Business Marketing Management - B2B 13th edition Hutt Solutions Manual

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Chapter 1. A Business Marketing Perspective

A. Chapter Overview

Chapter One introduces the student to the unique facets of the business-to-business market. The chapter is pivotal to developing an effective understanding of business marketing management, as the essence of the business market and its unique aspects are often the basis for the development of marketing strategies.

The first section of the chapter highlights the important dimensions of B2B customers. These key groups include commercial enterprises, governments, and Institutions. The next section highlights the essential differences between these consumer markets and the B2B market, and provides an insight into the nature of business product demand. Business products are distinguished by the intended use of the product and the intended consumers. The importance of market-sensing and customer-linking capabilities is discussed. Business marketers must develop strong cross-functional relationships within the firm. The essentials of derived demand are explored, highlighting how derived demand influences the demand elasticity for business products. The need for a global market perspective is also discussed. The J.M. Smucker Company is used as an illustrative example of the differences between business and consumer markets, emphasizing the importance of relationships.

Section Four of the chapter examines the increasing importance of the supply chain in business marketing. The Internet is allowing business marketers to increase the efficiency of the ordering process and creating virtual markets where products, such as computers, are built to order for customers. Different types of commercial enterprises are also discussed.

Section Five of the chapter discusses the classification of goods in the business market. The underlying criteria for classification is how the product enters the production process and the way it is treated in an accounting sense. Entering goods, foundation goods, and facilitating goods make up the three major categories. A final section provides three illustrations of the classification scheme for the purpose of delineating how marketing strategies are adjusted on the basis of the business product's classification.

The chapter concludes by introducing a framework that guides the business marketing topics that will be covered in the text.

B. Answers to Chapter Discussion Questions

1. First, it is important for Home Depot and Lowe's to have a market orientation to its customers, whether they are consumers or business customers. From a strategy perspective, the two capabilities that Home Depot and Lowe's should use to demonstrate a market orientation are market-sensing and customer linking capabilities.

2. Many business marketers spend considerable sums for advertising to final consumers because of the nature of derived demand for many business products. In the case of DuPont, advertising to final consumers should help to expand the demand for clothing made with DuPont's fabric and thus expand the total demand for DuPont's products.

3.

	B2C Marketing	B2B Marketing
Customers	Numerous, widely dispersed geographically	Few, concentrated geographically
Buying Behavior	Individual decisions	Group decisions Many buying influences

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Buyer/Seller	Very little close contact	Very close working relationships Interact in product design and problem solving
Product	Standardized	Complex; technical; detailed specifications Accompanying bundle of services important
Price	Fixed	Negotiated, bidding process List price for standardized items
Promotion	Heavily oriented to mass advertising	Primary role given to personal selling
Channels	Indirect, many intermediaries at each level	Direct, fewer intermediaries at each level

4. A manufacturer of drill presses would view G.E. as a "user" because G.E. purchases the drill press to be used in the process of producing their final products, such as appliances or jet engines. A manufacturer of steel coil, on the other hand, views G.E. as an OEM because the coil will become an actual part of a toaster or some other appliance. Thus, the distinction is whether G.E. used the product to produce their final products or whether it becomes part of, or is incorporated into, the final product.

5. It depends on whether the firm is selling the customer parts of manufactured materials and parts. For custom-made parts, personal selling and customer relationship management activities assume an important role in marketing strategy. The value proposition centers on providing a product that advances Toyota's competitive position. The business marketer must also demonstrate strong supply chain capabilities. Standardized parts are typically purchased in larger quantities on a contractual basis, and the marketing strategy centers on providing a competitive price, reliable delivery, and supporting services. Frequently, industrial distributors are used to providing responsive delivery service to smaller accounts. For manufactured materials and parts, the marketer's challenge is to locate and accurately define the unique needs of Toyota for the items, and then uncover key buying influentials, and create solutions to serve Toyota's needs profitably.

6. A customer value proposition captures the set of benefits that a supplier offers to advance the performance of the customer organization. Here the suppliers concentrate efforts on the attributes that matter most and develop opportunities that provide superior value to customers which may include social, technical, economic, or service benefits. Points of parity are elements in the value proposition that perform similarly to competitors' alternatives. Points of difference are the value elements that provide a contrast between the supplier's offerings to those of their competitors.

7. The consumer classification scheme would not apply very well in the business setting. Business buyers typically don't "shop" for products and the business product classification scheme should reflect the purchase factors that would affect the formulation of the business marketer's strategy. In this sense, how the product is used and how it is treated from an accounting standpoint are important.

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8. Due to the fact that companies competing on the basis of time have the ability to conceive, develop, and introduce new products and services much faster than their competitors, without sacrificing quality, it is obvious how this ability is a new source of competitive advantage. As for whether or not it is the most powerful new source of competitive advantage, that depends upon whether or not the company competes on the basis of time (e.g., automobile manufacturer).

9. A possible argument in favor of the statement: Because there are a fewer number of producers of major equipment (foundation goods), demand is not as responsive to shifts in price. In contrast, there are numerous producers of general materials and supplies, so it is easier for a customer to switch suppliers. In addition, due to the large capital expenditures that usually accompany the purchase of foundation goods, a small increase in price is less likely to create a reaction in a customer than would an increase in price for a low-cost item, such as a component part.

10. Companies typically outsource activities and functions because they are not part of the firm's core competence. By shifting the production of non-core activities to third-parties, a manufacturer can devote more time and resources to their core competencies. As a result, productivity is enhanced and costs should be lowered. In outsourcing, the customer would evaluate the supplier's technical capabilities, management strengths, cost structure, service capabilities, performance with other customers, and corporate culture.

C. Answers to Internet Exercises

1. 1) Automatic Data Processing, Inc. (ADP) offers a broad spectrum of business services, including human resource management systems, benefit and payroll processing, industry-specific computing and consulting services, Internet-based employee screening, and other services. The firm helps over 450,000 employers worldwide to staff, manage, pay, and retain their employees.

   2) ADP serves businesses of all sizes from small companies to large multinational enterprises. The firm also gives special attention to the financial services industry, the auto industry including its dealer network, and the property and casualty insurance industry.

2. According to the web site, BASF's product portfolio includes chemicals, plastics, performance products, agricultural products, and fine chemicals from crude oil to natural gas. Within each of these product categories, BASF serves many markets. These markets can be samples at the web site.

Chapter 2. Organizational Buying Behavior

A. Chapter Overview

Chapter Two introduces the student to the salient dimensions of how organizations buy. Understanding the organizational buying process is a key prerequisite for the development of business marketing strategy. Thus, the concepts developed in Chapter Two will form the base of knowledge from which the remaining chapters in the text will flow.

The first section of the chapter examines an eight-stage model of the organizational buying process. The buying process begins with problem recognition and concludes with performance feedback and evaluation. The eight stages may be contracted depending upon the nature of the purchasing situation. The next focus of the first section is a discussion of the types of buying situations which occur in organizational buying. These include "new task," "straight rebuy," and "modified rebuy." Particular emphasis is given to the differing roles assigned to the supplier's marketing efforts in each stage.

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Although the ultimate decision on the purchase of a product will be made by an individual, a multitude of environmental, organizational and group forces will dramatically affect the final product decision. Thus, the focus in Section Two of the chapter is to provide an analysis of the environmental influences that shape and determine the ultimate purchase decision. Economic and technological forces are examined. The section indicates that the influence of the environment is to set constraints on the purchase decision of some products while, at the same time, to provide opportunities for others. Organizational forces are discussed next, highlighting the impact that purchasing function has on the ultimate purchase decision. The influence of the manner in which organizations function can be pervasive in terms of the buying process. The strategic role of purchasing and the positioning of purchasing in the organization is explored. Next, the implications of the total cost of ownership approach to buying is explained , and the importance of developing value-based sales tools is emphasized. E-procurement and reverse auctions are explained and how B2B marketers can develop a strategic approach for dealing with to these two buying strategies.

The next segment of Section Two deals with the group influences associated with organizational buying. In particular, the concept of the buying center is treated at length. Factors affecting the composition of the buying center are analyzed and the need for marketers to evaluate buying center membership as well as communication flows is highlighted.

The individual decision maker and the factors affecting a decision are key elements in purchasing decisions. Individual aspects include evaluative criteria, selective processes, and perceived risk. Each of these is explored from the standpoint of how it affects the purchasing decision. The section concludes with an examination of how buyers cope with purchasing risk.

The final section of the chapter provides a discussion of risk reduction strategies used by buyers to mitigate the situations in which they uncertainty about the purchasing situation.

B. Answers to Chapter Discussion Questions

1. As an "in" supplier, Jill must maintain a strong relationship with the customer. She needs to make sure she is meeting the expectations of his customer and identify any potential changes affecting her customer. As an "out" supplier visiting a firm that is currently unhappy with a supplier, Jill needs to gather information to identify the buying needs of the firm and their customer service expectations. Once established, she needs to demonstrate the capabilities of her firm to provide high quality products with better customer service, particularly their delivery service.

2. A variety of economic influences may have played a role in the purchase of the equipment. Low interest rates, favorable forecasts of general economic growth, and the competitive state of the industry suggest that the new equipment be considered. Rapidly changing technology might argue that Harley-Davidson needs to update the level and sophistication of their current manufacturing equipment. The buying center would most likely include representatives from manufacturing, engineering, purchasing, finance, and quality control.

3. The firm must emphasize the higher quality of its equipment as compared to other suppliers and demonstrate how over time the cost savings from the increased packaging efficiency will outweigh the higher purchase price for the equipment. In addition, the firm should point out to the purchasing agents at the food processing firms that the overall value of their products will be increased, which will be viewed as a direct benefit by its customers.

4. The total cost of ownership approach means that purchasing agents need to consider other factors besides the purchase price. It includes the consideration of supply chain factors, costs of acquiring products, and the value of the product to a firm and its customers. Total cost of ownership considers a range of cost-value relationships associated with prices.

   For consumers buying a new automobile, the total cost of ownership means considering more than just the purchase price of the car. For example, a consumer may pay more for a premium

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Instructor Manual

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Purpose and Perspective of the Chapter

The business market poses special challenges and significant opportunities for the marketing manager. This chapter introduces the complex forces that are unique to the business marketing environment and highlights key trends shaping marketing strategy. The chapter begins with an introduction on the dynamic nature of the business marketing environment and the basic similarities and differences between consumer-goods and business marketing. Then, it describes the different types of customers in business marketing. Next, the chapter describes the underlying factors that influence the demand for industrial goods. Then, the chapter discusses the nature of buyer–seller relationships in a product's supply chain. Finally, it offers a method for classifying products and services for the business market.

Chapter Objectives

The following objectives are addressed in this chapter:

1. Define the scope of business-to-business (B2B) marketing
2. Identify the types of customers that comprise B2B markets
3. Compare the similarities and differences between business-to-consumer (B2C) and B2B marketing
4. Explain a method for classifying B2B products and services
5. Contrast how business marketing strategy is adapted among B2B classification categories
6. Recognize the key imperatives for business marketing management
7. Describe the nature of buyer–seller relationships in a product's supply chain

Complete List of Chapter Activities and Assessments

The following table organizes activities and assessments by objective, so that you can see how all this content relates to objectives and make decisions about which content you would like to emphasize in your class based on your objectives. For additional guidance, refer to the Teaching Online Guide.

Chapter Objective	Activity/Assessment	Source (i.e., PPT slide, Workbook)	Duration	Certification Standard

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KEY TERMS

Business markets are markets for products and services, local to international, bought by businesses, government bodies, and institutions (such as hospitals) for incorporation (for example, ingredient materials or components), for consumption (for example, process materials, office supplies, and consulting services), for use (for example, installations or equipment), or for resale (Lichtenthal, et al., 2008).

Commercial enterprises include manufacturers, construction companies, service firms (for example, hotels), transportation companies, selected professional groups (for example, dentists), and resellers (wholesalers and retailers purchasing equipment and supplies to use in their operations).

Formal advertising is when the government solicits bids from appropriate suppliers.

Negotiated contract is used when the product cannot be differentiated on the basis of price alone or when there are few potential suppliers.

Derived Demand refers to the direct link between the demand for an industrial product and the demand for consumer products: The demand for industrial products is derived from the ultimate demand for consumer products.

Fluctuating Demand: Because demand is derived, the business marketer must carefully monitor demand patterns and changing buying preferences in the household consumer market, often on a worldwide basis.

The **bullwhip effect** in supply chains is a supply chain phenomenon that describes how small fluctuations in point of sale demand can cause progressively larger fluctuations in demand at the distributor, manufacturer, and raw material supplier levels (Hau, 1997).

Stimulating Demand: Some business marketers must not only monitor final consumer markets but also develop a marketing program that reaches the ultimate consumer directly.

Demand Elasticity refers to the responsiveness of the quantity demanded to a change in price.

Key buying influentials are those who have power in buying process.

Raw materials include both farm products and natural products.

Manufactured materials and parts undergo more initial processing than raw materials do.

Installations include the major long-term investment items that underlie the manufacturing process, such as buildings, land rights, and fixed equipment.

Accessory equipment is generally less expensive and is short-lived compared with installations, and it is not considered part of the fixed plant.

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Maintenance and repair support: Maintenance involves preventive and remedial services that physically repair and optimize; repair support means restoration of a broken, damaged, or failed device, equipment, part, or property to an acceptable operating or usable condition.

Advisory support: A consulting service that develops findings, conclusions, and recommendations that are presented to the client for consideration and decision making

Market-sensing capability concerns how well the organization is equipped to continuously sense changes in its market and anticipate customer responses to marketing programs.

Customer-linking capability comprises the particular skills, abilities, and processes an organization has developed to create and manage close customer relationships.

Customer relationship management capabilities include all the skills required to identify, initiate, develop, and maintain profitable customer relationships.

A **customer value proposition** captures the particular set of benefits that a supplier offers to advance the performance of the customer organization.

Relationship marketing centers on all marketing activities directed toward establishing, developing, and maintaining successful exchanges with customers (Morgan and Hunt, 2012).

Supply chain management is a technique for linking a manufacturer's operations with those of all of its strategic suppliers and its key intermediaries and customers to enhance efficiency and effectiveness.

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What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

- New emphasis on business-to-business marketing
- New emphasis on business-to-consumer marketing
- Buyer-seller relationships in a supply chain

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Chapter Outline

The following outline organizes activities (including any existing discussion questions in PowerPoints or other supplements) and assessments by chapter (and therefore by topic), so that you can see how all the content relates to the topics covered in the text.

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I. Introduction (PPT Slides 1-2)
II. Defining the Scope of Business (B2B) Marketing (LO 1, PPT Slides 3-4)
    a. Business Markets
III. Types of Business Market (B2B) Customers (LO 2, PPT Slides 5-10)
    a. Types of Business Market (B2B) Customers
    b. Knowledge Check Activity
IV. Business (B2B) Markets vs. Consumer (B2C) Markets (LO 3, PPT Slides 11-15)
    a. Demand
    b. A Global Market Perspective
    c. Knowledge Check Activity
V. Classifying B2B Products and Services (LO 4, PPT Slides 16-17)
    a. Classifying Goods for the Business Market
VI. Adapting Business Marketing Strategy Among the Classification Categories (LO 5, PPT Slides 18-21)
    a. Illustration: Installations
    b. Illustration: Supplies
VII. Key Imperatives for Business Marketing Management (LO 6, PPT Slides 22-28)
    a. Developing Distinctive Capabilities
    b. Strategy Imperatives for B2B Marketers
    c. Marketing Leaders Shape Innovation Agenda
    d. Creating the Customer Value Proposition
    e. A Relationship Emphasis
    f. Knowledge Check Activity
VIII. The Nature of Buyer-Seller Relationships in a Product's Supply Chain (LO 7, PPT Slides 29-31)
    a. Consider the Supply Chain for an EV
    b. Supply Chain Management
IX. A Look Ahead (PPT Slides 32-33)
X. Discussion Activity (PPT Slides 34-35)

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Additional Activities and Assignments

The following are activities and assignments developed by Cengage but not included in the text, PPTs, or courseware (if courseware exists) — they are for you to use if you wish.

1. Harmon International Industries, Inc. (harmon.com) designs and engineers connected products and solutions for consumers, automakers, and enterprises worldwide, including audio, visual and infotainment systems, enterprise automation solutions, and software services. More than 25 million automobiles

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on the road today are equipped with Harmon audio and infotainment systems. For automakers, Harmon has built a highly-integrated suite for infotainment solutions for vehicles across car lines and brands worldwide. Conduct a SWOT analysis of Harmon and evaluate the strength of its position with top original equipment manufacturers such as BMW.

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Additional Resources

External Videos or Playlist

https://www.youtube.com/watch?v=NYDckalkfE8

[3:04 minutes]

Inside the Home Depot Pro: Dedicated Support

Home Depot is the world's largest home improvement specialty retailer, operating more than 2,300 stores and 1 million products online in the U.S., Canada, and Mexico. One-half ($80 billion) of annual sales is accounted for by professional contractors and represent B2B transactions.

https://www.youtube.com/watch?v=5XCRWlpfpp4

[2:40 minutes]

BorgWarner Company Overview

BorgWarner is a tier-1 auto parts supplier, central to the supply chains of large customers such as Ford and Volkswagen in North America, Europe, and Asia.

https://www.youtube.com/watch?v=jXOWymsTEUU

[4:91 minutes]

Demand Amplification: The Bullwhip Effect Illustrated by Cardinal Health

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