27

P/

1.6.2

	Summary	28
	Discussion Questions	29
	Internet Exercises	30
RT II	MANAGING RELATIONSHIPS IN BUSINESS MARKETING	31
(	Chapter 2 Organizational Buying Behavior	33
	The Organizational Buying Process	34
	The Search Process	35
	New Task	36
	Straight Rebuy	37
	Modified Rebuy	39
	Environmental Forces	40

41

41

42

57

58

59

Growing Influence of Purchasing	42
	42
Strategic Priorities in Procurement	
Procurement Manager's Toolkit	44
Total Cost of Ownership (TCO)	44
INSIDE BUSINESS MARKETING: Use TCO to Inform Next Car Purchase	44
Strategy Response: Develop Value-Based Sales Tools	45
Segmenting Purchase Categories	45
E-Procurement	47
Reverse Auctions	47
Organizational Positioning of Purchasing	48
Strategy Response: Key Account Management	48
ETHICAL BUSINESS MARKETING: Gift Giving: "Buy Me These Boots and	
You'll Get My Business"	49
Group Forces	50
The Buying Center	50
INSIDE BUSINESS MARKETING: Innovate and Win with BMW	52
Buying Center Influence	52
Individual Forces	54
Differing Evaluative Criteria	55
Information Processing	55
Risk-Reduction Strategies	56

Summary Discussion Questions Internet Exercises

Economic Influences

Technological Influences

**Organizational Forces** 

Chapter 3 Customer Relationship Management	
Strategies for Business Markets	60
Relationship Marketing	61
Types of Relationships	62
Value-Adding Exchanges	63
Nature of Relationships	63
Strategic Choices	63
Managing Buyer-Seller Relationships	64
Transactional Exchange	64
Collaborative Exchange	64
Switching Costs	65
Strategy Guidelines	65
Measuring Customer Profitability	67
Activity-Based Costing	67
Unlocking Customer Profitability	67
The Profitable Few	68
Managing High- and Low-Cost-to-Serve Customers	69
INSIDE BUSINESS MARKETING: Loyalty and Customer Profitability	71
Managing Unprofitable Customers	71
Firing Customers	71
Customer Relationship Management	72
Acquiring the Right Customers	74
Crafting the Right Value Proposition	75
Instituting the Best Processes	77
Motivating Employees	78
Learning to Retain Customers	79
Relationship Marketing Success	80
Drivers of Relationship Marketing Effectiveness	80
Relationship Marketing (RM) Programs	82
Financial Impact of RM Programs	83
Targeting RM Programs	83
Summary	84
Discussion Questions	85
Internet Exercise	86

#### Contents

PART III	Assessing Market Opportunities	87
(	Chapter 4 Segmenting the Business Market and	
	Estimating Segment Demand	89
	Business Market Segmentation Requirements and Benefits	90
	Requirements	91
	Benefits	91
INSID	E BUSINESS MARKETING: How to See What's Next	92
	Bases for Segmenting Business Markets	93
INSID	E BUSINESS MARKETING: Balancing Risk and Return in a ustomer Portfolio	94
	Macrolevel Bases	94
	Microlevel Bases	97
	Illustration: Microsegmentation	100
	The Segmentation Process	101
	Choosing Market Segments	101
	Isolating Market Segment Profitability	102
	Implementing a Segmentation Strategy	103
	Estimating Segment Demand	103
	The Role of the Demand Estimation	103
	Methods of Forecasting Demand	105
	Qualitative Techniques	105
	Quantitative Techniques	107
	CPFR: A New Collaborative Approach to Estimating Demand	109
	Combining Several Forecasting Techniques	109
	Summary	110
	Discussion Questions	110
	Internet Exercise	111
PART IV	FORMULATING BUSINESS MARKETING STRATEGY	113
C	hapter 5 Business Marketing Planning:	
	Strategic Perspectives	115
	Marketing's Strategic Role	116
	The Hierarchy of Strategies	116
	Strategy Formulation and the Hierarchy	118
	Functionally Integrated Planning: The Marketing Strategy Center	120
B2B 1	OP PERFORMERS. Cross-Functional Relationships: Effective Managers	
D	eliver on Promises	121

XX

Contents	XX
and do a to a second	

Customer Interface 123   Core Strategy 123   B2B TOP PERFORMERS: Winning with a New Business Model at Dow Corning 124	
core on one of	5
P2P TOP PEPEOPMERS: Winning with a New Business Model at Dow Corning 124	
BZB IOF FERFORMERS, Willing Will a New Dusiless wooder at both conting	d.
Strategic Resources 125	93
The Value Network 125	ŝ,
Strategic Positioning 126	
Strategic Positioning Illustrated 127	E) (
Building the Strategy Plan 128	9
The Balanced Scorecard 129	i.
Financial Perspective 129	2
Customer Perspective 131	
Internal Business Process Perspective 132	
Strategy Map 134	
Summary 136	
Discussion Questions 137	
Internet Exercise 138	
Charles A. Duciness Marketing Strategies	
Chapter 6 Business Marketing Strategies for Global Markets 140	6
Tor Global Markets	
Capturing Global Advantage	
Market Access	
Resource Access	100
INSIDE BUSINESS MARKETING: How Offshore Outsourcing Affects Customer Satisfaction—and a Company's Stock Price! 146	
Local Adaptation 146	
Network Coordination 147	
INSIDE BUSINESS MARKETING: Made in America—Again 148	3
Global Market Entry Options 148	\$
Exporting 148	3
Contracting 150	)
Strategic Global Alliances (SGA) 151	
Joint Ventures 152	2
Choosing a Mode of Entry 153	3
Multi-domestic versus Global Strategies 154	1
Source of Advantage: Multi-domestic versus Global 154	4
Types of International Strategy 155	5
A Strategic Framework 157	7
Global Strategy 150	8
Build on a Unique Competitive Position 15	8
Emphasize a Consistent Positioning Strategy 15	8

xxi

Establish a Clear Home Base for Each Distinct Business	158
Leverage Product-Line Home Bases at Different Locations	159
Disperse Activities to Extend Home-Base Advantages	159
Coordinate and Integrate Dispersed Activities	160
Summary	160
Discussion Questions	161
Internet Exercise	162
Chapter 7 Managing Products for Business	
Markets	163
Building a Strong B2B Brand	164
Brand-Building Steps	165
Brand Strategy Guidelines	167
Profiling a Strong Brand: IBM	168
Product Quality and Customer Value	169
Meaning of Quality	170
Sustainability: Strategic Imperative	170
GE's Ecomagination Marketing Campaign	172
Meaning of Customer Value	172
B2B TOP PERFORMERS: Green Is Green	173
Product Support Strategy: The Service Connection	175
Product Policy	175
Types of Product Lines Defined	176
Defining the Product Market	176
B2B TOP PERFORMERS: BASF: Using Services to Build a Strong Brand	178
Planning Industrial Product Strategy	178
Product Positioning	179
The Process	179
Isolating Strategy Opportunities	180
Product Positioning Illustrated	180
The Technology Adoption Life Cycle	181
Types of Technology Customers	181
Strategies for the Technology Adoption Life Cycle	182
INSIDE BUSINESS MARKETING: The Gorilla Advantage in High-Tech Markets	183
The Bowling Alley	183
The Tornado	184
Main Street	185
Summary	185
Discussion Questions	186
Internet Exercise	187

1.8.1

Į.

Chapter 8 Managing Innovation and New Industrial Product Development	189
The Management of Innovation	190
Induced Strategic Behavior	191
Autonomous Strategic Behavior	191
Product Championing and the Informal Network	193
Conditions Supporting Corporate Entrepreneurship	194
Managing Technology	194
Classifying Development Projects	195
A Product-Family Focus	196
The Disruptive Innovation Model	196
INSIDE BUSINESS MARKETING: Disrupters Pull Different Innovation Levers	198
Illustration: A New-Market Disruption	199
Innovation Winners in High-Technology Markets	200
The New-Product-Development Process	202
What Drives a Firm's New Product Performance?	202
Anticipating Competitive Reactions	204
Sources of New Product Ideas	204
B2B TOP PERFORMERS: Inviting New Product Suggestions	205
Determinants of New Product Performance and Timeliness	207
The Determinants of Success	207
Fast-Paced Product Development	209
Summary	210
Discussion Questions	211
Internet Exercise	212
Chapter 9 Managing Services for Business	
Markets	214
Understanding the Full Customer Experience	215
The Customer Experience Life Cycle	215
Applying the Customer Experience Map	216
Customer Experience Management	216
A Solution-Centered Perspective	218
Delivering Effective Customer Solutions	219
The Supplier's Role	220
The Customer's Role	221
B2B TOP PERFORMERS: Smart Customer Solutions from IBM	222
Choose Customers Wisely	222
Benefits of Solution Marketing	223

Business Serv	ice Marketing: Special Challenges	223
Services Are D	Different	224
Tangible or In	tangible?	225
Simultaneous	Production and Consumption	225
Service Variab	ility	226
Service Perish	ability	226
INSIDE BUSINESS M	ARKETING: Do Service Transition Strategies Pay Off?	227
Nonownership		227
Service Qualit	ty	228
Dimensions of	Service Quality	228
Customer Sati	sfaction and Loyalty	229
Service Recover	ery	229
Zero Defection	ns	230
Return on Qua	ality	230
Service Packa	ges	231
Customer-Ben	efit Concept	231
Service Conce	pt	231
Service Offer		232
Service Delive	ry System	233
Service Person	inel	233
Hybrid Offerin	ngs	233
Unique Resou	rces Manufacturing Firms Can Leverage	234
	pabilities for Launching Hybrid Offerings	235
Classifying Ser	vices for Hybrid Offerings	236
Summary		239
Discussion Qu		239
Internet Exerci	se	240
Chapter 10	Managing Business Marketing	
24	Channels	242
The Business I	Marketing Channel	243
Direct Channel	ls	244
Indirect Chann	els	245
Integrated Mul	Itichannel Models	245
Participants in	the Business Marketing Channel	248
Distributors		248
	ARKETING: W. W. Grainger: Profile of a Leading-Edge	
Industrial Distribute	or	249
Manufacturers'	Representatives	251

xxiv

1.6.2

B2B TOP PERFORMERS: Why Intel Uses Reps	252
Channel Design	253
Step 1: Define Customer Segments	254
Step 2: Identify Customers' Channel Needs by Segment	255
Step 3: Assess the Firm's Channel Capabilities	256
Step 4: Benchmark to Competitors	256
Step 5: Create Channel Solutions for Customers' Latent Needs	256
Step 6: Evaluate and Select Channel Options	256
Crucial Points in Channel Transformation	257
Channel Administration	257
Selection of Channel Members	258
Motivating Channel Members	258
Summary	260
Discussion Questions	261
Internet Exercise	261
Chapter 11 Supply Chain Management	263
Supply Chain Management: A Tool for Competitive Advantage	265
Supply Chain Management Goals	265
Benefits to the Final Customer	267
INSIDE BUSINESS MARKETING: When the Supply Chain Gets Disrupted	268
The Financial Benefits Perspective	268
Information and Technology Drivers	269
Successfully Applying the Supply Chain Management Approach	270
Successful Supply Chain Practices	270
B2B TOP PERFORMERS: Making Supplier Relationships Work	271
Logistics as the Critical Element in Supply Chain Management	272
Distinguishing Between Logistics and Supply Chain Management	272
Managing Flows	272
The Strategic Role of Logistics	273
Sales-Marketing-Logistics Integration	273
Just-in-Time Systems	274
Total-Cost Approach	275
Calculating Logistics Costs	276
Activity-Based Costing	276
Total Cost of Ownership	276
Business-to-Business Logistical Service	277
Logistics Service Impacts on the Customer	278
Determining the Level of Service	278
Logistics Impacts on Other Supply Chain Participants	279

XXV

Business-to-B	usiness Logistical Management	279
Logistical Faci		279
Transportation	n	280
Inventory Mar	nagement	282
INSIDE BUSINESS M	ARKETING: The Profit Impact of Inventory Management	283
Third-Party Lo		283
Summary		284
Discussion Qu	estions	285
Internet Exerc	ise	286
Chapter 12	Pricing Strategies for Business Markets	287
The Pricing Pr	ocess in Business Markets	288
Price Objective		289
Demand Deter		209
	ricing Illustrated	293
Cost Determin		295
Competition	and the second se	297
12323.2	the Product Life Cycle	299
Pricing New Pr	N L	299
INSIDE BUSINESS MA	<b>RKETING:</b> Understanding the Economic Value	301
Legal Consider	ations	301
Responding to	Price Attacks by Competitors	302
	ompetitive Threat	302
Understanding	the Rules of Competitive Strategy	304
Competitive Bi	dding	305
Closed Bidding		305
Open Bidding		306
Strategies for C	ompetitive Bidding	306
Summary		307
Discussion Ques	stions	308
Internet Exercise	2	309
	Business Marketing Communications:	244
	Advertising and Sales Promotion	311
Dell's Social Med	iness (B2B) Social Media	313
The Customer D		313
Charting CDJ	ecision Journey	314
standing CD3		314

(a) (b)

1 - 1

XXVI

The Role of Advertising	316
Integrated Communication Programs	316
Enhancing Sales Effectiveness	316
Increased Sales Efficiency	316
Creating Awareness	317
What Business-to-Business Advertising Cannot Do	317
Managing Business-to-Business Advertising	317
Defining Advertising Objectives	318
Written Objectives	318
Determining Advertising Expenditures	319
Developing the Advertising Message	321
Selecting Advertising Media for Business Markets	322
B2B TOP PERFORMERS: Search Engine Marketing at Google: Th	ne Right
Message, the Right Time	324
Direct Marketing Tools	325
Measuring Advertising Effectiveness	327
Measuring Impacts on the Purchase Decision	327
The Measurement Program	328
Managing Trade Show Strategy	329
Trade Shows: Strategy Benefits	329
Trade-Show Investment Returns	330
Planning Trade-Show Strategy	331
Trade-Show Objectives	331
Selecting the Shows	331
Managing the Trade-Show Exhibit	332
Evaluating Trade-Show Performance	332
Summary	333
Discussion Questions	334
Internet Exercise	335
	Instinues

### Chapter 14 Business Marketing Communications: Managing the Personal Selling Function

Selling Function	337
Managing the Sales Force	339
Organizing the Personal Selling Effort	339
Key Account Management	340
National Account Success	343
B2B TOP PERFORMERS: Using Customized Strategies to Outmaneuver Rivals	344
Isolating the Account Management Process	344
Account Management Success	345

Contents

Sales Administration	34	8
Recruitment and Selection of Sales	persons 34	8
Training	34	8
Supervision and Motivation	34	9
Evaluation and Control	35	2
Deployment Analysis: A Strategic	Approach 35-	4
Territory Sales Response	35-	4
Territory Alignment	35	5
Developing the Customer Database	e 35	6
Sales Resource Opportunity Grid	35	6
Isolating High-Opportunity Custom	ers 35	7
GE's Sales Force Effectiveness Initia	ative 35	8
Summary	35	9
Discussion Questions	35	9
Internet Exercises	36	0

361

### PART V EVALUATING BUSINESS MARKETING STRATEGY AND PERFORMANCE

Chapter 15 Marketing Performance Measurement	363
A Strategy Map: Portrait of an Integrated Plan	365
Developing the Strategy: The Process	366
Maps: A Tool for Strategy Making	369
Marketing Strategy: Allocating Resources	369
Guiding Strategy Formulation	370
Managing Individual Customers for Profit	370
The Marketing Control Process	371
Control at Various Levels	371
Strategic Control	371
Annual Plan Control	374
Marketing Control: The Marketing Performance Dashboard	374
B2B TOP PERFORMERS: CMO Profile	377
Efficiency and Effectiveness Control	377
Profitability Control	377
Implementation of Business Marketing Strategy	380
The Strategy-Implementation Fit	381
Implementation Skills	381
The Marketing Strategy Center: An Implementation Guide	382
Looking Back	384

xxviii

Contents	xxix
Summary	385
Discussion Questions	386
Internet Exercise	387
Chapter Cases	
Chapter 1 Case: The Middleby Corporation	389
Discussion Questions	390
Chapter 2 Case: Sealed Air Corporation: Delivering	
Packaging Solutions	391
Discussion Questions	392
Chapter 3 Case: IBM Challenge: How to Serve	121-21-21
a Diverse Mix of Demanding Customers	393
Chapter 4 Case: Federated Insurance:	
Targeting Small Businesses	395
Cultivating Business Relationships	395
Discussion Questions	396
Chapter 5 Case: Intuit's Solutions for Small and	-
Medium-Sized Businesses	397
Discussion Questions	397
Chapter 6 Case: Schwinn: Could the Story	
Have Been Different?	399
Alternative Reality One: Aim High	399
Alternative Reality Two: If You Can't Beat Them,	
Join Them	399
Discussion Question	400
Chapter 7 Case: Hidden Inside: International	
Flavors & Fragrances, Inc.	401
Discussion Questions	401

Contents

Chapter 8 Case: Vscan: GE Healthcare's	
Pocket-Sized Imaging Device	403
Discussion Questions	403
Chapter 9 Case: Paychex, Inc.	405
Discussion Questions	405
Chapter 10 Case: Snap-on, Inc.: A Unique	
Go-to-Market Strategy	407
Discussion Questions	407
Chapter 11 Case: Supply Chain Issues	
at Optimal Medical Parts Company	409
Discussion Questions	410
Chapter 12 Case: Free-Product Competitors	
Challenge Microsoft	411
Discussion Questions	411
Chapter 13 Case: Johnson Controls, Inc.	413
Discussion Questions	413
Chapter 14 Case: Account Management at YRC	
Worldwide: Choosing Customers Wisely	415
Discussion Question	415
Chapter 15 Case: Danaher Corporation	417
Discussion Question	417
Name Index	419
Subject Index	428

XXX

1.1

ine il