**BUSINESS-TO-BUSINESS**

**MARKETING**

3rd EDITION

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**Sample Exam Questions with**

**Answer Guidelines**

**QUESTIONS**

1. According to Millman and Wilson (1995), a key (or strategic) account is “a customer in a business-to-business market identified by a selling company as of strategic importance”. Explain why firms pursue key account management strategies, how they identify their key accounts, and what risks may be encountered with key account strategies.
2. What are the principal methods of macro-segmentation used in a business-to-business market? How can a marketer select target markets from a set of macro-segments?
3. Explain how the concepts of buying decision criteria, the buying centre, and risk reduction behaviour in organisational buying, could be of use to an industrial sales-person. Illustrate your answer by referring to *both* of the following buying situations: (a) a salesperson for a small commercial cleaning company trying to persuade a small local firm to use them instead of Veolia; (b) a salesperson for Caterpillar trying to persuade a national house-building firm to buy their products rather than those of a major rival. [Note: Veolia is a multinational environmental services firm; Caterpillar is the world’s leading supplier of heavy construction equipment.]
4. Business-to-business marketers are making increasing use of social media, such as LinkedIn, Facebook and Twitter. Describe three specific B2B marketing functions can be delivered through social media. Explain, with supporting arguments, whether the arrival of social media means a revolutionary transformation of B2B marketing, or an evolutionary improvement in some B2B marketing functions.

**GUIDELINE ANSWERS**

**Question 1**

Reasons motivating a B2B firm to implement KAM (Boles et al. 1999):

* A competitive marketing strategy designed to increase market share
* A strategic marketing decision to allocate more corporate resources to those customers that generate the largest share of revenue
* A strategic marketing decision in order to more closely tailor solutions to the needs of customers (closer matching between our technological capabilities and their technological needs)
* A strategic marketing decision designed to deepen long-term relationships with customers
* Response to competitor action, or to wider market-place pressures
* Re-positioning the organisation to be more attractive to larger clients.

The key criterion for identifying key accounts is the ‘strategic importance’ criterion mentioned by Millman and Wilson. However, this can be interpreted in a variety of different ways. The most important are:

* The volume of potential business available from the client
* The volume of past sales to the client
* Defending against actual or potential competitor action
* The overall size of the customer organisation
* The industry sector of the customer
* Managerial discretion (for example, an account – such as a government agency - may be deemed to be politically important, even though it is of relatively low economic importance).

Risks include over-concentration on a single customer, hence over-dependency on single customers leading to a position of strategic weakness. In addition, customers that are not key accounts may demand the same special treatment, so that other customer relationships could be damaged.

**Question 2**

Macro-segmentation involves the application of “firmographics” or “business market demographics”. In other words, it is the industrial equivalent of age, sex and income categorisation. It relies on easily observed characteristics of firms, most notably company size, geographical location, and industry sector. All of these can be elaborated upon to varying degrees of depth. Company size can be measured in various different ways (turnover, employees, output volume). Geographical location can be applied to the company headquarters, or to the dispersion of premises nationally or internationally. Industry sector can be defined in many different ways, although the most rigorous is the standard industrial classification system – students should be aware of the UK SIC, US SIC, International (UN) SIC, the EU NACE, and the NAICS (successor to the US SIC, covering Canada, US and Mexico). Proprietary classification systems, such as the Thomson Directories classification system, are also used.

To select target markets once we have identified market segments, it is necessary to develop a set of evaluative criteria. Characteristically, these criteria will include:

* Size of the segment
* Growth rate of the segment
* Compatibility of the segment with the capabilities and Mission of the company
* Extent of current and expected future competition in the segment.

It is possible to develop “metric” models to assist in selecting target segments, for example by measuring each segment against each criterion using a 10 point scale, and then aggregating the scores. (Please refer to the instructor’s manual to chapter 6 for the “Fine Filtration Limited” exercise that uses this approach.)

**Question 3**

The buying decision criteria approach to organisational buying behaviour assumes that firms pursue more or less rational decision-making approaches, within which the definition of largely objective, measurable decision criteria is a key step. These criteria are specified in terms of characteristics such as quality, price, total cost of ownership, performance requirements, after-sales support, and so on. The buying centre model focuses on the people who are associated with the buying decision. This varies considerably in size depending on the nature of the buying organisation and the nature of the purchase decision; different members of the buying centre will often have different priorities for the buying decision criteria. The roles found within the buying centre are the initiator, the buyer, the decider, the influencer, the use and the gatekeeper. Finally, it is known that organisational buyers tend to act to reduce the risk that they perceive in a buying situation. They may do this by gathering additional information, or by trying to dilute the responsibility for the decision by seeking the advice (and implicit agreement) of powerful organisation members, or by choosing the ‘safe’ supplier rather than necessarily the ‘best’ supplier.

The three concepts apply rather differently to the two cases. A small local firm will not have a complex buying process and may only have a buying centre of one; buying cleaning services is usually regarded as a commodity purchase (obviously not the case in the case of ‘clean rooms’ used in the production of such products as microprocessors and pharmaceuticals, but a good generalisation); buying from a small cleaning firm will be perceived to be ‘risky’ compared to buying from Cleanaway; price is likely to be a very important decision criterion in this case. A national house-building firm, when buying major pieces of construction equipment, will probably involve several people in the buying centre, each bringing their professional expertise; this is a differentiable product; Caterpillar, as the global market leaders, can present themselves as the safe and sensible (risk-free) choice; although price will be among the decision criteria, it is very unlikely that the nominal purchase price of the equipment will be a deciding factor (functionality, reliability, after-sales support, and total cost of ownership are probably more important).

There are clearly many different degrees of sophistication at which this question can be answered. For a low pass, candidates need to demonstrate that they understand the three concepts and at least have some notion of how to apply them to the specified ‘scenarios’. Good quality answers will be characterised by their clarity of definition of the concepts, and their accurate and well-developed application of those concepts to the ‘scenarios’.

The thing that will most clearly differentiate a good answer to this question from a mediocre answer is the accurate *application* of the concepts to the scenarios.

**Question 4**

The first part of the question asks for three specific examples of the use of social media to deliver B2B marketing functions. There is a wide range of functions that can be partly or wholly delivered using social media, so the plausibility of an answer will have to be judged post hoc, since an exhaustive list cannot be provided here. Examples of the sort of B2B function that we are looking for in this part of the question are:

* Use of LinkedIn as a tool for generating a list of sales prospects. This can be achieved using the LinkedIn ‘advanced people search’ tool.
* Use of Twitter as a customer service tool. Customer service personnel monitor the Twitter feed and respond to customer queries. Amongst others, BT does this.
* Use of blogs as a tool to establish a position of expertise in the market-place. This is closely associated with the concept of ‘content marketing’, which means the delivery of interesting content via social media in order to build the company’s reputation. Cisco is a prominent user of these tools.
* Use of a variety of social media as recruitment vehicles – arguably, this is more a human resource function than a marketing function, but such tools are very useful for identifying prospective B2B sales and marketing employees. This can be through LinkedIn, which is built for the job, but can also be through Facebook and other similar media (for example, Sodexo use their Facebook presence for this purpose).
* Use of social media, more generally, as a relationship-building tool. Recently emerging is the concept of ‘social CSR’, meaning the integrated use of social media to manage and develop customer relationships.

The second part of the question asks, more generally, whether social media represent a revolution or simply an evolutionary path for B2B marketing. It does not really matter which side of this the candidate chooses to argue; what is important is the coherence of the position that is argued. Many marketing practitioners seem to think that social media means a radical transformation of the B2B marketing function, with traditional media and marketing processes simply replaced by social media. Sample arguments in favour of this point of view would be the very low marginal cost of using social media, and the interactive nature of social media, meaning that customers can be directly involved in the marketing process. There are, of course, sceptics, who argue that social media, like many previous technological revolutions, will be absorbed into the B2B marketing mix, once the hype is over. Sample arguments in favour of this point of view are that social media have the intrinsic drawback that they are two-way, so that the marketer cannot have full control of the message, and that a great deal of B2B marketing takes place through face-to-face contact anyway and cannot readily be substituted by a technological intermediary.