

Integrated Marketing Management
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Lecture – 16
B - B Markets, Macro Environment

Welcome to this class, now in this class we will look at the B to B Markets, on the different dimensions.

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Characteristics of Business-to-Business Markets

Dimension	Characteristic of Business Market	Explanation
Nature of Demand	Derived demand	The demand from a business depends upon (is derived from) its own volume of sales
Buying Influences	Many influences	There are often many interested parties who influence the buying decision
Market Structure	Often concentrated demand	A small number of large customers often make up a substantial share of the market
Purchasing Motives	Organisational, rational	Business products are purchased to contribute to the achievement of organisational objectives
Purchasing Decision Process	Often complex and lengthy	Major organisational buying decisions can involve long and complex analysis and negotiation processes
Purchasing Skills	Professional, trained	Organisational buyers are often professionally qualified in purchasing

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What are the dimensions which we are looking at we are looking at the Nature of Demand, the Buying influences, the Market structure, the Purchase Motives, then the Purchasing Decision Process and the Purchasing Skills depending on these dimensions.

Suppose you are able to identify the characteristic of the business market. Let us say the nature of demand is a derive demand, what you mean by saying that it is a derive demand. You provide a service and the demand gets derived from it is own volume of sales, what could be an example. Let us say in a place like Bangalore you provide a service to Vidhan Soudha a bus service from a place where it was not available previously ok.

Let us say there is a layout where this direct service to Vidhan Soudha was not available. You introduce a bus service where you can come directly from this particular layout or

region to Vidhana Soudha. Now the first bus which you used you may find that this bus is more than full that is more people are standing not getting seats and when is this demand coming it is coming perhaps in the peak hours that is the office hours.

Suppose the office is to start in and around Vidhan Soudha around 10 o'clock, you may find between 9 and 10 or 8 and 10 a huge travelling population to Vidhan Soudha from this layout. You introduced this bus service to find out what is going to be the sales, you find that the sales is encouraging instead of one you may increase this two more number of buses.

You may say increase it to two or three or four this is what the decision of the manager is depending on this situation. This is the dynamic decision making. A derived demand creates or gets from its own volume of sales is derived from its own volume of sales. Suppose buying influences there are many influences which can influence your buying decision may be your immediate family members; Maybe it is your parents or your brother, your wife or sister.

There are many interested parties that influence the buying decision you want to make the purchase of a saree let us say to your mother, you may not like to ask your mother what type of saree she would like to wear. But give it to her as a surprise, then you may try to get your decision of buying the saree influenced by your sister or your mother's sister or your mother's relative saying that this is her preference and you buy this particular saree, it is likely to find favor with her.

Now, suppose your market structure says that there is a concentrated demand often concentrated demand. That is a small number of large customers often make up a substantial share of the market. In marketing terminologies sometimes also in inventory terminologies, you say A account A capital A account what is this capital A account.

These are large customers many times making up a substantial share of the market and that is there almost able to take up the entire whatever you have produced so, but their relative number might be small. Some three or more large customers might account for the entire sales volume that you are getting. You may not be looking at your B and C category customers at all you may at best come from A to B, but never move to C this also happens in many of the situations.

If you look at the market in Bangalore with respect to flowers, many times when you may find in the main market the flowers are available to you at a particular rate. Which is always much lower compared to what is available to you in the retail market. Suppose you are wanting a large quantity of flowers what will be your decision making your decision making is not to go to this retail market. But go to this whole sale market in the main market place pick up the entire stock.

Many times in the main market place you find that these entire stock gets exhausted within a few hours. So, a large large buying by a small number of customers takes place here. Depending on the where what is the type of decision that you want to make whether it is with respect to individual or with respect to organization, your purchasing motives are going to be different. That is the business products are purchased to contribute to the achievement of organizational objectives.

If you are taking a product to achieve an organizational objective, your decision making is different. Suppose it is for an individual objective your decision making is different. An example could be your TV for an organization you might like to have a very wide screen TV, for your individual use you may not like to have that wide a screen you may say this is enough for me.

Whereas, for an organization you may say make this screen 50 plus whereas, when you come to the individual your happy enough to be at 32 also. This is the way your purchasing motives are likely to get influenced. Many times' if you are in an organization the purchasing decision process is often complex, it is not going to be something like where you just like I make a buy of this product no it is not going to happen.

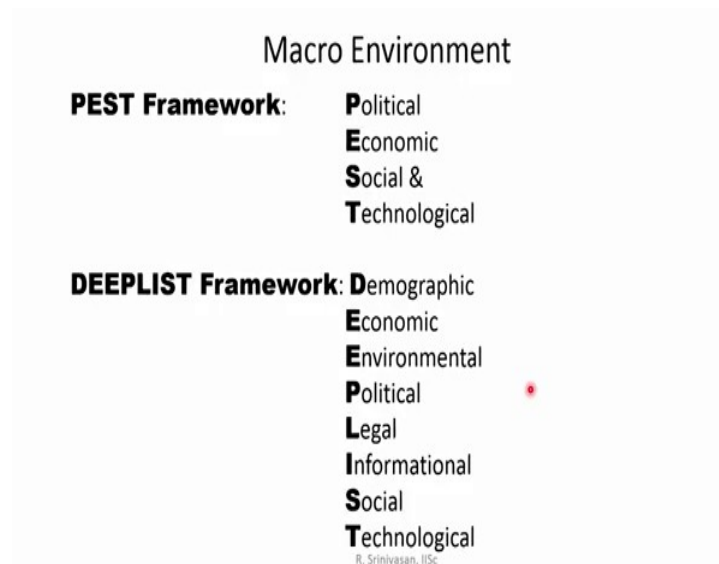
So many people are involved in the decision making. Major organizational buying decisions they involve long and complex analysis. Suppose you want to buy computers to the supercomputing center in the institute of science. Let us say your decision is many times complex and also lengthy you are not going to make an immediate decision.

You go through a complex process and a lengthy process before you zero in on this particular supplier, whether it is Hp or Dell. In order pick up that particular supplier you have gone through a large number of suppliers and a lengthy evaluation process. Large

number of parameters on which you have looked at the product and then said this is the best which is available to us and which we can go for this organization.

All these calls for good professional skills and these professionals have to be well trained to take these decisions. All these purchasing skills in other words have to come from a good professional training. You cannot say all of a sudden you will make a purchasing decision a novice will not be in a good position to take professional decisions. He has to be trained and this training only is likely to give him the ability to make professional decisions.

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When you are looking at the Macro Environment, today we are having in addition to SWOT analysis that is the strength weakness opportunity and threat. Two other types of frameworks which are invoked one is called the PEST Framework. What is this PEST framework? This is you are looking at the macro environment kindly note that. You are looking at political, economic, social and technological environment.

What is the type of political environment around, is it suitable to your business or not suitable to your business. What is the type of economic environment is the purchasing power good enough to buy your product. If you look at the present day scenario an Indian consumer a few decades back may be one decade back only, you could never have thought that he can afford a Benz that is a large section of this.

But what is the present day scenario? The present day scenario is quite a good number of Indian consumers can afford Benz, can afford even the Rolls Royce also. This is the type of a economic scenario that has presented itself. Many of them use the Jaguar. These are the trends which the companies look at. The PEST framework helps the organization to find out whether the product which they are selling is likely to find to favor in the market place.

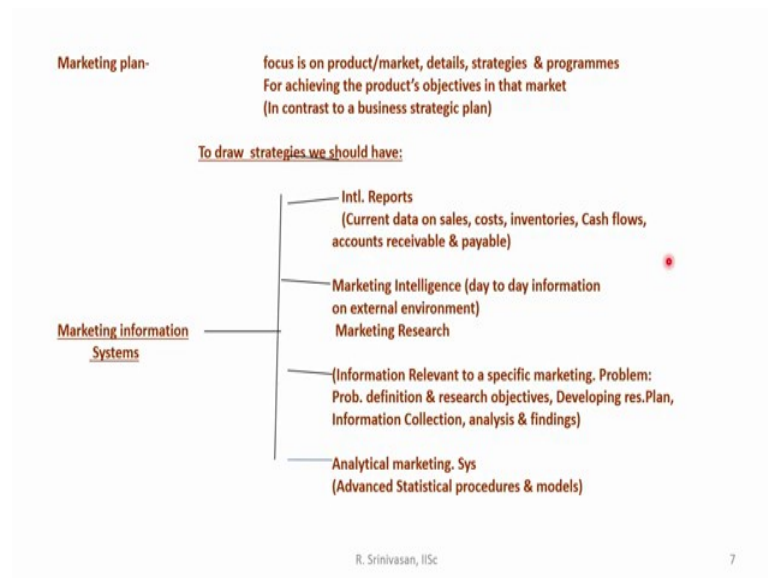
In addition to the pest framework you also have in the present-day macro environment a few more items added in this deep list framework. You add demography you add environmental you add legal you add informational to all the once which we just listed above.

You look that you are getting a eight factor environment macro environment analysis, a framework for macro environment analysis coming into place. You have the PEST framework you have the DEEPLIST framework, organizations adopt either this framework or combination of the frameworks in combination. They may adopt both the pest and the deep list to decide which is the best marketing strategy to be adopted.

We are looking at all these environments to tailor the marketing strategy for the organization. The originations do what we call an environmental analysis. This environmental analysis helps them to do a good marketing strategy and in order to develop this marketeering strategy these two frameworks can be help full. One is the PEST framework where we look at political economic social and technological aspects.

The second one is the deep list framework where we look at demographic, economic, environmental, political, legal, informational, social and technological factors. These can be help full for an organization.

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Now around with all these we can draw these strategies and we can also draw the marketing plan for a product or a market. What is this marketing plan? If you look at the marketing plan the focus is on the product or market details, strategies and programs, for achieving the products objectives in that market. This is in contrast to a business strategic plan you are looking at the marketing plan as a whole. It may be marketing plan for the company.

You are looking at individually with respect to products and markets, then gives the details strategies programs you would like that you go through the entire gamete of the company as a whole. In other words, these strategies form a subset of the marketing plan, that is the marketing strategies with respect to the product or the market form a subset of the whole marketing plan.

In order to draw these strategies, we make use of what is called the Market Information Systems. This marketing information systems has got four important components one is called the internal reports, where we get the current data and sales costs inventories cash flows accounts receivable and payable. In other words, the internal reports provide you with what is happening on the field that is the happening on the field on a day to day basis current data, not the past data kindly note that.

Then the second one which comes in is what is called the marketing intelligence. You make use of many marketing people to gather data on a day to day basis, to provide

information on the external environment. The third one is what is called the Marketing Research. What is this marketing research? It is information relevant to a specific marketing problem.

You are posed with a specific marketing problem, when you are given that specific marketing problem. How do you define that problem and how what is your research objectives, how do you develop that research plan in order to execute that plan what type of information needs to be collected and how do you analyze that information and come out with the findings?

This market research involves information relevant to a specific marketing problem. A problem definition and research objectives developing research plan information collection analysis and findings. The fourth component of the marketing information system is what we call the analytical marketing system.

This analytical marketing system deals with advanced statistical procedures and models, you adopt different statically models. It may be there in your statistical bank or you may develop a model for that particular situation, it is it will in that case it will become a situations specific model. Depending on what you are going to do you are going to adapt that particular procedure and model, depending on the type of problem that is posed.

Many times, you may have to develop an algorithm a marketing algorithm to solve a problem. What is the present-day trend? The present-day trend is marketing analytics. They are making use of this analytical trends to find out what the consumer might be interested in. It is basically a method to find out the interests of the consumer.

Suppose you expressed interest in a particular product say A, there may be so many products which are similar to A. What is this analytics going to tell you this analytics is going to throw up so many particular products? Let us say give an example you want to go from here to Cochin, then making you may say I want to look at the morning flights from Bangalore to Cochin.

Now, this analytical marketing might ask you few more questions. What is the type of questions, you may they may ask you which time are you looking at are you looking at flying between 6 and 9 or between 9 and 12 or between 8 and 10 or between 8 and 11 in the morning how is the this thing.

Suppose you say I do not mind any flight going from starting from 8 o'clock up to 11 o'clock. What does this analytical marketing going system going to do? It will throw up for you a number of options saying look indigo is coming operating at this level at 9 o'clock. You have the Air India operating at this time. It is a straight flight to Cochin suppose you are able, you want a hopping flight say via Hyderabad to Cochin you have these options available to you. This is what the marketing analytics team does and throws up.

You have many sites of this nature which are available to you in the market place today, thanks to all the digital marketing going on. You go to a site like make my trip and that make my trip will ask you all these details go to Yatra dot com again different options. Then there are s, many sites of this nature which can give you lot of inputs and you need in addition to giving you input they also provide you different incentives to buy from their sites.

They say if you buy 10 percent off 5 percent off on this domestic route all these types of things. In order to make your decision-making process easier and also more comfortable to you that is you will think, that I got a good deal from this particular site. So, these sites are giving making use of marketing analytics in a wonderful manner.

Many times, some of these if you go to an airport today, you have it is not like the previous few decades back scenario. You use to get these flights coming into a city not so frequently. Say once in half an hour or once in 1 hour and the turnaround time would also be a little higher. But what is the present day? The present data scenario is your landing in a city and before you can come to your baggage collection area you find that your baggage has already come in.

This baggage collection and putting it on the conveyor belt the particular conveyor belt is done by different people. So, that as soon as you come to your baggage collection area your baggage is available to you to be picked up and walked out of walked out of the airport. So, this particular baggage handling is also being done by so many companies in different airports.

These different companies are looking at different analytics. Suppose what do you mean by this different suppose we the baggage arrival gets delayed by say 5 minutes or 10 minutes. What is its effect on the turnaround time is the next flight going to be delayed how much?

So, in the present-day marketing conditions what is happening is, you are saying that suppose your flight is taking more than 15 minutes than the scheduled. Suppose it was to take off at 8 o'clock and they put up to you that it is taking off at 8:20 or 8:30. Then that means, to say that there is a delay from 8 to 8:5 or 8:10, the airport does not consider it as a delay.

Suppose it crosses that 15 minutes it is considered a delay. It may be due to so many reasons now this baggage handling companies are also looking at analytics to find out whether this is being contributed through them and how best to solve or get over this problem. We stop here we will continue in the next class.

Thank you.