

PROFESSIONAL BUSINESS MARKETING

Explore Business Marketing
Strategies, Insights,
and Success Stories



SALWA
MAZIHARITA
KAHARUDDIN



PROFESSIONAL BUSINESS MARKETING

First Edition 2024

COMMERCE DEPARTMENT

@JABATAN PENGAJIAN POLITEKNIK DAN KOLEJ KOMUNITI
KEMENTERIAN PENDIDIKAN TINGGI

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PREFACE

This book is written specially for PSA Commerce Department students who are taking Business Marketing as part of their program requirements. The subject Business Marketing is also in a period of transformation, reflecting the changing face of the general business ranging from heavy industries, services, information of product and the increasing prominence of international opportunity.

Many years ago, the subject was called Industrial Marketing as well Business Marketing and Channel Management, the ongoing global changes has reflected a broader range of enterprises that rightfully fall under the umbrella of business marketing.

The book provides knowledge to the world of business marketing in which students will be exposed to the marketing concepts used in business marketing. It will also focus on business buying behavior as well as business distribution channel. Primarily aimed to be used as guidance for them in studying and answering question with regards to Business Marketing.

This book was drafted in accordance to the polytechnic's latest syllabus. It is also valuable to students in other higher learning institutions whom are pursuing the same courses such as accounting, marketing, and business studies. The book contains questions that relates to the topics under Business Marketing.

The authors encourage students to discuss it with their lecturers and friends without relying on the answers. This is to ensure that the Outcome Based Education (OBE) can be implemented and put into practice so that it will uphold with the PSA missions and visions.

It is our sincere wish that students may find this book useful and use it as valuable aid in understanding the subject.

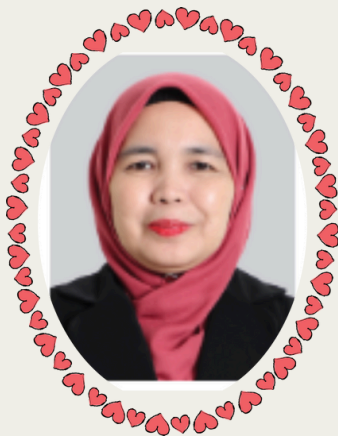
Siti Salwa Binti Badiozaman
Kaharuddin Bin Osman
Maziharita Binti Mohamood

ABOUT THE AUTHORS



Siti Salwa Binti Badiozaman

Hi, I'm Siti Salwa Binti Badiozaman. I have a marketing background as well as an industrial exposure in human resources. With over a decade of experience in the industry and education, I've worked with people from all walks of life and understand the unique challenges faced by every students that I have taught. I strive to create more access to education and resources. I'm thrilled to be a co-author of this e-book, and to share my perspective and expertise with students everywhere.



Maziharita Binti Mohamood

Hello there, I'm Maziharita Binti Mohamood, a marketing professional with over a decades of experience in the field of education. I'm passionate about teaching and sharing of knowledge among my students as well as aiding them to achieve their ultimate goals in learning. Through my work as a lecturer and educator, I've seen firsthand the power of marketing literacy and the impact it can have on people's lives. I'm excited to share my knowledge and insights in this e-book for every polytechnic students.

ABOUT THE AUTHORS



Kaharuddin Bin Osman

Hi, I'm Kaharuddin Bin Osman, have more than 2 decades experiences and exposure and educator in the marketing field. I've been working with people and students from all walks of life. It gives me great pleasure to share my educational and resources. I'm thrilled to be a co-author of this e-book, to share my expertise with students everywhere.

LET'S TALK AND EXPLORE ABOUT
BUSINESS MARKETING BY SALWA,
MAZIHARITA AND KAHARUDDIN

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INTRODUCTION

Marketing is the act of satisfying and retaining customers. It is one of the primary components of business management and commerce, typically conducted by sellers, and they can either be retailers, wholesalers or even manufacturers.

Products can be marketed to other businesses or directly to consumers. Tasks contracted to dedicated marketing firms such as media, market research, advertising agency, trade association or government agency. These activities are done on behalf of an entire industry or locality, often a specific type of food (e.g. Got Milk), food from a specific area, or a city or region as a tourism destination.

Market orientations are philosophies concerning the factors that should go into market planning. The marketing mix, which outlines the specifics of the product and how it will be sold, including the channels that will be used to advertise the product, is affected by the environment surrounding the product, the results of marketing research and market research, and the characteristics of the product's target market. Once these factors are determined, marketers must then decide what methods of promoting the product, including use of coupons and other price inducements.

Business marketing on the other hand is a marketing practice of individuals or organizations (including commercial businesses, governments, and institutions). It allows them to sell products or services to other companies or organizations, who either resell them, use them in their products or services, or use them to support their work. The marketing field can be broken down into many sections such as business-to-business (B2B) marketing, business-to-consumer (B2C) marketing, and business-to-developer (B2D) marketing. However, the contents of business marketing that we are particularly interested in sharing, typically associated with the business-to-business sector.

TOPIC 1

INTRODUCTION TO BUSINESS MARKETING

TOPIC OUTLINE

1.1 WHAT IS BUSINESS MARKETING?

1.2 BUSINESS MARKET AND CONSUMER MARKET

1.3 PROCUREMENT OR PURCHASING PROCEDURES

1.4 ETHICS IN BUSINESS MARKETING



TOPIC 1

INTRODUCTION TO BUSINESS MARKETING

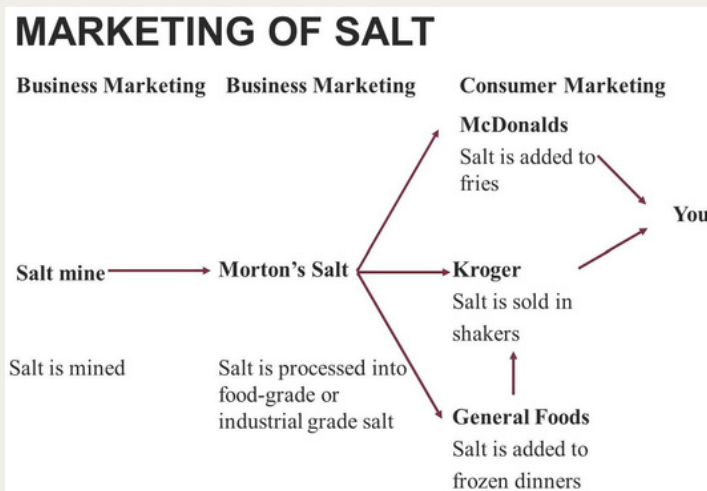
1.1 What is business marketing?

1.1.1 Definition of business marketing

Involves those activities that facilitate exchanges involving products and consumer in business markets. It includes all organizations that may buy goods and services for use in production of other products and services that are sold, rented, or supplied to others.

Business to business customers include manufacturers, wholesalers, retailers, and other types of organization such as hospitals, universities, and government units.

Illustration based on marketing of salt:



1.1.2 Roles of business marketing

Meeting the needs of other businesses, though ultimately the demand for the products made by these businesses is likely to be driven by consumers in their homes.

As competitors are in the same position, this makes gathering good quality intelligence absolutely critical. B2B marketers are advised to undertake detailed market research, combining this with upstream information in order to build up a complete market intelligence picture.

Characteristic Of Business Demand

Derived Demand

The demand for a company's products comes from (derived) the demand for their customer's products.
Most demand originates with consumers.

Joint Demand

Two products are used together and demanded together
Both products are consumed at the same time
e.g. A firm that manufactures hammers needs same number of handles as it does hammer heads

Inelastic Demand

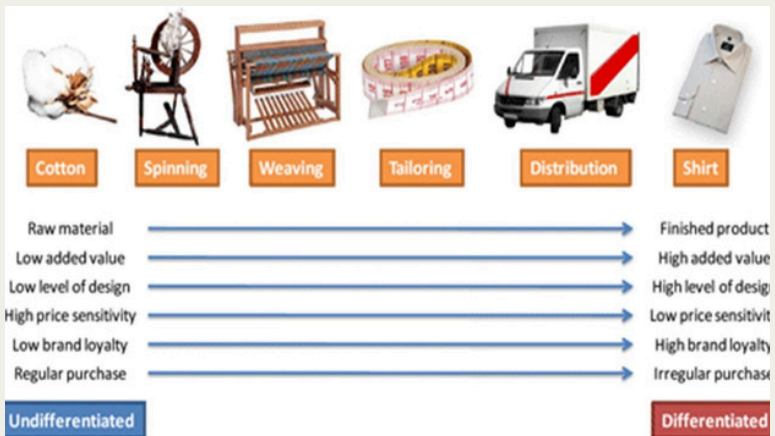
Takes place if price changes have little impact on the quantity of goods or services demanded. e.g. Automobile manufacturers purchase headlights as component parts of automobiles. If the price of headlights goes down, the automobile manufacturers are not very likely to greatly increase the purchase of headlights.

Fluctuating Demand

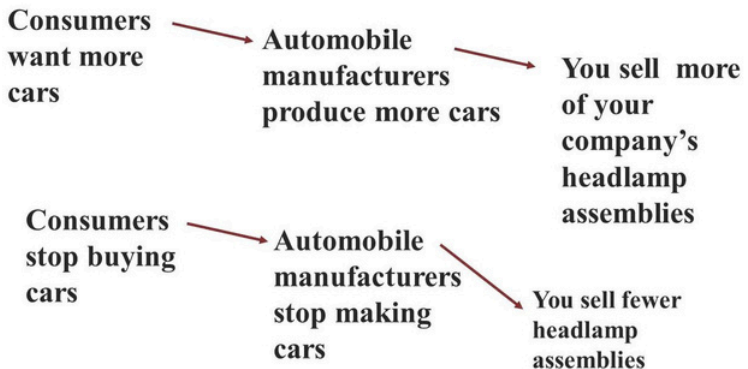
Patterns and preferences in the household market can change the demand for industrial goods

The Chain of Derived Demand

Illustration based on manufacturing of a shirt:



YOU MAKE HEADLAMP ASSEMBLIES FOR GM



Business to business derived demand simplified

1.2 Business market and consumer market

1.2.1 Differences between business market and consumer market

CHARACTERISTIC	BUSINESS MARKETS	CONSUMER MARKETS
Market Characteristics	<ul style="list-style-type: none">- The market is geographically concentrated- Relatively fewer buyer- Business customers buy larger quantities	<ul style="list-style-type: none">- Geographically disbursed, mass markets and standardized- More buyer- Buy in small quantities
Product Characteristics	<ul style="list-style-type: none">- Technical complexity- Customized	<ul style="list-style-type: none">- Standardized
Service Characteristics	<ul style="list-style-type: none">- Service, timely delivery & availability very important	<ul style="list-style-type: none">- Service, delivery & availability somewhat important
Buyer Behavior	<ul style="list-style-type: none">- Involvement of various functional area in both buyer & supplier firms- Purchase decisions are mainly made on rational/performance	<ul style="list-style-type: none">- Involvement of family members- Purchase decisions are mostly made on physiological/social/psychological needs
Channel Characteristics	<ul style="list-style-type: none">- More direct- Fewer intermediaries/ Middlemen	<ul style="list-style-type: none">- Indirect- Multiple layers of intermediaries
Promotional Characteristics	<ul style="list-style-type: none">- Emphasis on personal selling	<ul style="list-style-type: none">- Emphasis on advertising
Price Characteristics	<ul style="list-style-type: none">- Competitive bidding and negotiated prices- List prices for standard product	<ul style="list-style-type: none">- List price or maximum retail price (MRP)

B2B: goods or services are sold for any use other than personal consumption

Is it a B2C or a B2B Transaction?

Do the following exercise.

Ø You buy a gear to fix your mountain bike.

Ø Ford buys the same gear to fix a machine.

Ø Xerox buys soft drinks for its cafeterias.

Ø You start a landscaping business and purchase a lawnmower.

Ø The Malaysian government buys.....anything.



B2B versus B2C Marketing Games

Characteristic	B2B Market	B2C Market
Sales volume		
Purchase volume		
Number of buyers		
Size of individual buyers		
Location of buyers		
Buyer-seller relationship		
Nature of channel		
Nature of buying		
Buying influences		
Type of negotiations		
Use of reciprocity		
Use of leasing		
Key promotion method		

B2B vs B2C Marketing Game

Enter your name:

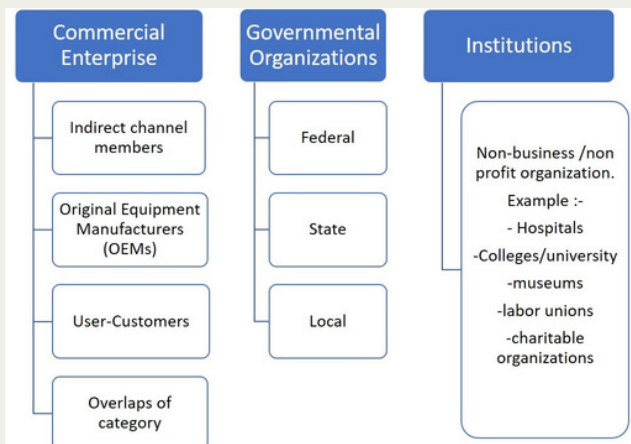
Name...

☒ Remember me?

Start

Powered by Wordwall

1.2.2 Types of Business customers



1. Commercial Enterprise

Commercial enterprises are private sector, profit-seeking organizations, purchase industrial goods and/or services for purposes other than selling directly to ultimate consumers. It is more useful from a marketing point of view to define them in such a way as to understand their purchasing needs at the time of examination of the varieties of products they purchase and how marketing strategy can be developed to meet their needs. Thus, it is more logical to look at commercial enterprises: (i) industrial distributors or dealers, (ii) original equipment manufacturers (OEMs), and (iii) users.

These categories tend to overlap; are useful to the industrial marketer because they point out the ways of uses of products and services in buying firms. Example: OEMs (The industrial customers purchase industrial goods to incorporate them into the products they produce)

a. Indirect Channel Members	Consists of firms that are engaged in reselling business goods to commercial, governmental or institutional markets. Business distributor and dealers take title to that is own the goods.
b. Original Equipment Manufacturers (OEMs)	Buy business goods to incorporate into the products they produce for eventual sale to either the business or consumer market. e.g. tire producer such as Firestone, Goodyear, Michelin that sells tire to Ford Minor Comp. would consider as OEM for Ford.
c. User-Customers	Buys products to support a manufacturing facility. e.g. Ford Motor Company buy milling machine to produce precision tooling for use in conjunction with metal-stamping operation. These purchases do not become part of the finished product, but only help to produce it.
Overlaps of Category	The business customer classification depends on product use and how they use that products.

2. Government Customer

A third major segment of the business market is government, consists of different levels such as national or federal government, state and city government. Legislative and strategic decisions are made regularly and the yearly budget passed by elected members of the parliament. The key concern in making decision is accountability. Government organizations include thousands of federal, state, and local buying units. They make up what may be the largest single market for goods and services in the world. This may be the largest single market for goods and services in the world. For example, the U.S. federal government, buying goods and services valued at over \$600 billion a year, is the world's largest customer.

Government purchasing procedures tend to involve competitive bidding.

Two Purchasing strategies:

Formal Advertising

- the government solicits bids from appropriate suppliers.

Negotiated Contract

- used by the government to purchase goods and services that cannot be differentiated on the basis of price alone or when there are few potential suppliers

3. Institution Customer

This segment includes public and private institutions such as schools, hospitals, colleges and universities, churches, labor reunions, foundations, and other so-called non-business organizations are termed as institutional customers. Some of these institutions have rigid purchasing rules and others have more flexible rules. An industrial marketing person needs to understand the purchasing practice of each institute This is as to be effective in marketing the products or services.

For profit institution, they tend to follow processes and criteria that emulate commercial organizations and not for profit act more like government. The institutions seek to achieve goals of profit, market share, and return on investment.

4. Cooperatives Societies

It is an association of person and can be manufacturing units or non-manufacturing units. A co-operative society is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically –control enterprise

1.2.3 Classification of business products and services

3 Main Categories of Products

Entering Goods

Become part of the finished product
Cost assigned to the manufacturing process

- *Raw Materials*

Farm products & natural products

Only processed as necessary for handling & transport

Require extensive processing

- *Manufactured Materials & Parts*

Any product that has undergone extensive processing prior to purchase

Component Materials require additional processing such as chemicals, plastics, cement & etc.

Component Parts generally do not require additional processing. e.g. - spark plug, switches

Foundation Goods

Capital Items

Typically depreciated over time

- *Installations/ Major Equipment*

Major long-term investment items
Buildings, land, fixed equipment, machinery etc.

- *Accessory Equipment*

Less expensive & short-lived

Used to facilitate production, administration, clerical or marketing activities.

Not considered part of fixed plant

Portable tools, PC's, etc.

Facilitating Products

Support organizational operations

Handled as overhead expenses

- *Maintenance, repair & operating supplies*

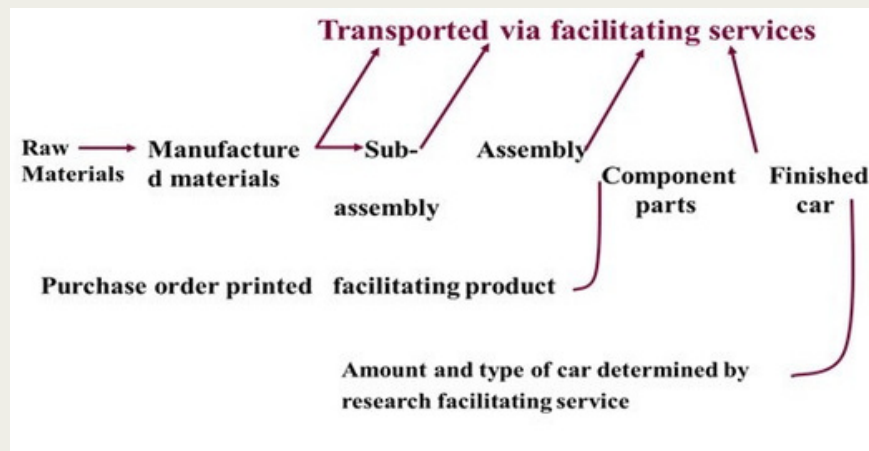
Any supplies necessary to maintain the organization's operations

- *Services*

Support organizational operation

Advisory support, logistical support
e.g. banking, insurance, financial and advertising & etc.

Illustration on the flow of goods and services:



1.3 Procurement or purchasing procedures

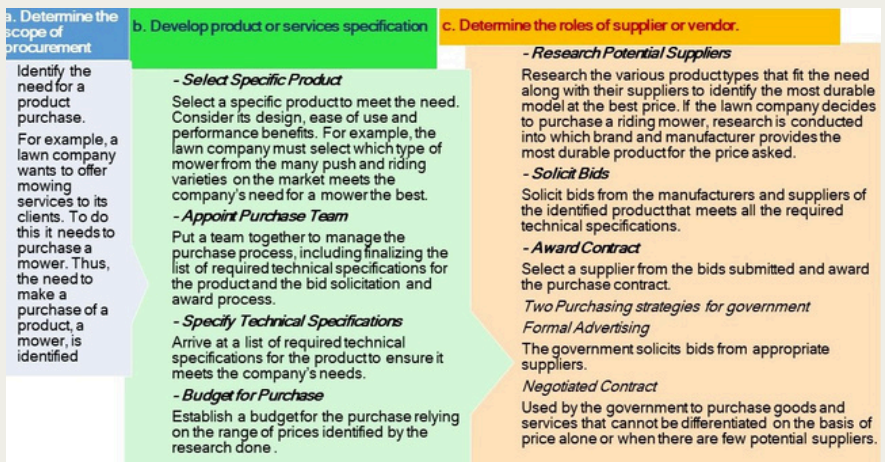
Procurement is the act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment.

The process of procurement is often part of a company's strategy because the ability to purchase certain materials will determine if operations will continue. A business will not be able to survive if its price of procurement is more than the profit it makes on selling the actual product.

It includes:-

- Determine the scope of procurement
- Develop product or service specification
- Determine the roles of supplier or vendor

1.3.1 Procurement procedures



1.4 Ethics in business Marketing

Marketing ethics deals with moral standards and extend beyond legal limit. The statement “if it is legal, it is ethical too” is inadequate. Example - Giving inadequate information in an advertisement may be legally permitted, but is unethical.

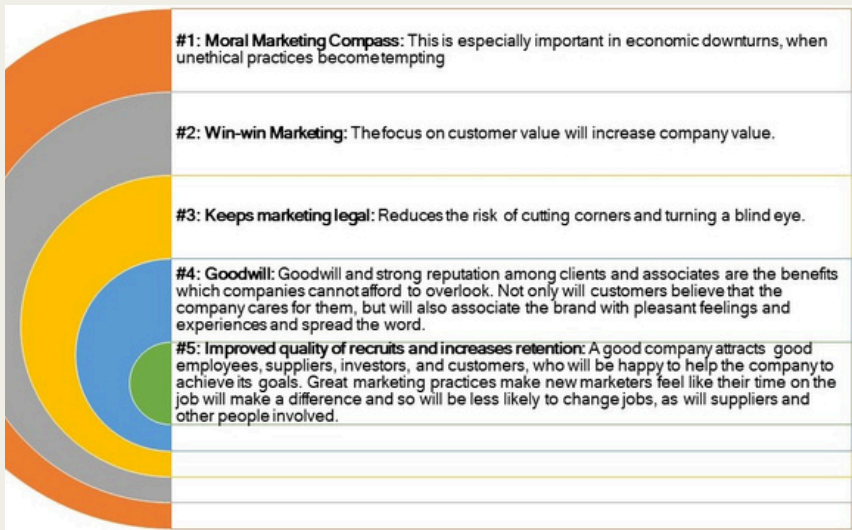
The popular statement “if it is business, then it cannot be ethical and if it is ethical, it does not represent business at all”, amounts to saying that business can make profits only by being unethical. There are many ethical companies who have discharged their social responsibilities and made profits too. Examples- Tata group, Wipro, Infosys.

Marketing is subjective and it is a relative concept. Example- An advertisement for a slimming centre may highlight the benefits of joining the centre, but may be silent on the side effects of the treatment.

The advertiser may feel that this is ethical, but the consumer, the Government and the Advertising Standard Council of India may not feel so. The concept of ethics is universally applicable and all organisation are expected to follow ethical marketing practices.

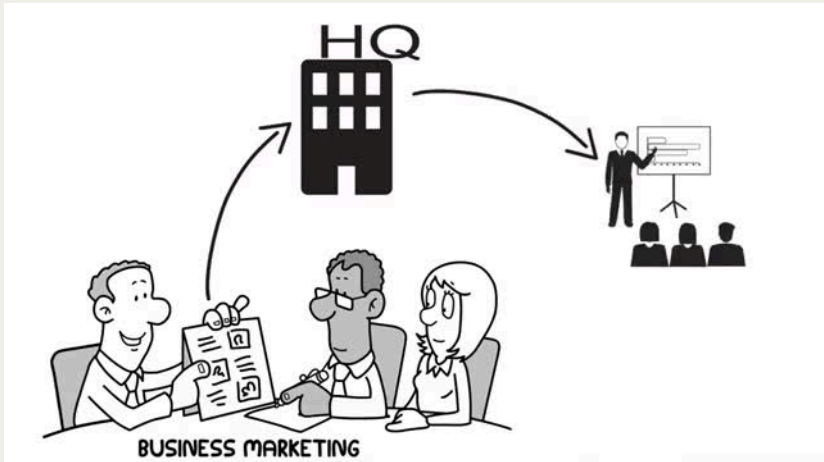


1.4.2 Benefits of integrating ethics into business marketing strategy

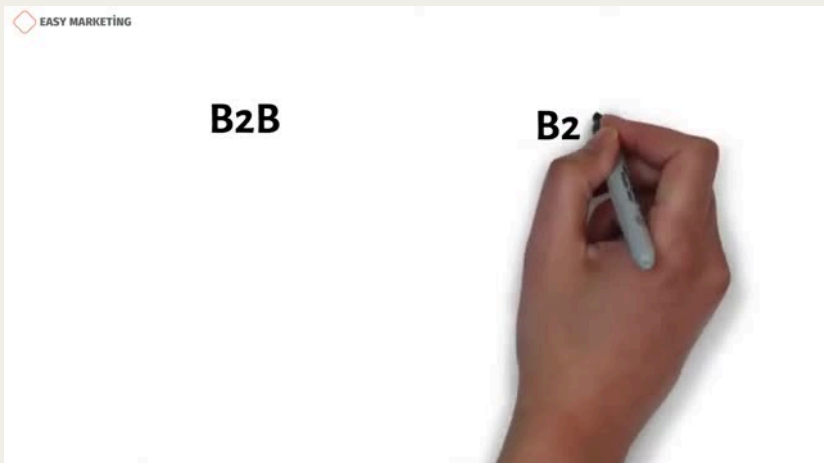


Additional Self Learning Video:

1) What is Business Marketing | Marketing Examples to Market Your Business by Young Entrepreneurs Forum



2) What are B2B and B2C marketing? By Easy Marketing
<https://www.youtube.com/watch?v=dGnHPC2oXqs>

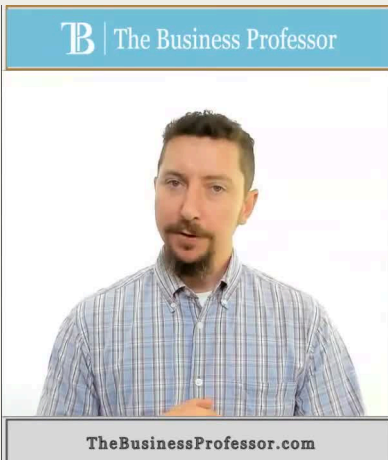


Additional Self Learning Video:

3) B2B vs B2C Marketing (What Are The Differences?) by Adam Erhart



4) Business Customers are different than Consumers by The Business Professor



What makes business customers different from consumers?

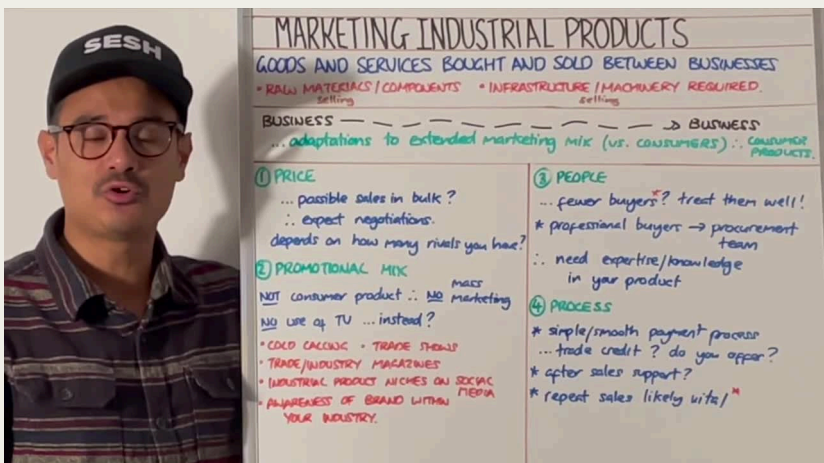
- More focused on the bottom line
- Driven by their customers' needs
- Fewer in number
- Spend more money
- Decisions involve more people

Additional Self Learning Video:

5) The Different Types of Business to Business Markets by Professor Mark Wolters



6) Marketing of Industrial/Business Products by Bizconsesh



MARKETING INDUSTRIAL PRODUCTS
GOODS AND SERVICES BOUGHT AND SOLD BETWEEN BUSINESSES

- RAW MATERIALS / COMPONENTS Selling
- INFRASTRUCTURE / MACHINERY REQUIRED Selling

BUSINESS —————> BUSINESS
...adaptations to extended marketing mix (vs. CONSUMERS)... CONSUMER PRODUCTS

① PRICE
... possible sales in bulk?
∴ expect negotiations.
depends on how many rivals you have?

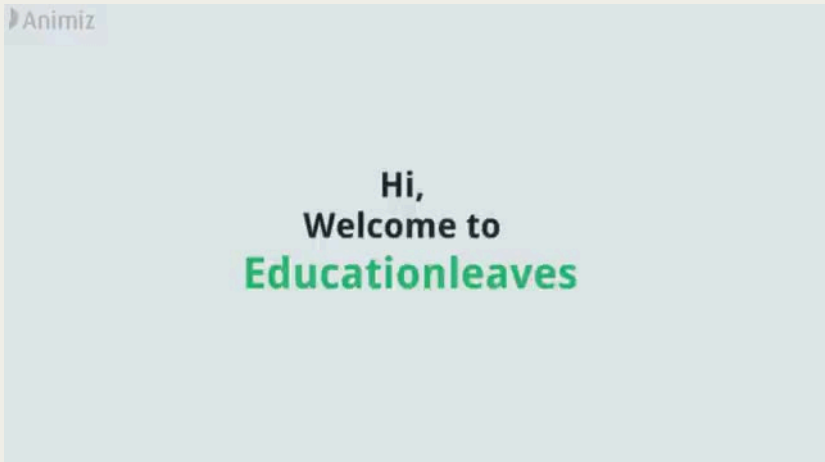
② PROMOTIONAL MIX
NOT consumer product ∴ NO mass marketing
NO use of TV ... instead?
• COLD CALLING • TRADE SHOWS
• TRADE/INDUSTRY MAGAZINES
• INDUSTRIAL PRODUCT NICHES ON SOCIAL MEDIA
• PROMINENCE OF BRAND WITHIN YOUR INDUSTRY.

③ PEOPLE
... fewer buyers? treat them well!
* professional buyers → procurement team
∴ need expertise/knowledge in your product

④ PROCESS
* simple/smooth payment process
... trade credit? do you offer?
* after sales support?
* repeat sales likely write!

Additional Self Learning Video:

7) What is Procurement? | Procurement Process by Educationleaves



8) Business Ethics | The Impact of Ethics on Business by Two Teachers



TOPIC 2:

BUSINESS BUYING BEHAVIOR

Buying Objectives for Business Marketing

Buying Objectives for Business Marketing, also referred to as Purchase or Materials Management Objectives, are defined as:

Acquiring the appropriate goods in the correct quantities, at the optimal price, and ensuring their delivery at the precise time and location.

Six Buying Objectives

- Delivery/Availability

Ensure that goods and services are available and delivered precisely when and where they are needed.

- Lowest Price

The price should be aligned with the availability and quality of the product.

TOPIC 2

SIX BUYING OBJECTIVES

Maintaining consistent product quality is essential to reduce inspection costs, avoid production interruptions due to rejections, and minimize the need for replacements of rejected materials

- Services

Evaluate the services associated with the purchase of goods, including: Timely and accurate information from suppliers provision of technical assistance, availability of spare parts, repair and maintenance capabilities, training and support to ensure effective use of the product.

- Product Quality

To maintain consistent product quality, organizations can reduce costs associated with inspections, minimize production process disruptions caused by rejections, and limit the need for replacing defective materials. Therefore, it is essential for organizations to seek quality standards that align with both product specifications and its intended use.

TOPIC 2

SIX BUYING OBJECTIVES

- Supplier Relationship

It is important to cultivate strong, long-term relationships with suppliers or vendors while also exploring new supply sources. This is particularly crucial given that manufacturing firms typically allocate over 50% of their sales revenue to procurement, in line with the company's objectives.

- Reciprocity

Buyer and seller mutually agree on a business exchange that benefits both parties, making it a significant aspect of trade relations within purchasing and materials management.

The rise of large-scale purchasing and the demand for specialized suppliers—driven by heightened domestic and international competition, as well as increased product differentiation—has led to stronger executive-level relationships. These relationships enhance the awareness of mutual dependence, essential for maximizing profitability.

TOPIC 2

EIGHT (8) PHASES IN BUYING DECISION PROCESS

- **Anticipation or Recognition of a Problem (Need)**

A problem or need can be identified either by the buying firm or a proactive marketer. Issues may arise due to unsatisfactory material quality, unavailability of materials, frequent machine breakdowns, or similar challenges.

- **Determination of the Characteristics and Quantity of the Needed Item/Product**

For example, what type of product is required, and in what quantity?

For technical items, departments such as R&D, industrial engineering, production, or quality control may propose general solutions.

For non-technical goods or services, suggestions regarding products or services are typically made by the user or purchasing department based on prior experience or the quantity needed.

EIGHT (8) PHASES IN BUYING DECISION PROCESS

- **Description of the Characteristics and Quantity of the Needed Item**

A detailed and accurate specification of the required product or service must be developed, outlining its characteristics and the exact quantity needed.

- **Search for and Qualification of Potential Sources**

The buying organization conducts a search to identify suitable suppliers or vendors.

Step 1: Gather information on all available suppliers.

Step 2: Select acceptable or qualified suppliers.

This search can utilize various sources, including trade journals, sales calls, word-of-mouth, catalogues, trade shows, and industrial directories.

- **Acquisition and Analysis of Proposals**

Proposals are solicited from the qualified suppliers, often through formal requests for quotations (RFQs) or bids.

Each proposal is then analyzed based on factors such as product specifications, pricing, delivery schedules, payment terms, and any additional costs like transportation or duties.

TOPIC 2

- **Evaluation of Proposals and Selection of Suppliers**

The company evaluates the submitted proposals using various methods such as the categorical method (subjective evaluation), weighted-point method (quantitative evaluation), or cost-ratio method (comparing all purchasing costs to the value received).

The best supplier(s) are selected based on this evaluation.

- **Performance feedback and evaluation**

After the purchase, the company reviews the supplier's performance to assess whether the product or service met the expectations and resolved the initial problem.

Feedback is used to inform future purchasing decisions and may lead to adjustments in supplier selection or specifications.

TOPIC 2

TYPES OF PURCHASES OR BUYING SITUATIONS

The nature of the buying situation influences the complexity and process of the buying decision. Understanding these situations helps businesses streamline their procurement strategies and tailor their approaches to each scenario.

THREE (3) TYPES OF PURCHASES OR BUYING SITUATIONS

- **New Purchase (New Task)**

A new purchase occurs when a company buys a product or service for the first time. This situation often involves high levels of information gathering, evaluation of alternatives, and decision-making due to the lack of previous experience. It typically includes more participants and is seen as high-risk.

- **Modified rebuy
(Change in supplier)**

A modified rebuy takes place when the company wants to alter specifications, prices, terms, or suppliers for a product or service that it has previously purchased. This type of buying situation usually involves fewer decision-makers than a new task but requires more effort than a straight rebuy.

- **Straight Rebuy**

In a straight rebuy, the company reorders a product or service without any modifications. It is a routine purchase based on existing agreements, requiring minimal decision-making and is usually handled by lower-level personnel.

BUYING CENTRE

The buying centre, also known as the decision-making unit (DMU), comprises all the individuals and groups involved in the buying process within an organization. The buying centre plays a crucial role in business purchasing decisions, with each member contributing to different stages of the buying process.



TOPIC 2

SIX (6) ROLES OF BUYING CENTRE

- **INITIATOR**

The individual who first identifies a need or problem that can be resolved through a purchase. This person often sparks the buying process by raising awareness of the issue.

- **BUYERS (the purchase
(or materials) officers and executives)**

The individuals responsible for the formal procurement process, including sourcing suppliers, negotiating terms, and finalizing contracts. They manage the transaction and are often focused on logistics, cost, and compliance.

- **USERS**

Members of the organization who will actually use the product or service. They provide practical insights into what is needed and can influence the specifications and supplier selection.

TOPIC 2

SIX (6) ROLES OF BUYING CENTRE

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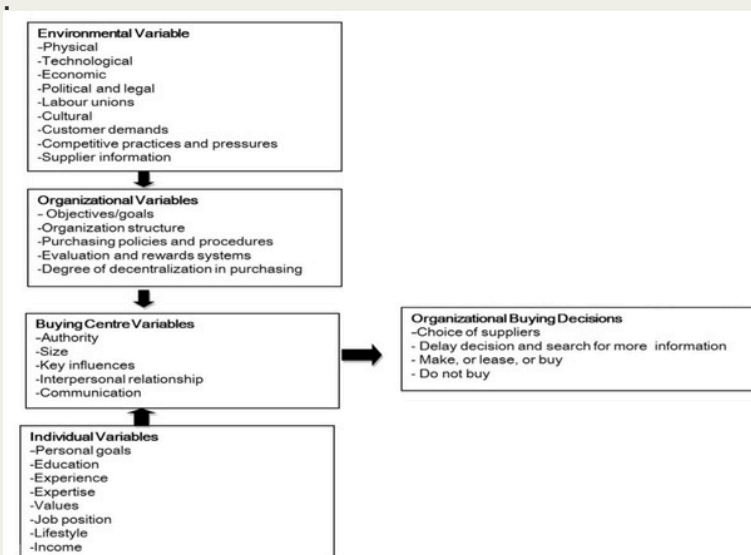
Members of the organization who will actually use the product or service. They provide practical insights into what is needed and can influence the specifications and supplier selection.

TOPIC 2

MODELS OF ORGANIZATIONAL BUYING BEHAVIOR

- **Webster and Wind Model:**

This model focuses on the influence of environmental, organizational, and individual variables on the buying decisions of organizations. It highlights the interaction between the structure of the buying centre, the company's objectives, and the external market environment.

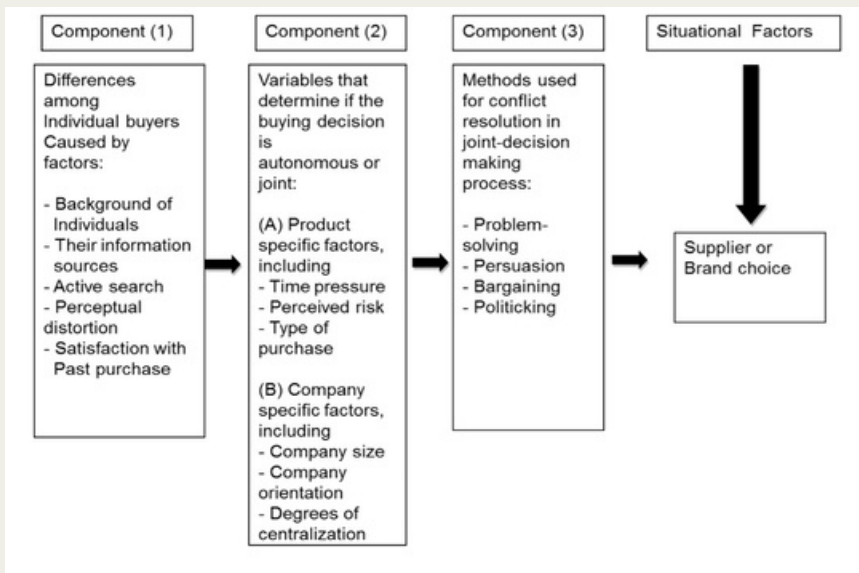


TOPIC 2

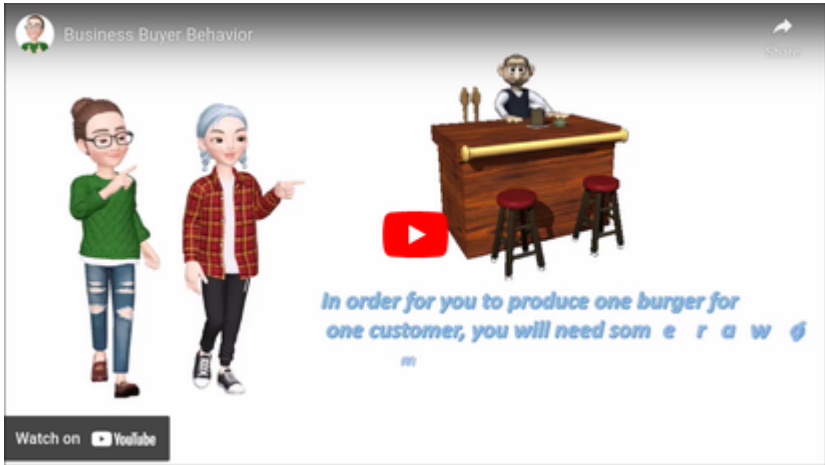
MODELS OF ORGANIZATIONAL BUYING BEHAVIOR

- **Sheth Model**

This model categorizes the buying decision process into three main components: the background of individuals (such as their roles, experiences, and perceptions), the size and structure of the organization, and situational factors (such as economic conditions and internal conflicts). It emphasizes the role of joint decision-making and negotiation in complex buying situations.



1. SUGGESTED VIDEO



2. DOUBLE CLIK TO ANSWER QUIZ



3. SUGGESTED VIDEO



TOPIC 3

MARKETING CHANNEL AND LOGISTICS STRATEGY

TOPIC OUTLINE

- 3.1 FACTORS AFFECTING THE NATURE OF BUSINESS MARKETING CHANNEL**
- 3.2 ALTERNATIVE FOR BUSINESS MARKETING CHANNEL**
- 3.3 TYPES OF BUSINESS INTERMEDIARIES**



3.1 FACTORS AFFECTING THE NATURE OF BUSINESS CHANNEL

A distribution channel is the set of interdependent organizations that make a product or service available to the customer. Marketing channel perform varies functions or tasks necessary to create sales and deliver product to business customer. There are four main factors affecting distribution channels.

1. GEOGRAPHICAL DISTRIBUTION

Geographic location refers to the physical place a statistical unit is located and for which statistics are collected and disseminated.

Geographic location is an integral factor determines market positioning and product sales.

- examples : a clothing retailer adjusts its inventory according to weathers and styles of its store location



3.1 FACTORS AFFECTING THE NATURE OF BUSINESS CHANNEL

2. CHANNEL SIZE

A distribution channel is the network of businesses or intermediaries through which a good or service passes until it reaches the end users.

Industrial channels are short and involve different types of intermediaries for selling and handling the products.

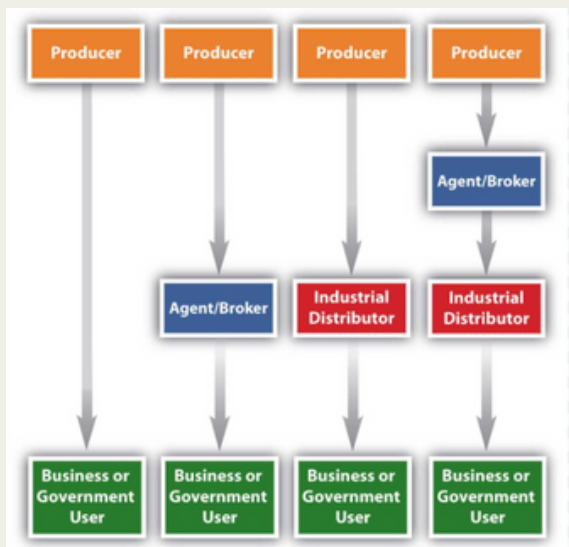


Figure 4.1 Types of business channel

The business channels are direct from the manufacturer or producer to the business user. The reason for the shorter channels is that the organizational buyers expect product availability, technical expertise and servicing capabilities.

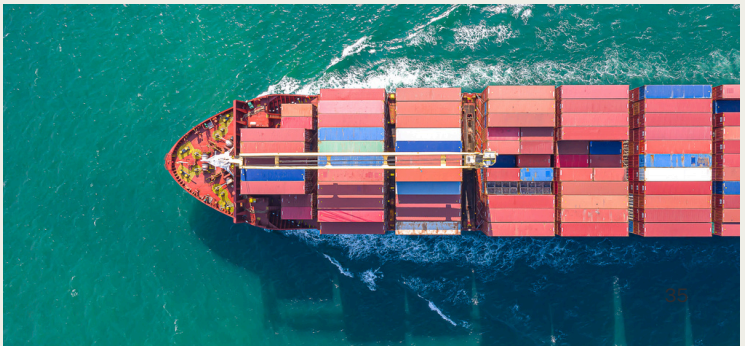
3.1 FACTORS AFFECTING THE NATURE OF BUSINESS CHANNEL

3. CHARACTERISTICS OF INTERMEDIARIES

A marketing intermediary is an individual or organization that helps facilitate the distribution process of goods and services from the manufacturer to the customer. It acts as a bridge between the two parties, ensuring that products are delivered to people who need them efficiently and cost-effectively.



Many marketing intermediaries exist, including distributors, wholesalers, brokers, agents and retailers, Each of these has different roles and responsibilities within the distributions channel.



3.1 FACTORS AFFECTING THE NATURE OF BUSINESS CHANNEL

4. MIXED SYSTEM

A combination of different channel to distribute the product or services to the end user.

Some business industrial use a mixture of a direct and indirect channels in order to meet the requirements of different market segments or when the company resources constraints.



Marketing channels are essential because they allow businesses to have new marketing channels to reach their target market segment and connect with potential customers.

The business can use it own salesforce for a large-volume customers and independent distributors or dealers to cover small-scale organizations.

SELF LEARNING ACTIVITY



Answer the questions by referring to the video


1. Explain the Gardenia supplier.
2. Identify the types of channel used by Gardenia
3. What is the mode of transportation used by Gardenia to distribute its's product.



SELF LEARNING ACTIVITY

INSTRUCTION: ANSWER ALL QUESTIONS

Quiz
Factors affecting
nature of
business channel



A series of multiple
choice questions.
Tap the correct
answer to proceed.

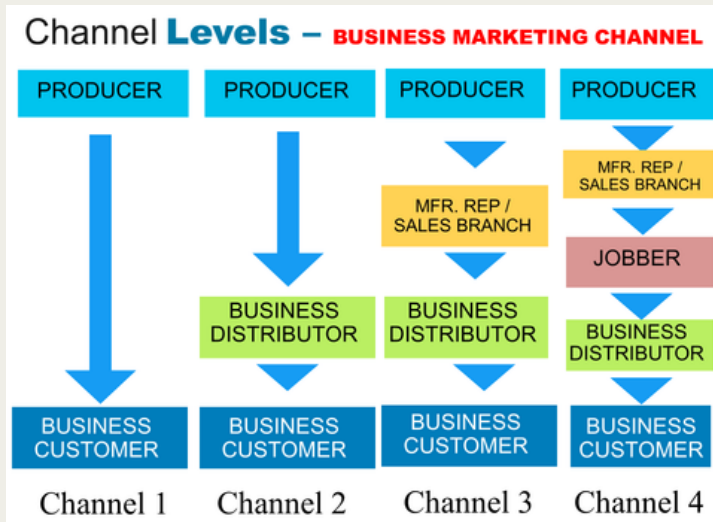


Powered by Wordwall



3.2 ALTERNATIVES FOR BUSINESS MARKETING CHANNEL

A marketing channel is a network of individuals, businesses, and processes that work together to move products from the production phase to the ultimate user. It encompasses all personnel, businesses, and procedures required to provide commodities and services to customers for use and satisfaction. Marketing channels can be either online or offline, free or through paid advertising.



Channels are connected by types of flows:

- Flows of products,
- ownership,
- payment,
- information,
- and promotion

3.2 ALTERNATIVES FOR BUSINESS MARKETING CHANNEL

Indirect marketing channel refers to a business strategy where a company sells its products or services not directly to customers, but through third-party entities such as distributors or resellers or other partner.



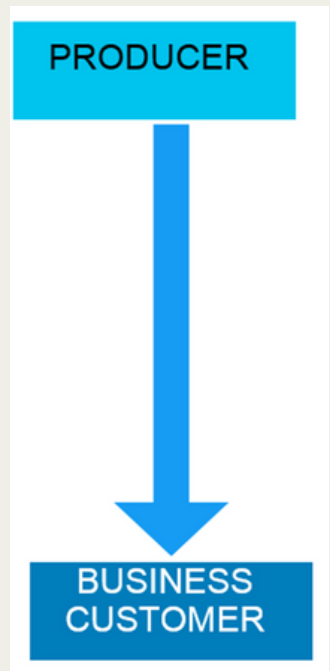
3.2.1 DIRECT MARKETING CHANNEL

Direct marketing channel refers to producer will perform all the functions or the tasks necessary to create sales and to deliver the products to business customers.

The examples of direct channels are direct sales through the company's sales force and direct marketing through direct mail, telemarketing, online marketing etc.

Viable to use when:

- The value of transaction is large
- The selling includes technical and commercial negotiations at various level



3.2.2 INDIRECT MARKETING CHANNEL

The manufacturer and intermediaries share the tasks between them. An indirect marketing channel contains one or more intermediaries. From the producer's point of view, a greater number of levels mean less control and greater channel complexity.



Indirect channel is applicable to the following situation:

- The value of transaction or sales are low
- The manufacturer has limited resources
- The industrial buyers are widely dispersed
- The industrial buyer purchase many product items in one transaction

The examples of products where indirect distribution are used include:

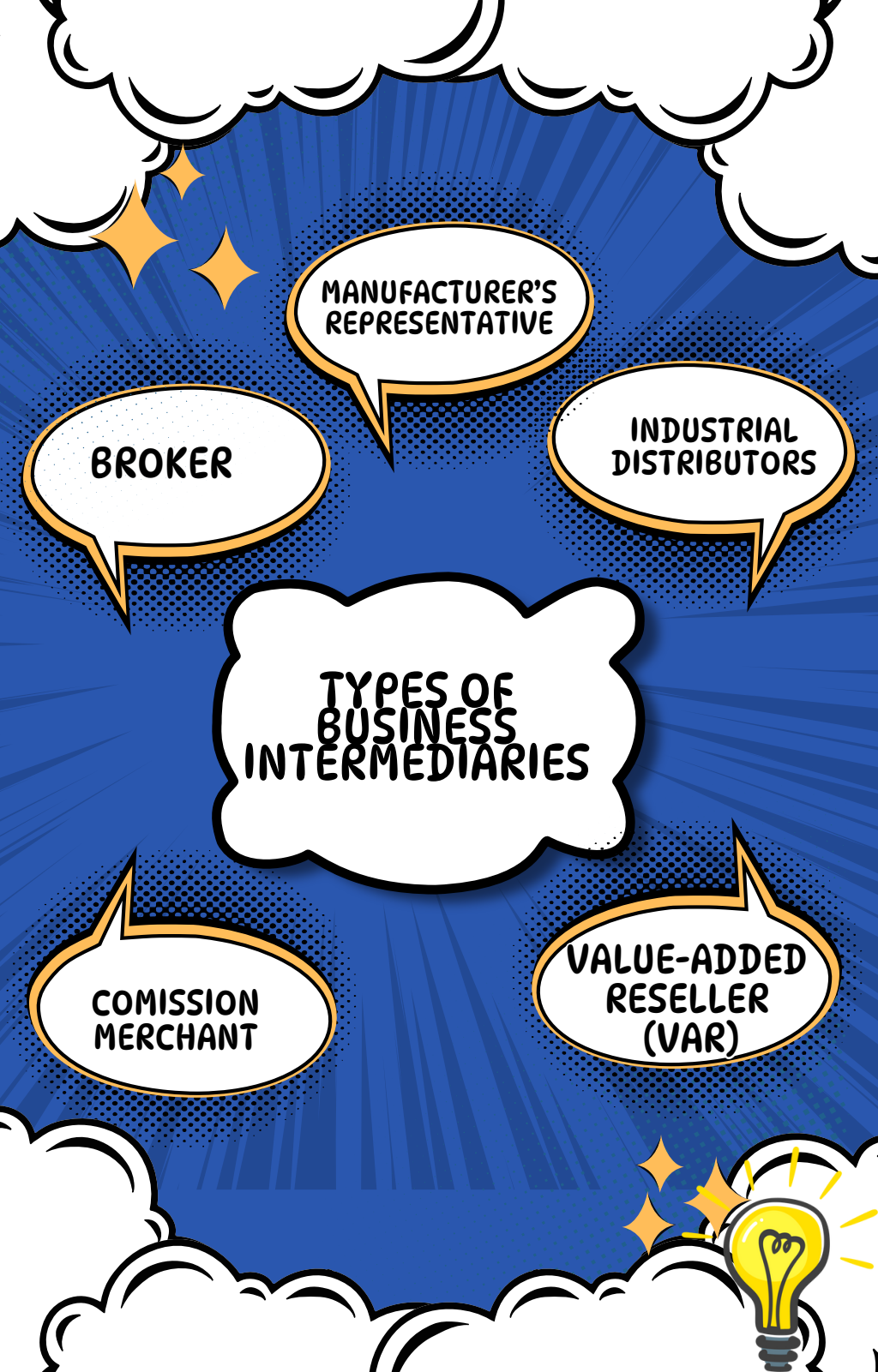
- Industrial chemicals
- Construction materials
- Electrical wiring materials
- General industry machinery
- Iron and steel products

3.3 TYPES OF BUSINESS INTERMEDIARIES

Business intermediaries are external companies who deliver or sell another company's products to customers. An intermediary's level of involvement with customers and ownership of the product they sell depends on the type of intermediary they are.



In marketing intermediaries refer to independent firms which assist in the flow of goods and services from producers to end-users; they include agents, wholesalers and retailers; marketing services agencies; physical distribution companies; and financial institutions.



TYPES OF BUSINESS INTERMEDIARIES

**MANUFACTURER'S
REPRESENTATIVE**

BROKER

**INDUSTRIAL
DISTRIBUTORS**

**COMISSION
MERCHANT**

**VALUE-ADDED
RESELLER
(VAR)**

3.3 TYPES OF BUSINESS INTERMEDIARIES

1. Manufacturers' Representative

- Also called as manufacturer's agents (same function with firm's sales force)
- Their main function is to promote sales and secure orders.
- They do not buy, store or finance the transactions.
- Paid a commission on sales which varies from industry to industry according to the tasks involved in selling job.
- Generally needed by small and medium size industrial firms, that find it economical to pay commission rather than use own sales force.



2. Industrial Distributors

- Are small and independent business firms serving narrow geographic market(buy & re-sale).
- Their main functions are buying, storing, promoting, selling, offering credit, delivering and ensuring customer service.



3.3 TYPES OF BUSINESS INTERMEDIARIES

3. Broker

- Bring together buyer and seller by providing information on what is available and required.
- They **can represent either the buyer or the seller** and this relationship is short term.
- Their main functions is to find potential buyer/seller, do negotiation and complete the sale.



4. Value-added Reseller (VAR)

- These middlemen usually related with data processing or computer industry. (IT)
- VARS customize the computer hardware and software to solve specific problem for specific industry.



For example:
inventory control
system to solve
industry inventory
management.

3.3 TYPES OF BUSINESS INTERMEDIARIES

5. Commission Merchant

- These middlemen deal with bulk of commodities such as raw materials.
- They have short-term arrangement with manufactures of product which are sold in large quantities.
- Do not buy the product, but they perform the functions of arranging inspection, physical handling, negotiation process and completing sales.
- As they represent the manufacturers, their commission is paid by manufacturers



Example of commission merchant practice in Malaysia: The Malayan Flour Mills, Malaysia

SELF-ASSESSMENT ACTIVITY

INSTRUCTION : ANSWER ALL QUESTIONS



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