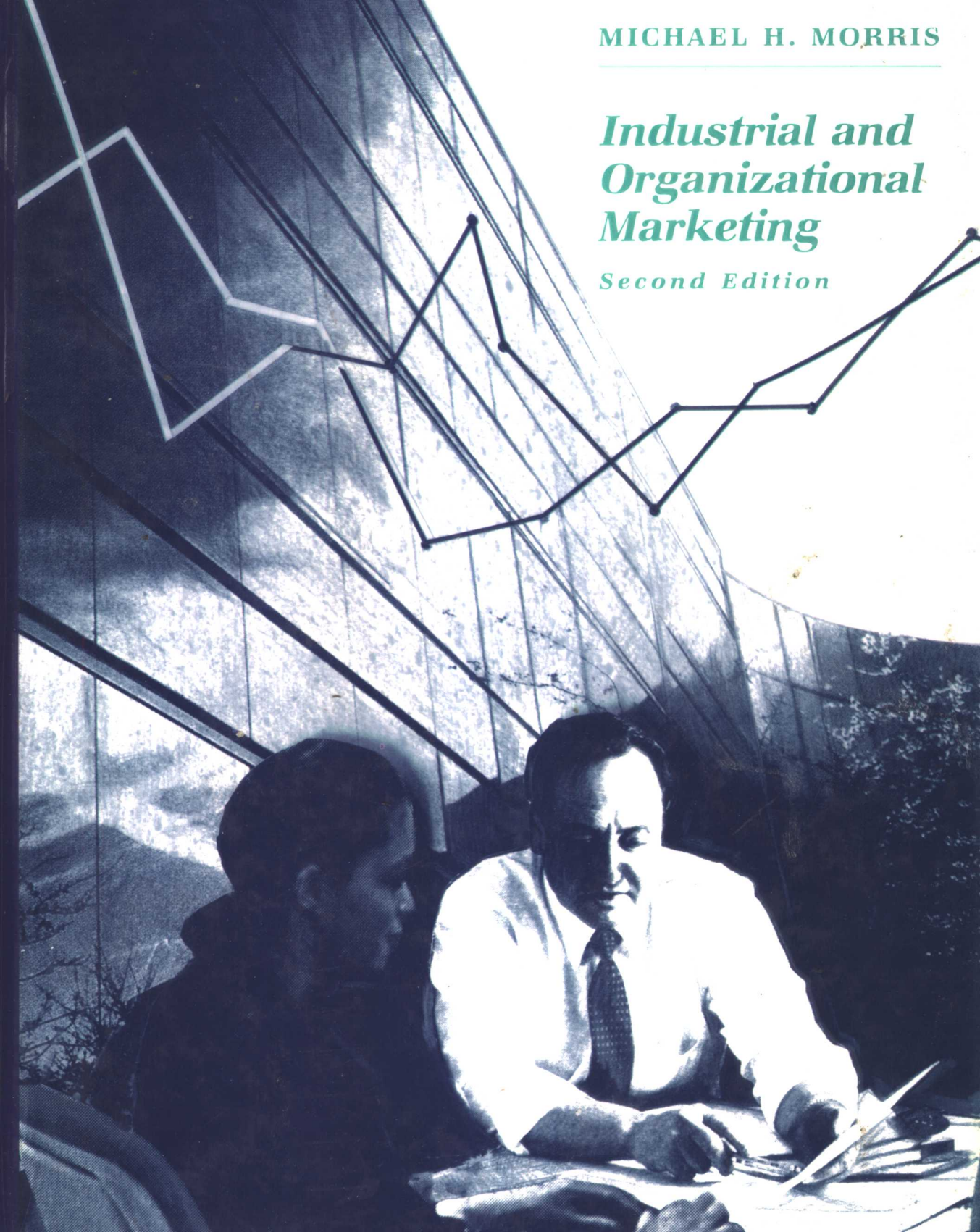


MICHAEL H. MORRIS

*Industrial and  
Organizational  
Marketing*

*Second Edition*



# ***Industrial and Organizational Marketing***

***Second Edition***

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**MICHAEL H. MORRIS**

UNIVERSITY OF CENTRAL FLORIDA

MACMILLAN PUBLISHING COMPANY

NEW YORK

MAXWELL MACMILLAN CANADA

TORONTO

MAXWELL MACMILLAN INTERNATIONAL

NEW YORK OXFORD SINGAPORE SYDNEY

*To my wife, Lois,  
and my saintly mother*

Editors: Fred Easter/Dave Boelio  
Production Supervisor: Dora Rizzuto  
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Cover and Text Designer: Robert Freese

This book was set in 10/12 Garamond by The Clarinda Company,  
and was printed and bound by R. R. Donnelley & Sons-Harrisonburg.  
The cover was printed by Phoenix Color Corp.

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PRINTED IN THE UNITED STATES OF AMERICA

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Earlier edition copyright © 1988 by Merrill Publishing Company.

Macmillan Publishing Company  
866 Third Avenue, New York, New York 10022

Macmillan Publishing Company is  
part of the Maxwell Communication  
Group of Companies.

Maxwell Macmillan Canada, Inc.  
1200 Eglinton Avenue East  
Suite 200  
Don Mills, Ontario M3C 3N1

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA

Morris, Michael H.

Industrial and organizational marketing / Michael H. Morris.—  
2nd ed.

p. cm.

Includes indexes.

ISBN 0-02-384135-4

1. Industrial marketing. I. Title.

HF5415.1263.M67 1992

658.8—dc20

91-8481  
CIP

Printing: 1 2 3 4 5 6 7 8      Year: 2 3 4 5 6 7 8 9 0 1

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## ***Preface to the Second Edition***

The discipline of marketing has grown in many different directions over the past quarter century. There are now courses, seminars, books, and journals devoted to high-tech marketing, nonprofit marketing, social marketing, international marketing, sports marketing, health care marketing, and financial services marketing, among others. Many of these represent new fields, or new applications of marketing. One of the most rapidly growing areas, however, is the field of industrial marketing, or marketing to organizations. This is an interesting development because industrial marketing has been around for quite a long time. Yet, many business schools have only recently added industrial marketing courses, and some have yet to create such a course.

Why has industrial marketing come of age? One of the leading reasons involves industrial companies themselves. Marketing has traditionally been underemphasized by the managers of these firms, while technical and production-related concerns have received priority. Marketing was equated with personal selling and sales promotion. But the challenges and opportunities confronting these organizations have undergone great change in recent years, and with this has come a general recognition of the important contributions modern marketing has to offer.

These times are exciting for those who work with industrial products/services and markets. The rate of new product and service introduction is higher than ever before, as companies rush to implement the latest technologies. Entirely new markets are appearing and old ones are being redefined. Meanwhile, industrial firms are devoting more resources to finding customers, studying customer needs, communicating with customers, and keeping customers satisfied. Many are creating marketing departments, appointing marketing vice-presidents, developing marketing plans, and implementing marketing strategies. At the same time, new concepts and tools are being developed to aid the efforts of the industrial marketer.

The purposes of this book are threefold: (1) to provide an introduction to the distinctive nature of the marketing task when the customer is an organization; (2) to provide an appreciation for the growing role of marketing within industrial companies; and (3) to provide insights into ways in which a number of marketing principles, concepts, and techniques can be used by the industrial marketing manager. The book is intended for advanced undergraduate students who have completed at

least a basic marketing principles course, as well as for M.B.A. students with some background in marketing.

## ***Organization of the Text***

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The book is structured around six major sections, and includes sixteen chapters and nineteen case studies. The first five sections represent the rudiments of the strategic marketing planning process.

Part One introduces the reader to industrial marketing. The marketing philosophy is explained as it relates to the rapidly changing environment of industrial firms. Differences between consumer and industrial marketing are analyzed. Detailed attention is given to the nature of industrial markets, including commercial, governmental, nonprofit, and international markets. The types of products and services sold in these markets are also examined.

Part Two concentrates on industrial customers and how they buy. Tools and practices employed by organizations when making purchasing decisions are reviewed. The complexities of organizational buying behavior are explored, and methods for identifying key members of the decision-making process are discussed.

Part Three focuses on how to conduct analysis in the industrial marketplace. This includes a detailed assessment of industrial marketing research, demand analysis (including sales forecasting), and market segmentation. The abilities and insights of the marketer in each of these areas often represent the difference between market success and failure, because they determine his or her ability to identify and serve customer needs.

Part Four investigates the development of marketing strategies and tactics. Each component of the marketing mix is covered. Separate chapters are devoted to strategic marketing, innovation, product and service management, pricing, advertising, personal selling, and distribution. Importantly, these chapters build on the market analysis foundation established in Part Three.

Part Five discusses the need to monitor, evaluate, and adjust marketing programs after they have been implemented. A number of problems and approaches are introduced. Also included here are some of the ethical issues that industrial marketers continually face in managing the marketing mix.

The final section, Part Six, consists of a variety of case studies. These cases require the student to analyze actual company situations and develop marketing solutions that address the opportunities and/or threats confronting the firms.

Rather than simply focus on identifying, defining, and providing examples of key concepts, this text attempts to integrate these concepts into a logical managerial framework. A *process approach* is used to explain many of the major subject areas, including buyer behavior, marketing research, segmentation, strategic planning, product development, pricing, advertising, sales management, distribution channel management, and control. Approaching the management of such key areas as a

process provides the student with a practical framework that can then be applied to industrial products, markets, and firms of all types in the real world.

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## ***Highlights of the Second Edition***

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Some of the distinctive features of this edition of *Industrial and Organizational Marketing* include the following:

- A detailed and systematic breakdown of how industrial markets differ from consumer markets, including a mini-situation that challenges students to cite the differences.
- Additional material on governmental and international markets.
- A separate chapter devoted to industrial purchasing practices, including treatment of some of the newer technological developments in purchasing and production, including just-in-time inventory, electronic data interchange, materials requirement planning, and flexible manufacturing systems.
- Two comprehensive chapters on the buying behavior of the industrial customer, including an extensive treatment of the buying center concept, simplified versions of the leading buying models, and a discussion of relationship marketing.
- A discussion of marketing intelligence systems and decision support systems as they relate to the traditional marketing research function in organizations; expanded treatment of the SIC system.
- A cost-benefit method for segmenting markets and targeting customers, based on a comprehensive set of managerial criteria.
- A separate chapter devoted to industrial marketing strategy, types of strategies, and the meaning of a *strategic orientation* for industrial firms.
- An examination of the role of marketing in corporate entrepreneurship.
- Contribution analysis as a marketing tool is stressed throughout the book, encouraging students to incorporate profit considerations in their analyses of marketing decisions.
- A new chapter dealing with product and service management, with a detailed examination of the unique characteristics of industrial services, and a discussion of the role of quality in product and service management.
- A value-based approach to pricing built around the concept of a strategic pricing program; extended discussion of probabilistic bidding and transfer pricing; new material on price negotiation.
- Emphasis on the two-way dyadic relationship in sales management.
- Detailed treatment of the importance of marketing control and of techniques that can be used to monitor marketing performance, including spreadsheets.

- Nineteen factual cases covering a wide range of products (including high-tech and defense-related) and services, and a variety of markets (including governmental, nonprofit, and international).

All tables and figures in the text have been updated to reflect the most recent data available. The book continues to include chapter-by-chapter objectives, chapter summaries, key chapter concepts, end-of-chapter discussion questions, and an index of names and subjects. Also, every chapter now contains Business Marketing Capsules, which are real world examples of the material being discussed, or summaries of the findings of major research projects on industrial marketing-related issues.

## ***Acknowledgments***

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The author would like to thank all those who made this project a reality. Chief among these are Duane Davis and Pam Lewis, both of the University of Central Florida, whose encouragement and helpful insights substantially improved the text. Much appreciation also goes to the case contributors, especially Tony di Benedetto of Temple University, who coordinated much of the case section. A number of reviewers made invaluable suggestions for revisions and additions, including Roger Calantone, Michigan State University; Neil Ford, University of Wisconsin; P. Renne Foster, Delta State University; Robert R. Harmon, Portland State University; Jon Hawes, University of Akron; Richard Hise, Texas A&M University; C. Boyd Johnson, Central Washington University; Wesley Johnston, University of Southern California; Ramnath Lakshmi-Ratan, University of Wisconsin-Madison; Michael J. Messina, Gannon University; Charles O'Neal, University of Evansville; Don Rahtz, College of William and Mary; David Reid, Clarkson University; Marti J. Rhea, North Texas State University; John K. Ryans, Jr., Kent State University; William A. Staples, University of Houston–Clear Lake; Joe W. Thompson, Michigan State University; Lewis R. Tucker, University of Hartford; Wayland E. Vaughn, Slippery Rock University; and Gary G. Young, University of Massachusetts–Boston.

Finally, personal thanks to Sean Aten, Robert DeCosey, Anne Hauser, Regina Hayes, Jeanna Knowles, and Emma Palfrey for their many hours of high quality research assistance and/or word processing help.

M. H. M.

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## PART ONE

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# *Introduction*

The initial section of the book, consisting of the first two chapters, provides an overview of the nature and scope of industrial marketing and the industrial marketplace. A foundation is laid for understanding the diverse set of institutions and activities involved, and the challenging tasks confronting the marketing manager in today's industrial environment. An attempt is also made to dispel some of the common misconceptions regarding industrial markets—such as the belief that they consist primarily of declining smokestack industries, or that the technical nature of the products being sold means that little marketing is required.

Chapter 1 defines industrial marketing and illustrates how the task of the industrial marketer differs significantly from that of the consumer goods marketer. Emphasis is also placed on how the marketer's job is changing as the result of dynamic change in the industrial marketplace. This chapter sets the tone for the entire book in that many of the key points introduced here are elaborated upon throughout the subsequent chapters. The chapter also establishes the basic philosophy of the book, namely, that marketing is a creative, managerial process that serves to enhance the value that a firm is able to provide to customer organizations.

Chapter 2 provides an introduction to the many types of goods and services sold by industrial marketers, as well as the wide array of customers and markets who purchase these items. Ways are suggested for grouping industrial products and services so that insights can be drawn regarding how they can best be managed. Three major types of industrial markets are discussed: commercial enterprises, institutional and nonprofit organizations, and governmental bodies. Attention is also devoted to the opportunities and challenges presented in international industrial markets.