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**Objectives**

- ❖ Understand types of business customers and classification of industrial goods and services.
- ❖ Know purchasing orientations and practices of business customers.
- ❖ Understand environmental analysis in business marketing.

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**Content**

- 2.1 Types of business customers (B.C)
- 2.2 Classification of industrial product
- 2.3 Purchasing orientations of B.C
- 2.4 Types of buying situations
- 2.5 Environmental analysis of B.M
- 2.6 Questions and Homework

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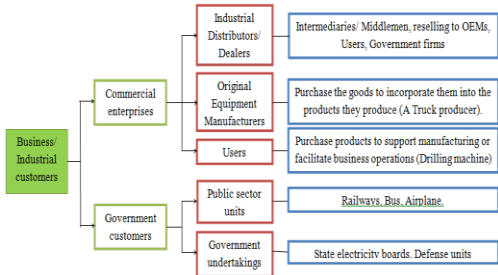
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### 2.1. Types of Business Customers



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p16.




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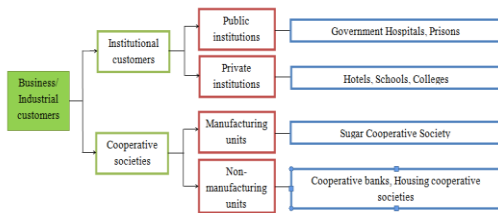
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### 2.1. Types of Business Customers (cont')



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p16.




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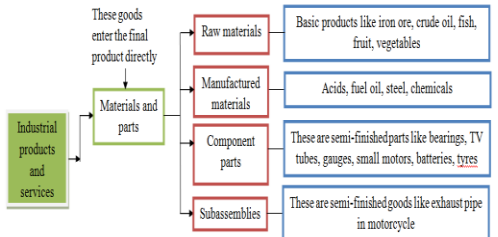
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### 2.2. Classification of Industrial Product



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p18.




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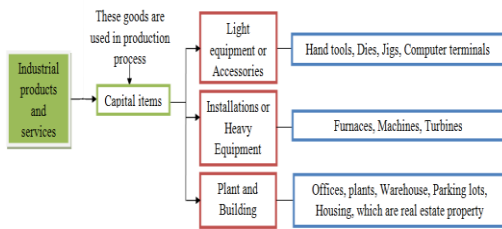
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### 2.2. Classification of Industrial Product



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p18.



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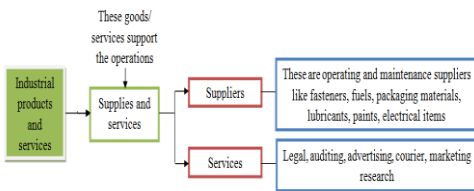
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### 2.2. Classification of Industrial Product



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p18.



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### 2.3. Business Customer's Purchasing orientation

❖ Business buyers choose **one of the three purchasing orientations**:

- Buying
- Procurement
- Supply Chain Management (SCM)\*

(\*James C. Anderson & James A. Narus, *Business Market Management*, Pearson Education, Inc., 2004, 91-105.



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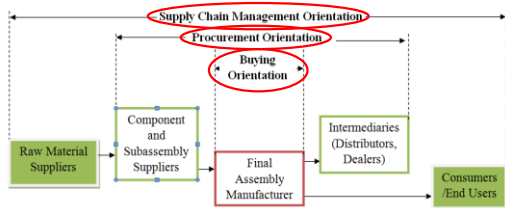
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### 2.3. Business Customer's Purchasing orientation (cont')

#### Purchasing Orientation of Industrial Customers



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p21.



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### 2.3. Business Customer's Purchasing orientation (cont')

1. **Buying orientation:** This purchasing firm has a **narrow and short-term focus**. The buyers follow the practices as below:

- **Lowest Price:**
  - Always select the lowest price supplier.
  - Quality and availability are the factors considered as qualifiers.
  - The qualified suppliers are invited to negotiate.
  - The negotiation style used is **WIN & LOSE**.



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### 2.3. Business Customer's Purchasing orientation (cont')

1. **Buying orientation:**

- **Gain Power over the suppliers by using commodification & multisourcing:**
  - Commodification: Buyers tell that the product is a commodity and price is the only thing to be negotiated.
  - Multisourcing: Buyers ask quotations from several suppliers who compete to get more share of purchase.



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**2.3. Business Customer's Purchasing orientation (cont')**

**1. Buying orientation:**

- **The tactics used for avoiding risk are:**
  - Follow the standard purchase procedure of company.
  - Work with the suppliers who proved their performance.



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**2.3. Business Customer's Purchasing orientation (cont')**

**2. Procurement orientation:** This purchasing firm has a **long-term focus**. The buyers seek both quality improvements and cost reductions.

- **Collaborative relationship with major suppliers:**
  - Both Supplier and Buyer must trust one another.
  - Have inter-firm team who implements J.I.T and quality assurance.
  - The integrative negotiation includes focusing on common interests and goals.



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**2.3. Business Customer's Purchasing orientation (cont')**

**2. Procurement orientation:**

- **Working closely with other functional areas:**
  - Clarify the specifications of the products or services.
  - Ensure the quality of purchased goods.
  - Keep timely availability of products or services.
  - Work closely with manufacturing group on Materials Requirement Planning (MRP).



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**2.3. Business Customer's Purchasing orientation (cont')**

**3. Supply Chain Management Orientation:**

- It concludes coordinations and integration of many functional teams within the company and with other organisations in the whole value chain.
- The company focus on how to improve the whole value chain from raw materials to end-users.



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**2.3. Business Customer's Purchasing orientation (cont')**

**3. Supply Chain Management Orientation:**

**I. Deliver Value to End-Users:**

- Study to understand the requirements of end-users.
- Direct the entire supply chain to deliver superior value to them.



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**2.3. Business Customer's Purchasing orientation (cont')**

**3. Supply Chain Management Orientation:**

**II. Outsource Non-core Activities:**

- Identify the core competence of the company.
- Group its products and services into strategic and nonstrategic systems.
- Outsource those systems that has become non-competitive.



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**2.3. Business Customer's Purchasing orientation (cont')**

**3. Supply Chain Management Orientation:**

**III. Support collaborative relationship with major Suppliers:**

- Work with major suppliers in partnering relationship that require cooperation, communication, trust and commitment.
- The objective is to lower total cost, increase value in order to achieve mutual benefits.



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**2.4. Purchasing Practices**

**1. Purchasing in Commercial Enterprises**

- The purchasing practices depend on the nature of business and the size of the commercial enterprise as well as the volume, variety, and technical complexity of the products purchased.
- The purchase decisions involve persons from departments such as production, material, finance, engineering...



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**2.4. Purchasing Practices (con't)**

Step	Activity	Responsibility
1.	User department initiates the process by issuing purchase requisition (P.R) to the purchase (materials) department.	User department (e.g. Production, Marketing.)
2.	Check if the material required is in stock. If yes, the material is issued to the user department and the P.R. is filed, indicating action taken.	Purchase department
3.	If the material (required as per P.R.) is not in stock, then identify potential suppliers, get quotations, negotiate, select supplier(s), and issue purchase order (P.O.)	Purchase department (for negotiation and selection, technical & finance departments are also involved).
4.	The supplier/ vendor acknowledges the P.O.	Supplier (or vendor)



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**2.4. Purchasing Practices (con't)**

Step	Activity	Responsibility
5.	Follow-up with the supplier (if required) on delivery	Purchase department
6.	The supplier des-patches the material and informs the dispatch details (such as invoice and truck receipt number and date, invoice value, transporter name) to purchase department	Supplier
7.	On receipt of material, stores (or receiving department) checks the material against delivery and P.O. and issues material receipt report (M.R.R.)	Stores



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**2.4. Purchasing Practices (con't)**

Step	Activity	Responsibility
8.	Quality control (or inspection) department inspects the material and issues inspection report (I.R.)	Quality or inspection department
9.	Purchase department issues supplier invoice along with M.R.R and I.R. to accounts department for payment and closes the order if it is executed fully	Purchase department
10.	Accounts department checks all the above documents with P.O. and issues payments to supplier	Accounts (or finance) department



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p23.

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**2.4. Purchasing Practices (con't)**

**1. Purchasing in Commercial Enterprises**

- The major tasks in purchasing process are:
  - Identifying potential suppliers.
  - Negotiating and selecting suppliers.
  - Ensuring right quality and quantity of material at the right time.
  - A long-business relationship with the suppliers.



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**2.4. Purchasing Practices (con't)**

**2. Purchasing in Government Units**

- The suppliers must fulfill a set of standard terms and conditions issued by procurement Dept.
- There are several methods of purchasing:
  - Closed/ Sealed Bidding.
  - Open Bidding/ Open Tender.
  - Reverse Bidding (Buyers set the highest possible bidding price that they accept).
  - Government contracts (Fixed-price contract, Cost-reimbursement contract).



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**2.4. Purchasing Practices (con't)**

**Global Tender of India Government**

**India Government Mint**  
 (A unit of Security Printing and Minting Corporation of India Ltd.)  
 Wholly owned by Govt. of India  
 ShahidBhagat Singh Road, Fort, Mumbai - 400023, INDIA  
 Tel.: 022-22661735 Mobile: 9969000766  
 Fax: 022-22661450, Email: [mint@mumbai.gov.in](mailto:mint@mumbai.gov.in)  
 Website: [www.mumbai.gov.in](http://www.mumbai.gov.in)

**Notice of Global Tender**

NO.IGM-MGT/BMCC/2012

Date: 22-12-2007

**Global Tender Notice**

India Government Mint ShahidBhagat Singh Road, Fort, Mumbai invites sealed tenders comprising of Techno-commercial bid and price bid in separate sealed covers for supply of Bi-Metallic Composite Coin Blanks.

Description	Quantity	EMD amount to accept tender	Time for completion of supply	Last date and time for receipt of duty filled and sealed tenders	Due date and time for opening of Techno-commercial bids
Bi-Metallic Composite Coin Blanks	300 Million Pieces approx. 2315 "MTs"	Rs. 200,00,000/- (Rupees Two Crore only) (Twenty Million Rupees only)	52 weeks from the date of clearance of pre-production sample	01-02-2008 up to 14:00 Hrs	01-02-2008 at 15 Hrs

Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p25.



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**2.4. Purchasing Practices (con't)**

**3. Institutional Purchasing**

- Institutional buyers are either the government or the private organisations. Thus, they follow the government purchase procedures or commercial enterprise's one.



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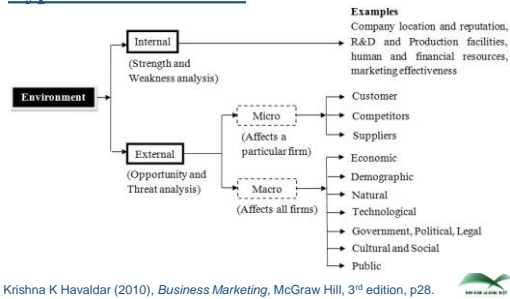
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## 2.5. Environmental analysis in B.M

### Types of Environment



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p28.

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## 2.5. Environmental analysis in B.M (con't)

### ❖ Organizational Factors

- Successful marketers must understand their customers' structures, policies, and purchasing systems.
- Some firms have centralized procurement, others delegate it throughout the units.
- Many companies use multiple sourcing to avoid depending too heavily on a sole supplier.



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## 2.5. Environmental analysis in B.M (con't)

### ❖ Environmental Factors

- Economic, political, regulatory, competitive, and technological considerations influence business buying decisions.
- Example: Natural disasters, such as Katrina; Rising fuel prices.



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### Example of Competitors



**Avoid Head-On Competition!**

Know the Market Situation!

Monopoly	Monopolistic Competition	Oligopoly	Pure Competition
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### Example of Competitors

		Quality		
		High	Medium	Low
Price	High	1	2	3
	Medium	4	A	5
	Low	6	7	8

Based on your industry/ product chosen, what are your cells and why?

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### 2.6. Questions and Homework

1. Explain with an example an OEM (Original Equipment Manufacturer) customer, 'how an OEM customer is different than a user customer?'
2. What are the major differences between supply chain management orientation and buying orientation?
3. Why companies carry out environment analysis? Mention major micro and macro environment factors or forces.



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**2.6. Questions and Homework (Con't)**

1. Can a customer be classified as an OEM as well as user customer? Explain with an example.
2. A major electrical equipment (like transformers and switch-gear) manufacturer try to have collaborative relationships with high business potential government organizations like State Electricity Boards. What are the possibility of success of this strategy? Explain the reasons.



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