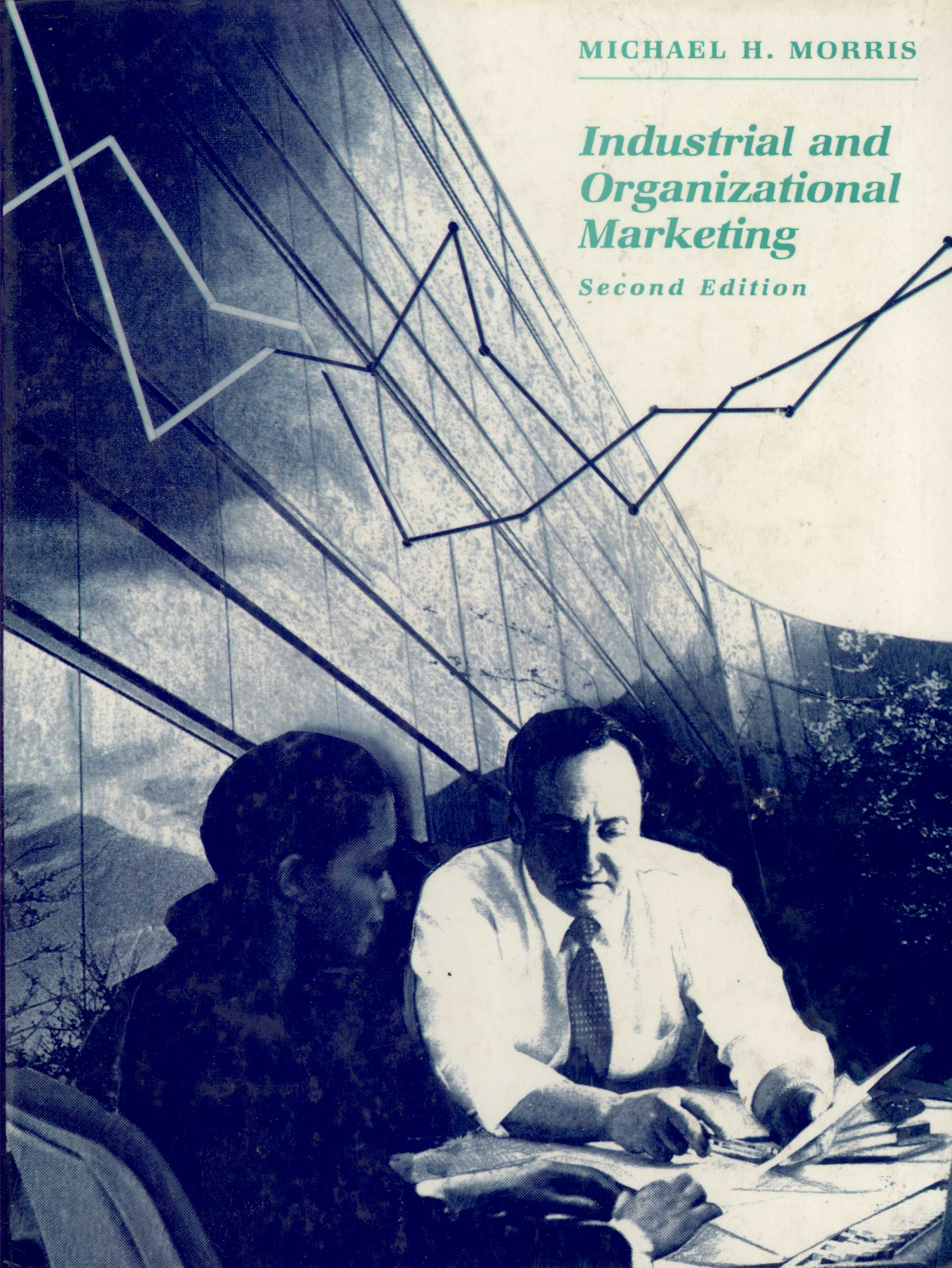


MICHAEL H. MORRIS

Industrial and Organizational Marketing

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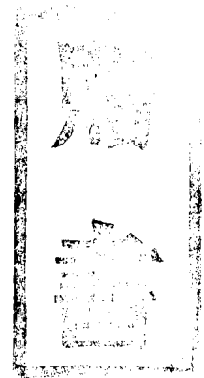
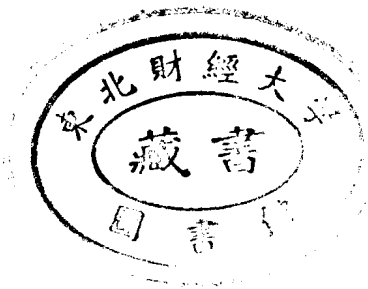
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Second Edition

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and my saintly mother*

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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

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

Highlights of the Second Edition

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

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.

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Index of Cases to the Relevant Chapters

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Contents

Preface to the Second Edition	iii
Index of Cases to the Relevant Chapters	xvi

PART ONE

Introduction **1**

CHAPTER 1

The Basics of Industrial Marketing **3**

Defining Industrial Marketing	4
Customer Needs as the Driving Force	7
The Industrial Marketing Mix	8
Why Study Industrial Marketing?	9
<i>The Size of the Industrial Market Growth Markets of Today and Tomorrow</i>	
The External Environment of Industrial Firms	17
<i>Technological Environment Customer Environment</i>	
<i>Competitive Environment Legal/Regulatory Environment</i>	
<i>Economic Environment</i>	
Distinctive Aspects of Industrial Marketing	23
<i>Product Characteristics The Nature of Demand Buyer Behavior Communication Processes</i>	
<i>Economic/Financial Factors</i>	
Where Are We Going From Here?	30
Summary	32
Questions	33

CHAPTER 2

Industrial Markets and Products **35**

The Nature of Industrial Markets	36
Commercial Enterprises	36
<i>Commercial Enterprises and Value Added Commerical Enterprises and Derived Demand Geographic Dispersion of Commerical Enterprises</i>	

Institutional Markets	46
Government Markets	49
The International Industrial Market	51
The Nature of Industrial Products and Services	60
Summary	63
Questions	64

PART TWO

Understanding the Industrial Customer **67**

CHAPTER 3

The Purchasing Function in Customer Organizations **69**

The Purchasing Function	70
Purchasing Procedures	70
Organizing the Purchasing Operation	74
Key Analytical Tools in Purchasing Industrial Goods	77
<i>Life-Cycle Costing</i>	
<i>Value Analysis</i>	
<i>Time-Based Buying Strategies</i>	
New Technologies Affecting Purchasing Operations	83
<i>Just-In-Time Inventory</i>	
<i>Materials Requirement Planning</i>	
<i>Electronic Data Interchange</i>	
Summary	91
Questions	92

CHAPTER 4

How Organizations Make Buying Decisions **94**

Marketing Starts with the Buyer	95
Selling to Organizations	96
Technical, Commercial, and Behavioral Complexities	97
The Industrial Marketer's Lament Who Buys?	100
Internal and External Publics	101
Is Industrial Buying Rational?	103
Buying as A Process The Buystages	106
Buying Scenarios	112
The Buygrid	114
Towards Relationship Marketing Buyers and Sellers as Partners	116
The Dyadic Approach	119
Summary	121
Questions	122

CHAPTER 5

**Concepts and Models of Organizational
Buying Behavior****124**

- The Buying Center 125
- A Structural Perspective 129
 - A Power Perspective* *A Risk Perspective* *A Problem-Solving Perspective* *A Reward Perspective*
- Two General Frameworks 140
 - The Webster–Wind Framework* *The Sheth Framework*
 - Source Loyalty as an Outcome of Buyer Behavior*
- Summary 154
- Questions 154

PART THREE

Examining Industrial Market Opportunities**157**

CHAPTER 6

Industrial Marketing Research and Intelligence**159**

- The Role of Research in Marketing Decisions 160
- When Not to Do Research 161
- Major Responsibility Areas of Marketing Research 162
 - Estimation of Market Potential* *Market Share Analysis*
 - Determination of Market Characteristics and Attitudes* *Sales Analysis* *Forecasting* *Studies of Business Trends* *New Product Acceptance and Potential* *Competitor Analysis*
 - Determination of Sales Quotas and Territories*
- Marketing Research as a Process 165
- Describing the Steps in the Process 167
 - Problem Recognition and Definition* *Specify the Study Objectives* *Establish the Study Hypotheses* *Identify Information Needed* *Secondary Data Search* *Develop the Research Design, Including Sampling Strategy*
 - Determine the Method of Data Collection* *Develop the Questionnaire* *Data Collection* *Data Analysis*
 - Interpretation and Presentation*
- Are There Differences Between Industrial and Consumer Market Research? 172
 - From Marketing Research to Marketing Intelligence 177
 - Steps in Establishing and Operating an MIS 180
 - From Intelligence to Decision Support 182
 - The Use of Secondary Data Sources in Industrial

Marketing Intelligence	184
<i>Internal Secondary Data Sources External Secondary Data Sources General Business Indices Government Sources Commerical Sources Secondary Data and the SIC System Problems with Secondary Data Trends in Industrial Marketing and Intelligence Systems</i>	
Summary	196
Questions	197

CHAPTER 7

Assessing Markets: Demand Measurement and Sales Forecasting

199

Basic Concepts in Examining Industrial Demand	200
<i>Types of Market Potential The Company Sales Forecast Assumptions Market Response Curves</i>	
Special Characteristics of Industrial Demand	205
<i>The Derived Nature of Demand Concentrated Demand Source Loyalty Price Bidding for Capital Equipment</i>	
The Uses of Demand Analysis	208
<i>Demand Estimation and Marketing Planning Demand Estimation and Control of Industrial Marketing Efforts Demand Estimation and New Product Development</i>	
Basic Options When Selecting Demand Analysis Techniques	215
<i>Qualitative Versus Quantitative Techniques How Much Judgment? Breakdown Versus Build-up Methods Where to Begin? Internal Versus External Sources. Where to Get the Data? Assumptions. Simple Versus Complex?</i>	
Commonly Used Techniques in Estimating Market Potential	217
<i>Chain-Ratio Method of Market Measurement Statistical Series Method of Market Measurement</i>	
Commonly Used Techniques in Forecasting Sales	220
<i>Qualitative Approaches Quantitative Approaches Resolving the Final Sales Forecast</i>	
Summary	231
Questions	232

CHAPTER 8

Industrial Market Segmentation

234

Defining Market Segmentation	235
An Example of Market Segmentation	236
The Process of Segmentation	237
<i>Identify Relevant Market Segmentation Bases Determine Homogeneous Groupings Evaluate the Attractiveness of</i>	

<i>Each Market Segment</i>	<i>Select Target Segment(s)</i>	<i>Align the Marketing Strategy to Market Segment(s)</i>	<i>Implement and Monitor</i>
Degrees of Segmentation	240		
What Segmentation Does for the Industrial Marketer	242		
Decision Criteria in Market Selection and Targeting	242		
<i>Criteria for the Usefulness of Market Segmentation</i>	<i>Criteria for the Selection of Target Markets</i>	<i>Criteria for the Allocation of Resources</i>	<i>Implementing the Criteria The Cost-benefit Perspective</i>
Methods and Bases for Segmenting Industrial Markets	253		
<i>The Macro and Micro Approach</i>	<i>Intermediate Bases</i>	<i>The Nested Approach</i>	<i>A Dynamic Cost-Benefit/Nested Approach to Industrial Market Segmentation</i>
Summary	262		
Questions	263		

PART FOUR

Designing and Managing the Industrial Marketing Mix 265

CHAPTER 9

Strategic Management of Industrial Products and Services 267

The Concept of Strategy	268
Strategies Versus Tactics	270
Types of Marketing Strategies	271
Strategic Marketing Management	275
The Strategic Planning Process	276
<i>A Case Example of the Need for Strategic Planning</i>	<i>Pitfalls of Strategic Planning</i>
Conceptual Planning Tools	283
<i>Product Life Cycle</i>	<i>Product Portfolios</i>
<i>Business Screens</i>	<i>Alternative Portfolio Approaches</i>
<i>Experience</i>	<i>Curves/Economies of Scale</i>
<i>Technology Life Cycles</i>	
Summary	295
Questions	296

CHAPTER 10

The Role of Marketing in Corporate Innovation 298

The Importance of New Products and Services	299
Types of Product/Service Innovation	301
Risks and Dangers in Product/Service Innovation	303

Why Do New Industrial Products and Services Fail?	304
Dimensions of Success	307
The Innovation Charter	308
Product/Service Innovation as a Process	311
<i>Idea Generation and Screening</i>	<i>Concept Testing</i>
<i>Technical Feasibility Analysis and Product Testing</i>	
<i>Profitability Analysis</i>	<i>Test Marketing</i>
<i>and Life Cycle Management</i>	<i>Market Launch</i>
Organizing for Innovation	322
The Marketing–R&D Interface	325
Corporate Entrepreneurship	328
Marketing as the Home for the Entrepreneurial Process	329
Summary	330
Questions	331

CHAPTER 11

Managing Industrial Product and Service Lines **333**

Importance of the Product or Service	334
What Is a Product?	335
Unique Characteristics of Industrial Products	337
What Is a Service?	338
Unique Characteristics of Industrial Services Versus Products	340
Unique Characteristics of Industrial Services Versus Consumer Services	342
Selling Both Products and Services	343
Items, Lines, and Mixes	345
Breadth of the Mix/Length of the Lines/Depth of the Items	347
Product/Service Strategy. The Importance of Quality	349
<i>Managing Product Quality</i>	<i>Managing Service Quality</i>
Product/Service Strategy The Concept of Positioning	355
<i>Perceptual Mapping and Positioning</i>	
Determining Product or Service Line Profitability	357
Elimination of Products and Services	359
Summary	360
Questions	362

CHAPTER 12

Industrial Pricing **363**

Characteristics of Industrial Prices	364
Price as a Measure of Value	366
<i>Economic Value to the Customer</i>	

A Framework for Setting Industrial Prices	367
<i>The Role of Price Objectives</i>	<i>Establishing a Strategy</i>
<i>Developing a Structure</i>	<i>Determining Price Levels and</i>
<i>Related Tactics</i>	<i>Putting the Four Together</i>
The Underlying Determinants of Pricing Decisions	376
<i>Company Objectives/Strategies</i>	<i>Assessing Demand</i>
<i>Analyzing the Competition</i>	<i>Competitive Bidding</i>
Pricing Over the Life Cycle	394
Special Topics in Industrial Pricing	396
<i>Price Negotiation</i>	<i>The Role of Discounts and Incentives</i>
<i>Leasing</i>	<i>Transfer Pricing</i>
<i>Legal Issues</i>	
Summary	404
Questions	405

CHAPTER 13

Introduction to Industrial Communication: Advertising and Sales Promotion **407**

What Is Industrial Promotion?	408
Industrial Promotion Is Different	408
Promotion and the Buyer: A Micro Approach	411
Promotion and the Buyer: A Macro Approach	413
Why Advertise?	417
Managing the Industrial Advertising Effort	422
<i>Objectives</i>	<i>Budgets</i>
<i>The Message</i>	<i>The Media Decision</i>
<i>Some Industrial Alternatives</i>	<i>Evaluating Advertising</i>
The Role of Sales Promotion	440
The Role of Publicity and Public Relations	445
Summary	445
Questions	446

CHAPTER 14

Personal Selling and Sales Management **448**

Personal Selling is the Centerpiece	449
The Distinctive Requirements of Industrial Selling	451
<i>The Salesperson</i>	<i>Selling Aids</i>
<i>Sales Management</i>	<i>The Selling Process</i>
A Dyadic Perspective on Industrial Selling	460
<i>Organizational Relations</i>	<i>Structural Positions of the</i>
<i>Players</i>	<i>Characteristics of the People Involved</i>
<i>Rules of the Game</i>	<i>Roles and</i>
<i>A Negotiated Social Process</i>	
Managing the Industrial Sales Force	467
<i>Sales Force Size and Organization</i>	<i>Recruiting and Selecting</i>

Salespeople Training and Motivating the Sales Force
Territory Management and Allocation Decisions
Determining Performance Standards and
Evaluating Salespeople

Summary	485
Questions	486

CHAPTER 15

Industrial Channel Strategy **488**

What Is a Channel of Distribution?	489
What's an Intermediary Worth?	490
Distinctive Aspects of Industrial Channels	490
Major Types of Industrial Middlemen	492
<i>Manufacturers' Representatives</i>	<i>Industrial Distributors</i>
Conflict in Industrial Channels	The Need for a Systems View 501
Designing and Managing Industrial Channel Strategy	505
<i>Considerations in Formulating Initial Distribution Strategy</i>	
<i>Forces Necessitating a Change in Distribution Strategy</i>	
<i>Forces of Resistance to Strategy Changes</i>	
The Need to Evaluate Middlemen	511
<i>Evaluating Middlemen—The Contribution Approach</i>	
<i>Evaluating Middlemen—The Weighted-Factor Approach</i>	
Implementation of Distribution Strategy	The Role of Logistics 516
<i>Warehousing Decisions</i>	<i>Transportation Decisions</i>
<i>Inventory Decisions</i>	<i>Communication Network Decisions</i>
<i>Handling and Storage Decisions</i>	<i>Managing the Total</i>
<i>Logistics System</i>	
Summary	523
Questions	524

PART FIVE

Controlling Industrial Marketing Programs **527**

CHAPTER 16

Control and Evaluation of Industrial Marketing Programs **529**

The Process of Control	531
Categories of Marketing Control	534
<i>Strategic Control</i>	<i>Annual Plan Control</i>
<i>Control</i>	<i>Efficiency Control</i>
<i>Profitability</i>	

Selected Inputs to the Control Process	547
<i>The Budget</i>	
<i>Data Requirements</i>	
<i>Scenario Analysis</i>	
<i>Productivity Judgments and Sensitivity Analysis</i>	
<i>Environmental Monitoring Systems</i>	
Analyzing Performance Deviations	559
Evaluating Ethical Aspects of Marketing Programs	562
Summary	564
Questions	565

PART SIX

Cases**567**

1. The Stevens Heating Treating Company	567
2. American Box Company (ABCo)	575
3. CMS Medical Systems	587
4. Zusammenhang GMBH	598
5. Seanav Corporation	610
6. Sunheat	623
7. Eurocomm USA	635
8. Across, Inc	648
9. Monolithic Memories, Incorporated	660
10. Hydro Clean, Inc	677
11. Dyonix Greentree Technologies, Inc.	687
12. Sexton Energy Systems Division	700
13. Aztec Chemical Company	711
14. Zephyr Defence Systems Limited	717
15. Wall, Inc — Modern Fixtures Division	729
16. Gamma Business Systems, Incorporated	738
17. United Tire Company	745
18. Human Resource Consultants, Inc.	749
19. Diamond Door	759

References**765****Author Index****774****Subject Index****776**