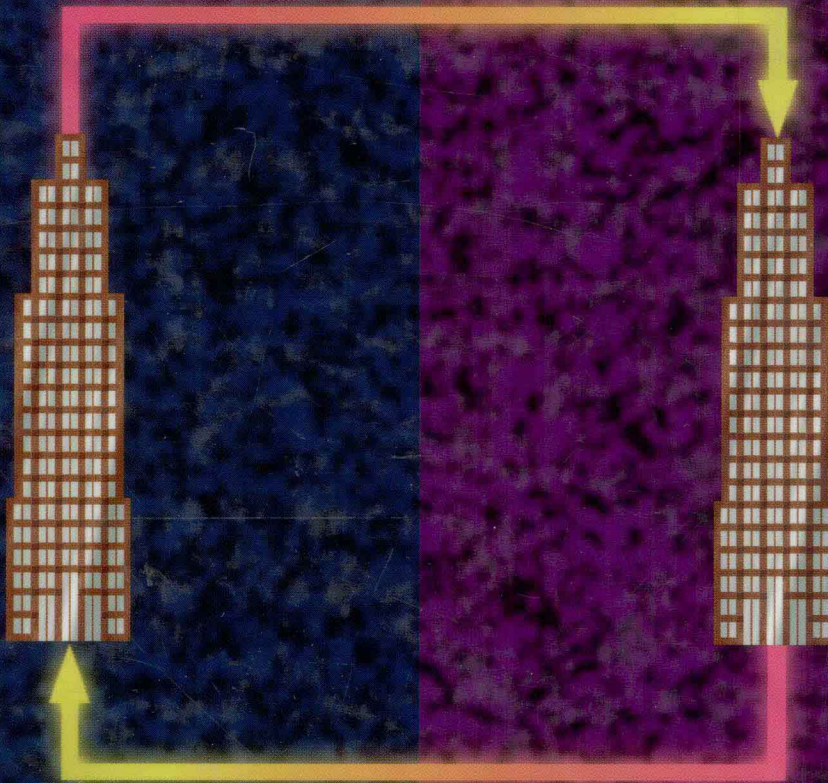


Business Market



A Managerial Approach **Robert W. Haas 6 ed.**

Business Marketing

A Managerial Approach **S i x t h E d i t i o n**

Robert W. Haas, Ph.D.
San Diego State University



SOUTH-WESTERN College Publishing

An International Thomson Publishing Company

SN77FA
Copyright © 1995
by South-Western College Publishing
Cincinnati, Ohio

ALL RIGHTS RESERVED

The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without the prior written permission of the publisher.

ISBN: 0-538-84752-2

2 3 4 5 6 7 MT 1 0 9 8 7 6 5

Printed in the United States of America

Library of Congress Cataloging-in-Publication Data

Haas, Robert W.

Business marketing: a managerial approach/Robert W. Haas.—
6th ed.

p. cm.

Rev. ed. of: Business marketing management. c1992.

Includes bibliographical references and index.

ISBN 0-538-84752-2 (hc.)

1. Industrial marketing—Management. 2. Industrial marketing—
—Management—Case studies. I. Haas, Robert W. Business marketing
management. II. Title.

HF5415.13.H2713 1995

94-42374

658.8—dc20

CIP

Acquisitions Editor: Jack Calhoun
Team Director: Christine Sofranko
Marketing Manager: Stephen E. Momper
Production Sponsor: Pam Person
Production Editor: Crystal Chapin
Cover Designer: Craig LaGesse Ramsdell

To my Loving and Understanding Family,
Janet, Amie, Christopher, Robin, and Timothy

Preface

.....

Back in 1935, the McGraw-Hill Book Company published what may have been the first academic textbook on business and industrial marketing. The text was titled *Marketing Industrial Equipment* and its author, Bernard Lester, focused primarily on what was involved at that time in selling and promoting heavy and light industrial equipment. Today, there are a number of fine textbooks in the area, and their scope of coverage has expanded considerably. No longer does business or industrial marketing imply only production equipment, nor do the terms involve only the selling and promoting function. Business marketing has come a long way since its early days.

This text was first published in 1976 under the title of *Industrial Marketing Management*. This title was retained until 1992 when its fifth edition was titled *Business Marketing Management* to better reflect the changing nature of marketing to organizations. The use of the term *business marketing* to supplant the older term *industrial marketing* reflects that movement. In this edition, the title has been changed to *Business Marketing: A Managerial Approach* because the use of the term *management* in the previous edition caused the text to be identified sometimes as a marketing management text rather than as a business marketing book. Hopefully, the new title will alleviate that problem. Regardless of the title change, the text is devoted exclusively to the study of marketing to organizations in a complex and changing environment.

When the text was first published in 1976, there were two other texts in the area of business and industrial marketing. Neither of those texts is being published today. At the time of writing, however, there are now a number of very fine books, and this increase also reflects how the area has changed in importance in academic America. At the time of the first edition, there were very few articles on business and industrial marketing in the major marketing journals. Today, there are three academic journals that exclusively publish articles in various fields of business and industrial marketing. These are *Industrial Marketing Management*, the *Journal of Business-to-Business Marketing*, and the *Journal of Business & Industrial Marketing*. In addition, the Institute for the Study of Business Markets (ISBM) at the Pennsylvania State University also fosters research in this vital area of overall marketing. Truly, business and industrial marketing has grown significantly in importance in the marketing curricula in colleges and universities.

The basic philosophy of previous editions remains unchanged, which helps account for this text's longevity. This text focuses on advancing the basic principles of marketing to the specific area of business and industrial marketing. For students, this permits easy transition from what has been learned in their marketing principles courses to courses involving marketing to organizations. Although the basic format of previous editions is maintained, significant changes have been made. More emphasis is placed on the global nature of business marketing as it has been impacted by such developments as the European Community (EC), the decentralization of Eastern Europe, the North American Free Trade Agreement (NAFTA), and the informal trading block in the Far East headed by Japan. As the world opens up more and more to free trade, much of it will come in the form of business goods and services, and this text integrates those changes. Also, there is more emphasis on the electronic developments that are changing the area and renewed emphasis on such things as JIT (just-in-time), strategic alliances and partnerships, and the increased sophistication of organizational buying. There are twenty-five cases at the end of the text, seven of which are new to this edition. Cases have been selected to better reflect changes taking place in contemporary business marketing.

The author wishes to thank all the authors whose cases are included in this edition. Their contributions have greatly helped make this text the success that it has been and will continue to be. Finally, thanks are given to those who reviewed this text. Their careful analyses and recommendations have also helped greatly in this revision.

My sincerest hope, once again, is that this new edition will continue to stimulate students to develop interests in business and industrial marketing. Hopefully, this will lead to more and more marketing students seeking careers in business marketing organizations. When that happens, the area should also continue to grow in prestige and stature in the nation's colleges and universities.

Robert W. Haas
San Diego, California

CASE CONTRIBUTORS

Robert H. Collins, Hilton Distinguished Professor of Marketing, University of Nevada, Las Vegas, “Medical Electronic Instruments.”

Harold W. Fox, former Professor of Marketing, Pan American University, and Seminar Leader, “Gypsum Wallboard Corporation.”

John L. Graham, Professor of Marketing, University of California, Irvine, “Bolter Turbines, Inc.”

Hubert D. Hennessey, Associate Professor of Marketing, Babson College, “Milford Glove Company.”

Hubert D. Hennessey, Associate Professor of Marketing, and **Barbara Kalunian**, both of Babson College, “Royal Corporation.”

G. Dean Kortge, Professor of Marketing, and **Patrick A. Okonkwo**, Professor of Marketing, both of Central Michigan University, “Great Lakes Building Products Company,” and “Wood-N-Things Manufacturing Company.”

David S. Litvack, Associate Professor of Marketing, University of Ottawa, “Atomic Energy of Canada, Limited,” and “Atomic Energy of Canada, Limited—Research Company.”

Jakki Mohr, Associate Professor of Marketing, University of Colorado, and **Kenneth Manning**, University of South Carolina, “Wind Technology.”

Charles O’Neal, Professor of Marketing, University of Evansville, “Electrotech, Inc.”

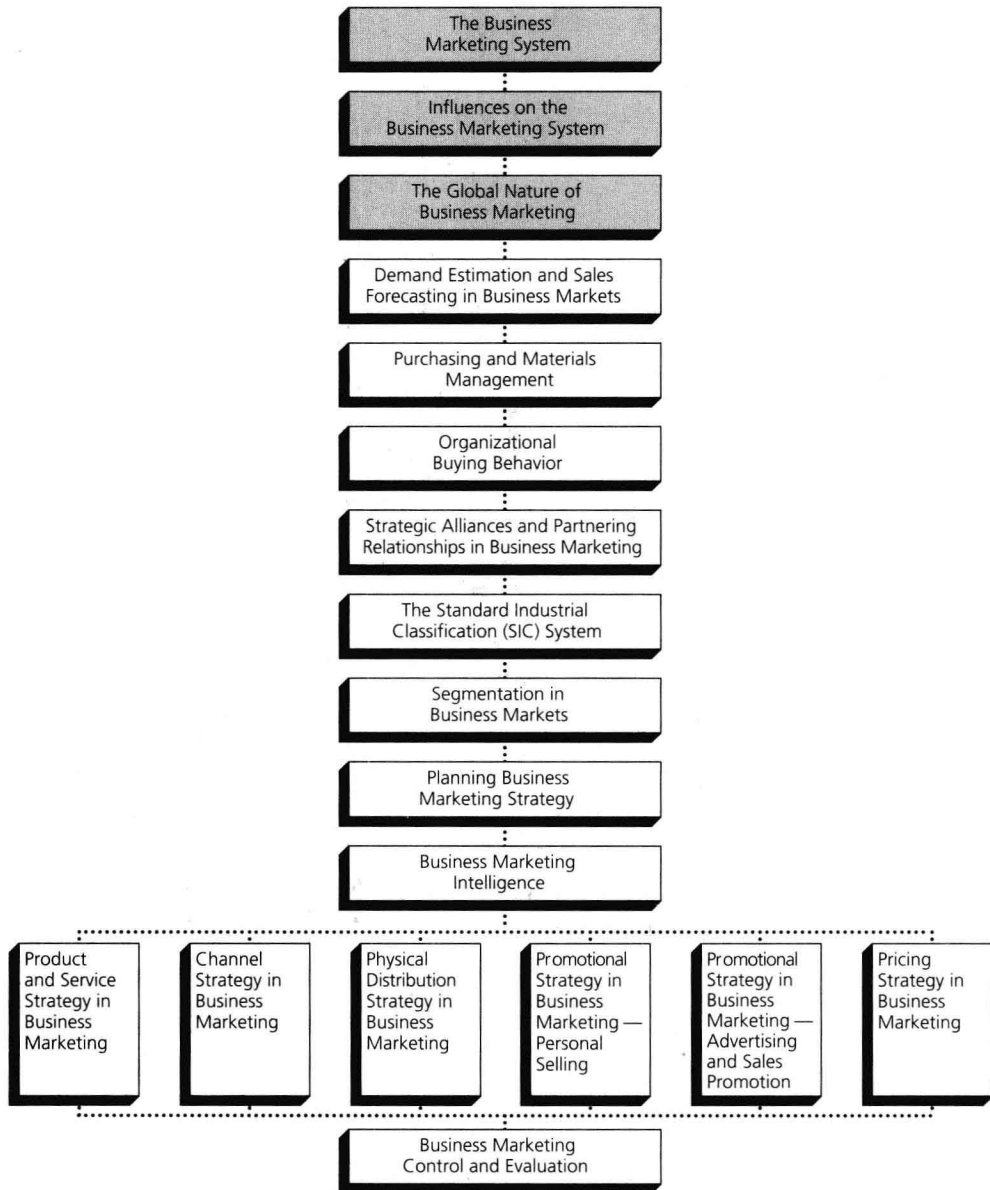
W. E. Patton III, Professor of Marketing, and the late **Ronald H. King**, Professor of Marketing, both of Appalachian State University, “A Week in the Life of Jim Roberts, Industrial Sales Rep,” “Appalachian Equipment Company,” “Bay City Steam Fittings, Inc.,” “Carolina Jam & Jelly (A),” “Carolina Jam & Jelly (B),” “Mercer Industrial Equipment, Inc.,” and “Superior Equipment Company.”

Linda Rochford, Assistant Professor of Marketing, University of Minnesota, Duluth, “Johannsen and Lundgren Architects,” and “Veber Chemical Corporation.”

Steven Turteltaub, Graduate Assistant, San Diego State University, “City of Brookings.”

Business Marketing

A Managerial Approach **Sixth Edition**



Contents

.....

PART ONE

.....

UNDERSTANDING THE BUSINESS MARKETING ENVIRONMENT

1

The Business Marketing System 3

A Definition of Marketing 5 • A Definition of Business Marketing 5 • Business Marketing Management 6 • Who Are Business Customers? 9 • Classifications of Business Products and Services 17 • The Business Marketing System 28 • The Global Nature of Business Marketing 31 • Basic Differences Between Business and Consumer Marketing 31 • Plan of the Book 33 • *Chapter Summary* 35 • *Key Terms* 35 • *Questions* 36 • *Notes* 36 • *Suggested Additional Readings* 37

2

Influences on the Business Marketing System 38

Types of Major Influences in Business Marketing 38 • Developing an Open System Perspective 40 • Environmental Influences on Business Marketing 43 • *Chapter Summary* 61 • *Key Terms* 62 • *Questions* 62 • *Notes* 63 • *Suggested Additional Readings* 63

3

The Global Nature of Business Marketing 64

What is Global Marketing? 65 • Business Marketing and Global Markets 66 • Sources of Major Global Competition in U.S. Business Markets 67 • Major Global Markets for U.S. Business Marketers 71 • Strategic Alliances and Partnerships 72 • Status of Global Marketing by U.S. Firms 74 • Marketing Information on Global Markets 78 • Approaches to Entering Global Markets 80 • Marketing Strategies in Global Business Marketing 82 • The Changing Global Environment 88 • *Chapter Summary* 92 • *Key Terms* 93 • *Questions* 93 • *Notes* 94 • *Suggested Additional Readings* 94

PART TWO

ORGANIZATIONAL CUSTOMERS AND MARKET BEHAVIOR

4

Demand Estimation and Sales Forecasting in Business Markets 99

The Total Demand for Business Goods and Services 99 • Demand Characteristics Unique to Business Markets 101 • Demand Related to Product Characteristics 108 • Derived Demand Characteristics 111 • Joint Demand Characteristics 119 • Types of Demand Estimates 121 • Demand Estimation and Sales Forecasting Techniques 121 • *Chapter Summary* 127 • *Key Terms* 128 • *Questions* 128 • *Notes* 129 • *Suggested Additional Readings* 129

5

Purchasing and Materials Management 130

The Purchasing Professional 132 • Purchasing Departments 133 • Purchasing Objectives 134 • Purchasing Strategies 136 • Stages of Development of Purchasing Organizations 138 • Contemporary Purchasing Practices and Skills 140 • The Importance of the Purchasing Professional to the Business Marketer 161 • *Chapter Summary* 162 • *Key Terms* 163 • *Questions* 163 • *Notes* 163 • *Suggested Additional Readings* 164

6

Organizational Buying Behavior 166

Models of Organizational Buying Behavior 167 • The Organizational Buying Process 169 • Multiple Buying Influence 177 • Determining the Relative Importance of Buying Influences 183 • Understanding Buying Motivations 187 • The Buying Center 192 • *Chapter Summary* 194 • *Key Terms* 195 • *Questions* 195 • *Notes* 196 • *Suggested Additional Readings* 197

7

Strategic Alliances and Partnering Relationships in Business Marketing 199

Why Strategic Alliances Have Become Popular 199 • Types of Strategic Alliances 202 • Alliance Linkages 206 • Controls on Strategic Alliances 207 • Successful Strategic Alliances 212 • Business Marketing and Strategic Alliances 221 • *Chapter Summary* 224 • *Key Terms* 225 • *Questions* 225 • *Notes* 226 • *Suggested Additional Readings* 227

PART THREE

.....

THE BUSINESS MARKETING PROCESS: SEGMENTATION, PLANNING, STRATEGY, AND INTELLIGENCE GATHERING

8

The Standard Industrial Classification (SIC) System 231

What Is the SIC System? 231 • Sources of SIC-Related Data 238 • Limitations of the SIC System 248 • Expansions of the Basic Four-Digit SIC Codes 251 • Determining Appropriate SIC Codes 254 • Marketing Uses of the SIC System and Related Data 258 • *Chapter Summary* 261 • *Key Terms* 262 • *Questions* 262 • *Notes* 263 • *Suggested Additional Readings* 263

9

Segmentation in Business Markets 264

What Is Market Segmentation? 264 • Why Segment Business Markets? 266 • Bases Used to Segment Business Markets 267 • Approaches Used to Segment Business Markets 280 • The Segmentation Decision Process 281 • The Status of Segmentation in Business Marketing 285 • *Chapter Summary* 287 • *Key Terms* 287 • *Questions* 287 • *Notes* 288 • *Suggested Additional Readings* 289

10

Planning Business Marketing Strategy 290

The Meaning of Strategy 291 • Strategic Planning 292 • Strategy Levels 292 • Marketing Planning 293 • The Marketing Planning Process 295 • The Marketing Plan 315 • Marketing Planning Aids 317 • *Chapter Summary* 326 • *Key Terms* 326 • *Questions* 326 • *Notes* 327 • *Suggested Additional Readings* 328

11

Business Marketing Intelligence 329

Marketing Intelligence 331 • The Marketing Information System 332 • Marketing Research in Business Markets 339 • The Marketing Research Process 340 • Business Marketing Research—A Case Study 343 • Unique Characteristics of Business Marketing Research 346 • Areas of Major Business Marketing Research Activities 352 • Profile of the Business Marketing Researcher 354 • The Status of Marketing Research in Business Markets 357 • *Chapter Summary* 359 • *Key Terms* 360 • *Questions* 360 • *Notes* 360 • *Suggested Additional Readings* 361

PART FOUR

.....

THE BUSINESS MARKETING MIX

12

Product and Service Strategy in Business Marketing 365

What Is a Business Product? 365 • Business Product Strategy 369 • The Importance of Product Planning 371 • Success and Failure of Business Products and Services 374 • The Planning Process for New Products or Services 378 • Managing Existing Products and Services 393 • Product Support 397 • Product Management in Business Marketing 399 • *Chapter Summary* 404 • *Key Terms* 405 • *Questions* 405 • *Notes* 406 • *Suggested Additional Readings* 407

13

Channel Strategy in Business Marketing 408

Business Channel Strategy 408 • Analysis of Business Channel Systems 413 • Direct Channels 415 • Indirect Channels 417 • Formulating Business Channel Strategy 431 • Partner Relationships in Business Channels 439 • *Chapter Summary* 441 • *Key Terms* 441 • *Questions* 442 • *Notes* 442 • *Suggested Additional Readings* 443

14

Physical Distribution Strategy in Business Marketing 444

What Is Physical Distribution? 444 • The Physical Distribution System in Business Marketing 446 • The Physical Distribution Process in Business Marketing 448 • The Importance of Physical Distribution in Business Marketing Strategy 450 • Physical Distribution Management 456 • The Total Integrated System of Physical Distribution 465 • Just-in-Time Implications for Physical Distribution 468 • *Chapter Summary* 471 • *Key Terms* 472 • *Questions* 472 • *Notes* 473 • *Suggested Additional Readings* 473

15

Promotional Strategy in Business Marketing—Personal Selling 475

Business Promotional Strategy 477 • Personal Selling in Business Markets 479 • The Cost of Personal Selling 494 • Sales Management in Business Marketing 500 • *Chapter Summary* 510 • *Key Terms* 510 • *Questions* 510 • *Notes* 511 • *Suggested Additional Readings* 512

16

Promotional Strategy in Business Marketing—Advertising and Sales Promotion 514

Advertising in Business Marketing 514 • Media in Business Advertising 522 • Business Advertising Messages 538 • Sales Promotion in Business Marketing 542 • Publicity and Public Relations in Business Marketing 553 • Business Advertising and Sales Promotion Budgets 555 • Evaluating the Effectiveness of Advertising and Sales Promotion 556 • Integrating Overall Business Promotional Strategy 556 • *Chapter Summary* 558 • *Key Terms* 559 • *Questions* 559 • *Notes* 560 • *Suggested Additional Readings* 562

17

Pricing Strategy in Business Marketing 563

What Is Price? 565 • Pricing in Business Markets 566 • Considerations in Pricing Business Goods and Services 567 • Techniques Used in Determining Prices in Business Markets 582 • List and Net Prices in Business Markets 589 • Bidding in Business Markets 594 • Negotiated Pricing in Business Markets 600 • Leasing in Business Markets 601 • Relationship Marketing and Pricing 605 • *Chapter Summary* 607 • *Key Terms* 608 • *Questions* 608 • *Notes* 609 • *Suggested Additional Readings* 610

PART FIVE

BUSINESS MARKETING PERFORMANCE: CONTROL AND EVALUATION

18

Business Marketing Control and Evaluation 615

Control and Evaluation Defined 616 • Levels of Marketing Control and Evaluation Activity 618 • Mechanisms for Marketing Control and Evaluation 627 • Integrating Levels of Control and Evaluation with Proper Mechanisms 641 • *Chapter Summary* 642 • *Key Terms* 642 • *Questions* 642 • *Notes* 643 • *Suggested Additional Readings* 644

PART SIX

.....

CASES

CASE 1 City of Brookings 647 • CASE 2 Carolina Jam & Jelly (A) 654 • CASE 3 Carolina Jam & Jelly (B) 660 • CASE 4 A Week in the Life of Jim Roberts, Industrial Sales Rep 664 • CASE 5 Atlas Power Tools 672 • CASE 6 Milford Glove Company 680 • CASE 7 Johannsen and Lundgren Architects 688 • CASE 8 Atomic Energy of Canada, Limited 696 • CASE 9 Atomic Energy of Canada, Limited—Research Company 709 • CASE 10 Electrotech, Inc. 717 • CASE 11 Gypsum Wallboard Corporation 723 • CASE 12 Great Lakes Building Products Company 729 • CASE 13 Medical Electronic Instruments 736 • CASE 14 Appalachian Equipment Company 739 • CASE 15 Fairchild Lubricants, Inc. 743 • CASE 16 Bay City Steam Fittings, Inc. 750 • CASE 17 Mercer Industrial Equipment, Inc. 765 • CASE 18 MPM Corporation 769 • CASE 19 Royal Corporation 775 • CASE 20 Bolter Turbines, Inc. 787 • CASE 21 Geodesic Domes, Inc. 790 • CASE 22 Wind Technology 797 • CASE 23 Veber Chemical Corporation 804 • CASE 24 Wood-N-Things Manufacturing Company 812 • CASE 25 Superior Equipment Company 817

GLOSSARY 824

AUTHOR INDEX 837

SUBJECT INDEX 845

P A R T O N E



**Understanding
the Business
Marketing
Environment**

