

10-40
App-11/9/10

Senate Info. - 12/7/10

Undergraduate Distance Education Review Form
(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

Existing Course

Course: MKTG 431 Business-to-Business Marketing

Instructor(s) of Record: Dr. Framarz Byramjee and Dr. Varinder Sharma

Phone: 724-357-1364 and 724-357-2113

Email: framarz.byramjee@iup.edu and sharma@iup.edu

Step One: Proposer

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance delivery method as well as the discipline?

Dr. Framarz Byramjee: Ph.D in Business Administration/Marketing
Published research papers in peer-reviewed journals and presented research at national- and international- level academic conferences.
Experienced in teaching courses like Marketing Research, Principles of Marketing, Marketing Strategy and Real-world Applications, Operations Management, Marketing Management, Seminar in Marketing, International Marketing, and International Business at the Undergraduate and Graduate (MBA and Executive-MBA) levels.
Experienced in operating online learning management systems like Blackboard, WebCT and Moodle.
Successfully developed and taught courses like Seminar in Marketing, and Services Marketing on online systems like WebCT and Moodle.

Dr. Varinder Sharma: Ph.D in Marketing
Published research papers in peer-reviewed journals and presented research at national- and international- level academic conferences.
Experienced in teaching courses like Marketing Research, Principles of Marketing, Marketing Management, Consumer Behavior, Retail Management, International Marketing, Export Marketing, Business Culture and Practices, and International Business at the Undergraduate and Graduate (MBA and Executive-MBA) levels.
Experienced in operating online learning management systems like Blackboard, WebCT and Moodle.
Successfully developed and taught courses like International Marketing, Consumer Behavior, and Retail Management on online systems like WebCT and Moodle.

Received

Liberal Studies

SEP 20 2010

SEP 20 2010

Liberal Studies

Received

2. How will each objective in the course be met using distance education technologies?

Please refer to the attached syllabus of this course for the course objectives.

The course structure will serve to accomplish the objectives of the course as follows:

- Understand the factors that shape the core decision-making processes of successful business marketing entities.

Multimedia PowerPoint lectures for each topic in the syllabus will be produced and be made available within Moodle for streaming viewing by students. The lectures will provide the knowledge of the material. The lecture material will involve examples throughout the course of the special challenges faced by marketers as well as consumers in the production and consumption of services. Students will be assigned reading in a text as well as journal articles on the topic being discussed. Student comprehension will be assessed through quizzes and exams. The theoretical exam and the quizzes will enable students to demonstrate their understanding of the topics and material dealt with in the course.

- Recognize the business dynamics pertaining to markets occurring on a domestic and global front which necessitate changes in organizations' marketing tactics and strategies.

Multimedia PowerPoint lectures for each topic in the syllabus will be produced and be made available within Moodle for streaming viewing by students. Following the lectures, students will have the opportunity to demonstrate understanding that will be assessed through student postings on 'Discussion Forums' and 'Chats' in Moodle. Discussion questions and directed chats pertaining to practical issues and real-world scenarios deemed suited for respective topics will assess how well the students comprehend, analyze and apply the knowledge they have gained. The discussion material comprises of lectures and presentations based on the theoretical topic-areas required to achieve the knowledge necessary for the field. The online exercises will test students' ability to apply this knowledge to situations presented in them. Quizzes to be held after each topic-area will maintain students on track with the syllabus, and force them to keep reading and studying the material discussed till date.

- Demonstrate analytical competence to differentiate marketing systems and processes successfully employed across industries in the arena of business-to-business marketing.

Students will demonstrate this ability by answering the weekly discussion questions which are designed to assess how they apply the knowledge they have been asked to learn to-date. The group chats are used in the same manner, where a problem is given to the students and the teams' ability to apply the knowledge and analyze the problem can be assessed. The instructor 'drops-in' to the chats un-announced and determines if any other pointers or considerations are needed to help the students in their analysis. The team case-analysis will enable them to become effective team-players, as they will bear the responsibility of interacting with each other while doing their case-analyses. The business planning exercise at the end of course will culminate and integrate the core functional areas of strategic business-to-business marketing into a cohesive whole, and apply it to some situation or system as will be decided upon then. These written reports will also reflect the attainment of their written communication effectiveness.

3. How will instructor-student and student-student, if applicable, interaction take place?

Synchronous Interactions:

There will be certain designated interactive sessions using the Chat tool in Moodle. Some critical topic-areas and associated practical issues, as deemed appropriate by the instructor, will be discussed in these Chats, with the instructor leading the detailed discussion. Students will participate using microphones and/or typing tools. One interactive session will be conducted toward the beginning of the course to explain the role of marketing as a vital business function; this session is critical for setting the stage for discussions to follow later. Toward the end of the course, the remaining interactive session will be held to conduct the business-planning exercise; this stage synthesizes all prior knowledge, and students' participation will be required and graded. (Instructor-Student-Student interaction)

The Moodle Chat tool will be also used for office hours at designated times. More than one student can participate in this specially designated chat-room. The objective here is to assist students with their assignments for case-analyses and queries pertaining to the theoretical material issues in a live online discussion format using the typing tool.

Asynchronous Interactions:

The Discussion 'Forum' tool of Moodle will be implemented to post discussion questions on selected topics and case-related issues. This will take the shape of an open forum, as deemed appropriate by the instructor, for inviting comments and discussions. Students will be encouraged to participate in this discussion forum system. (Student-Student-Instructor interaction)

Multimedia PowerPoint lectures for each topic in the syllabus will be produced and be made available within Moodle for streaming viewing by students. These lecture videos help maintain a live classroom format of teaching blended within the online system. The regular IUP 'email' system will be used to effectively communicate with individual students, answer and respond to their doubts and queries, communicate primer questions for case-analyses, and encourage their participation. All emails will be answered within forty-eight hours. (Student-Instructor interaction)

4. How will student achievement be evaluated?

Students' final grades will be determined by the Professor's evaluation of their performance as reflected in the following weighted criteria:

| | |
|---------------------------------|------|
| Discussion Participation | 10 % |
| Team Case Analysis Report | 25 % |
| Team Case Presentation | 10 % |
| Case Analysis Assignment Report | 10 % |
| Quizzes | 20 % |
| Comprehensive Exam | 15 % |
| Business Plan | 10 % |

- Quizzes will be held online on Moodle at the end of each topic; these quizzes will consist of multiple-choice questions, to test students' understanding of the material covered in each chapter.

- There will be one comprehensive theoretical exam conducted online on Moodle toward the end of the course; it will comprise of short essay-type questions.
- Discussion Postings and Chats on Moodle dealing with issues during the course will allow students' comments to be judged as their active participation in the course. Replies to these discussion forums' issues as well as chat sessions will be graded accordingly.
- Case Presentations will be done by students, in groups of two or three. Each group shall be assigned its respective case well in advance, and is expected to do a professional presentation using MS-PowerPoint, and upload it on Moodle. The group shall also submit on Moodle their detailed Case Analysis Report on Moodle.
- Each student will also be doing one Case Analysis Assignment individually and submitting that report, by posting it on Moodle.
- The Business-Planning Exercise to be held after finishing all the chapters will attempt to integrate all the marketing functions and processes learnt so far into a business plan aimed at implementing some creative scenario decide upon. A written Report describing a business plan geared toward some business situation will be submitted by students on Moodle.

5. How will academic honesty for tests and assignments be addressed?

Each student will be administered a different randomly selected set of questions for each of the quizzes from a large test bank of questions for each topic.

The theoretical exam will also comprise of varied sets of questions being administered to students, and will be chosen randomly from the large test bank.

Fixed date and time for each quiz, and a fixed allotted time for completion of each quiz will be maintained.

Fixed date and time for the theoretical exam, and a fixed allotted time for completion of each exam will also be maintained.

One question at a time administration and Java script to prevent copying and transmission of quiz questions and the exam's questions while the test is being taken by students will be enforced.

The case-analysis report by each team, the case-analysis assignment report by each individual, and the business-plan report by each team will all be subject to 'plagiarism check' using 'Turninit.com'.

In this manner, every effort will be taken to maintain academic honesty and discipline while conducting this course in the distance education format.

B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.

Please refer to the lesson plan attached herewith for your perusal.

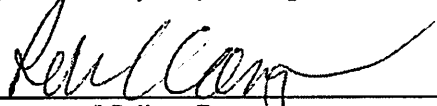
Step Two: Departmental/Dean Approval

Recommendation: Positive (The objectives of this course can be met via distance education)

Negative


Signature of Department Designee

9/24/10
Date

Endorsed: 
Signature of College Dean

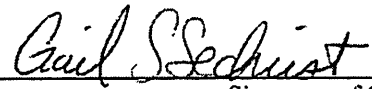
9/24/2010
Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

Step Three: University-wide Undergraduate Curriculum Committee Approval

Recommendation: Positive (The objectives of this course can be met via distance education)

Negative


Signature of Committee Co-Chair

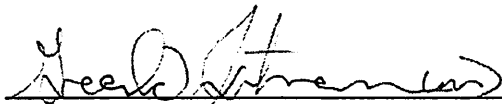
11/9/10
Date

Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

Step Four: Provost Approval

Approved as distance education course

Rejected as distance education course


Signature of Provost

11/15/10
Date

Forward form and supporting materials to Associate Provost.

Syllabus of Record

MKTG 431 – “Business-to-Business Marketing”

Catalog Course Description:

MKTG 431 Business-to-Business Marketing

3c-0l-3cr

(3 class-hours, 0 lab-hours, 3 credits)

Prerequisites: MKTG 420.

Concerned with the major activities involved in the marketing of industrial goods and services, including the industrial marketing system, marketing information needs of the industrial firm, industrial marketing implementation and control, and channel, pricing, product, and promotional strategies for industrial goods.

Course Objectives/Outcomes:

This advanced course in marketing is concerned with the major activities involved in the marketing of business goods and services, to include the industrial marketing system, marketing information needs of the industrial firm, its product, pricing, promotion and distribution strategies, and how they differ from those firms utilizing a business-to-consumer model.

The training imparted in this course will enable students to:

- *Understand the factors that shape the core decision-making processes of successful business marketing entities.*
- *Recognize the business dynamics pertaining to markets occurring on a domestic and global front which necessitate changes in organizations' marketing tactics and strategies.*
- *Demonstrate analytical competence to differentiate marketing systems and processes successfully employed across industries in the arena of business-to-business marketing.*

Required Textbook:

Business Marketing, 3rd Edition, by Edward G. Brierty, Robert W. Eckles, and Robert R. Reeder, Prentice Hall.

Course Schedule Outline:

- Course Introduction and Syllabus description
- The Role of Marketing as a vital business function
- Global and Domestic Perspectives of the Business Market
- The Nature of Business Markets and their role in Business Marketing
- Organizational Markets and Buyer Behavior
- Interpersonal Dynamics of Business Buyer Behavior
- Market Research and Marketing Intelligence Systems
- Demand Analysis and Sales Forecasting
- Market Segmentation, Targeting, and Positioning
- Planning Market Strategies

- Business Products and their Life Cycles
- Strategic Innovation and New Product Development
- Business Services Marketing
- Managing Business Channel Members
- Logistics of Physical Distribution and Customer Service
- Planning and Development of the Sales Function
- Organizing and Controlling a Sales Force
- Business Advertising, Sales Promotion, and Public Relations
- Price Determinants: Costs, Competition, and Customers
- Pricing Decision Analysis
- Competitive Strategies in Business Markets
- Strategic Control of the Marketing Process
- International Business Marketing

Evaluation Methods:

Quizzes will also be held at the end of each topic; these quizzes will consist of multiple-choice questions, to test students' understanding of the material covered in each chapter. There will be one comprehensive exam conducted toward the end of the course; it will comprise of short essay-type questions.

Detailed case presentations will be done by students, in groups of two or three. Each group shall be assigned its respective case well in advance, and is expected to do a professional presentation using MS-PowerPoint. The group shall also submit a detailed case analysis report at the time of their presentation.

Each student will also be doing one case analysis assignment individually and submitting its report too. Primer questions will be provided to students before doing their assigned case-analyses; these questions will help to structure their case.

The Business-Planning exercise to be held after finishing all the chapters will attempt to integrate all the marketing functions and processes learnt so far into a business plan aimed at implementing some creative scenario which shall be decided upon. A written report describing a business plan geared toward some business situation will be submitted by students in groups of two or three.

This course will test students' learning and analytical skills in business marketing. Students' final grades will be determined by the Professor's evaluation of their performance as reflected in the following weighted criteria:

| | |
|---------------------------------|------|
| Discussion Participation | 10 % |
| Team Case Analysis Report | 25 % |
| Team Case Presentation | 10 % |
| Case Analysis Assignment Report | 10 % |
| Quizzes | 20 % |
| Comprehensive Exam | 15 % |
| Business Plan | 10 % |

Grading Scale:

The grading pattern (grades' cut-offs) is as follows:

90.00 to 100.00 - A

80.00 to 89.99 - B

70.00 to 79.99 - C

60.00 to 69.99 - D

Below 60.00 - F

Attendance Policy:

The rules and regulations pertaining to academic honesty and sincerity in academic conduct, as maintained by the University, apply at all times.

There shall remain strict enforcement of prerequisite course-completions, and deadlines pertaining to course withdrawal and all other academic policies exercised by the University.

Syllabus

MKTG 431 – “Business-to-Business Marketing”

Moodle-based Online Course

Catalog Course Description:

MKTG 431 Business-to-Business Marketing

3c-01-3cr

(3 class-hours, 0 lab-hours, 3 credits)

Prerequisites: MKTG 420.

Concerned with the major activities involved in the marketing of industrial goods and services, including the industrial marketing system, marketing information needs of the industrial firm, industrial marketing implementation and control, and channel, pricing, product, and promotional strategies for industrial goods.

Course Delivery Format – Online {Moodle-based distance education}

Course Objectives/Outcomes:

This advanced course in marketing is concerned with the major activities involved in the marketing of business goods and services, to include the industrial marketing system, marketing information needs of the industrial firm, its product, pricing, promotion and distribution strategies, and how they differ from those firms utilizing a business-to-consumer model.

The training imparted in this course will enable students to:

- *Understand the factors that shape the core decision-making processes of successful business marketing entities.*
- *Recognize the business dynamics pertaining to markets occurring on a domestic and global front which necessitate changes in organizations' marketing tactics and strategies.*
- *Demonstrate analytical competence to differentiate marketing systems and processes successfully employed across industries in the arena of business-to-business marketing.*

Course Outline:

The course schedule and credit hours required for achieving the objectives of this structure are as follows:

- Course Introduction and Syllabus description (1 hour)
- The Role of Marketing as a vital business function (1 hour)
- Global and Domestic Perspectives of the Business Market (1 hour)
- The Nature of Business Markets and their role in Business Marketing (2 hours)
- Organizational Markets and Buyer Behavior (1 hour)

- Interpersonal Dynamics of Business Buyer Behavior (1 hour)
- Market Research and Marketing Intelligence Systems (2 hours)
- Demand Analysis and Sales Forecasting (1 hour)
- Market Segmentation, Targeting, and Positioning (1 hour)
- Planning Market Strategies (2 hours)
- Business Products and their Life Cycles (1 hour)
- Strategic Innovation and New Product Development (2 hours)
- Business Services Marketing (1 hour)
- Managing Business Channel Members (1 hour)
- Logistics of Physical Distribution and Customer Service (2 hours)
- Planning and Development of the Sales Function (1 hour)
- Organizing and Controlling a Sales Force (1 hour)
- Business Advertising, Sales Promotion, and Public Relations (2 hours)
- Price Determinants: Costs, Competition, and Customers (1 hour)
- Pricing Decision Analysis (2 hours)
- Competitive Strategies in Business Markets (2 hours)
- Strategic Control of the Marketing Process (1 hour)
- International Business Marketing (2 hours)
- Case-Presentations by Teams (2 hours)
- Business-Planning Exercise (3 hours)
- Quizzes (3 hours)
- Theoretical Exam (2 hours)

Evaluation Methods:

Multimedia PowerPoint lectures on the different topic areas and case-analyses relative to the themes and contexts associated with the material will be held online on Moodle within the respective topics' modules.

Quizzes will also be held online on Moodle at the end of each topic; these quizzes will consist of multiple-choice questions, to test students' understanding of the material covered in each chapter.

There will be one comprehensive exam conducted online on Moodle toward the end of the course; it will comprise of short essay-type questions.

Discussion Postings and Chats on Moodle dealing with issues during the course will allow students' comments to be judged as their active participation in the course. Replies to these discussion forums' issues as well as chat sessions will be graded accordingly.

Detailed case presentations will be done by students, in groups of two or three. Each group shall be assigned its respective case well in advance, and is expected to do a professional presentation using MS-PowerPoint and upload it on Moodle. The group shall also submit on Moodle their detailed case analysis report on Moodle.

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The Business-Planning exercise to be held after finishing all the chapters will attempt to integrate all the marketing functions and processes learnt so far into a business plan aimed at implementing some creative scenario which shall be decided upon. A written report describing a business plan geared toward some business situation will be submitted by students on Moodle.

This course will test students' learning and analytical skills in business marketing.

Students' final grades will be determined by the Professor's evaluation of their performance as reflected in the following weighted criteria:

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Grading Scale:

The grading pattern (grades' cut-offs) is as follows:

90.00 to 100.00 - A

80.00 to 89.99 - B

70.00 to 79.99 - C

60.00 to 69.99 - D

Below 60.00 - F

Attendance Policy:

There is no specific attendance policy for this course, as it is being conducted online. However, the rules and regulations pertaining to academic honesty and sincerity in academic conduct, as maintained by the University, apply at all times. Students must adhere to all deadlines for online submissions of reports, and all timings pertaining to quizzes and exams as instructed by the Professor.

Make-up exams shall not be given to any student, unless in case of an absolute emergency, wherein the student will have to first consult with the Professor.

There shall remain strict enforcement of prerequisite course-completions, and deadlines pertaining to course withdrawal and all other academic policies exercised by the University.

Required Textbook:

Business Marketing, 3rd Edition, by Edward G. Brierty, Robert W. Eckles, and Robert R. Reeder, Prentice Hall.

Other Suggested Reference Texts:

Business Marketing, 3rd Edition, by Robert F. Dwyer and John F. Tanner, McGraw-Hill Irwin.

Business Market Management, by James C. Anderson and James A. Narus, Prentice Hall.

Supplemental Readings:

Gronroos, Christian (1994), "From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing", *Management Decision*, Vol. 32, No. 2, pp. 4-20.

Webtrends (2010), "Best Practices for Relationship Marketing", www.Webtrends.com.

Cannon, Joseph and William Perrault (1999), "Buyer-Seller Relationships in Business Markets", *Journal of Marketing Research*, Vol. 36, No. 4, pp. 439-460.

Rauyruen, Papassapa and Kenneth Miller (2005), "Relationship Quality as a Predictor of B2B Customer Loyalty", *Journal of Business Research*, Vol. 60, pp. 21-31.

Gummesson, Evert (2004), "Return on Relationships (ROR): The Value of Relationship Marketing and CRM in Business-to-Business Contexts", *Journal of Business & Industrial Marketing*, Vol. 19, No. 2, pp. 136-148.

Kotler, Philip, Neil Rackham and Suj Krishnaswamy (2006), "Ending the War Between Sales and Marketing", *Harvard Business Review*, July-August.

Narayanan and Ananth Raman (2004), "Aligning Incentives in Supply Chains", *Harvard Business Review*, November.

Hughes, Jonathan and Jeff Weiss (2007), "Simple Rules for Making Alliances Work", *Harvard Business Review*, November.

Hughes, Arthur (2006), "How to Compute your Customer Lifetime Value", www.DatabaseMarketingInstitute/StrategicDatabaseMarketing.

Kumar, Nirmalaya (1996), "The Power of Trust in Manufacturer-Retailer Relationships", *Harvard Business Review*, November-December.

McGovern, Gail and John Quelch (2005), "Outsourcing Marketing", *Harvard Business Review*, March.



Preview Quiz 1

[Start again](#)

1 🗣 Organizational buyers can be divided into three different markets. They are:

Marks: 1

- Choose one answer.
- a. industrial, wholesaler, and retailer.
 - b. industrial, retailer, and government.
 - c. retailer, manufacturer, and government agencies.
 - d. industrial, government, and ultimate consumer.
 - e. industrial, reseller, and government.

2 🗣 _____ reprocess a good or service they buy before selling it again to the next buyer.

Marks: 1

- Choose one answer.
- a. Industrial firms
 - b. Reseller firms
 - c. Government agencies
 - d. Wholesalers
 - e. Retail firms

3 🗣 When compared to consumer marketing, industrial marketing is simpler because:

Marks: 1

- Choose one answer.
- a. firms have buying centers.

- b. it is easy to forecast derived demand.
- c. the buying objectives of industrial buyers are easily identifiable.
- d. industrial orders are smaller.
- e. industrial products involve fewer services and types of customer assistance.

4 🗣 The reseller market includes:

Marks: 1

- Choose one answer.
- a. manufacturers and service providers.
 - b. transportation providers and other facilitators.
 - c. government agencies and service providers.
 - d. agricultural markets and the mining industry.
 - e. retailers and wholesalers.

5 🗣 Del, Inc. sells surplus, refurbished, or closeout computer merchandise at its dellauction.com website to many buyers who bid sequentially. This is an example of a:

Marks: 1

- Choose one answer.
- a. storefront operation
 - b. traditional auction
 - c. Japanese auction
 - d. English auction
 - e. reverse auction

6 🗣 Which of the following is a characteristic of products and services purchased within an organizational context?


Marks: 1

- Choose one answer.
- a. The focus is on delivery time and post-sale service.
 - b. Raw and semi-finished goods are predominantly purchased.
 - c. Financial assistance with the purchase is important.
 - d. Goods and services are purchased on the basis of specifications that are technical in nature.
 - e. All of the above are characteristics of purchases within an organizational context.

7 🗣 Derived demand means the demand for industrial products and services is driven by, or derived, from:


Marks: 1

- Choose one answer.
- a. mathematical formulas and statistical models.
 - b. the Gross National Product.
 - c. demand for consumer goods and services.
 - d. demand for industrial goods.
 - e. profit margins and ratios.

8  A buy class situation affects buying center tendencies in different ways. If there are many people involved, both new and present suppliers are considered, and the buying objective is a good solution, the buy class situation which is most likely is a:


Marks: 1

- Choose one answer.
- a. new buy.
 - b. modified rebuy.
 - c. straight rebuy.
 - d. make-buy.
 - e. standard buy.

9  An international company that wants indisputable proof that its supplier maintains a high level of quality management could ask the company to:

Marks: 1

- Choose one answer.
- a. apply for an ISO 9000 certification.
 - b. allow its engineers to study all of the supplier's proprietary information before establishing any formal relationship.
 - c. enter a tying agreement in which it only sells to one customer-the international one.
 - d. show how it is listed in the NAICS to prove its quality focus.
 - e. do none of the above because a mechanism for proving organizational quality does not exist.

10  _____ is the deliberate effort by organizational buyers to build relationships that shape suppliers' goods, services, and capabilities to fit a buyer's needs and those of its customers.

Marks: 1

- Choose one answer.
- a. Relationship marketing
 - b. Reverse marketing
 - c. Cooperative marketing
 - d. Vertical integration
 - e. Reciprocity

Save without submitting

Submit all and finish

 Moodle Docs for this page

You are logged in as Framarz Byramjee (Logout)

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People

Participants

Weekly outline

MKTG 431 – “Business-to-Business Marketing”

Welcome to the MKTG 431 “Business-to-Business Marketing” course.

This advanced course in marketing is concerned with the major activities involved in the marketing of business goods and services, to include the industrial marketing system, marketing information needs of the industrial firm, its product, pricing, promotion and distribution strategies, and how they differ from those firms utilizing a business-to-consumer model.

Catalog Course Description:

Concerned with the major activities involved in the marketing of industrial goods and services, including the industrial marketing system, marketing information needs of the industrial firm, industrial marketing implementation and control, and channel, pricing, product, and promotional strategies for industrial goods.



- News forum
- Syllabus for MKTG 431

Add a resource... Add an activity...

8 September - 14 September

‘Organizational Markets and Buyer Behavior’

Objectives:

- a. Understand the nature of organizational markets and the perspectives of firms as buyers in a business-to-business marketing environment.
- b. Identify the characteristics of and key criteria driving organizations’ buying behavior.
- c. Determine the cross-functional processes of business entities involved in the procurement systems of firms.
- d. Compare and contrast the similarities and nuances between the various stages of the purchase process for organizations and consumers.

Checklist:

Complete the following tasks:

Latest News

Add a new topic...
(No news has been posted yet)

Upcoming Events

There are no upcoming events

Go to calendar...
New Event...

Recent Activity

Activity since Monday, 1 November 2010, 03:15 PM
Full report of recent activity...

Nothing new since your last login

Blocks

Add...

Activities

- Assignments
- Forums
- Quizzes
- Resources

Search Forums

Go

Advanced search?

Administration

- Turn editing off
- Settings
- Grades
- Outcomes
- Groups
- Backup
- Restore
- Import
- Reports
- Questions
- Files
- Profile

My courses

- moore Development Eberly EMBA Online
- Summer 2010 MKTG 422 8WB
- bebko Development MKTG 437 Services Marketing
- Fall 2009 MKTG 320 B06
- Fall 2009 MKTG 320 NB6

My courses

- moore
Development Eberly
EMBA Online
Summer 2010
MKTG 422 8WB
- bebko
Development MKTG
437 Services
Marketing
Fall 2009 MKTG
320 B06
- Fall 2009 MKTG
320 NB6

1. Read Chapters 3 and 4 from the text.
2. Review the Powerpoint Presentation.
3. Complete the Case Assignment.
4. Participate in the Forum by posting your discussion comment up to one page.
5. Complete the Quiz.

- Organizational Markets and Buyer Behavior.ppt
- Case Assignment: Zactec Electronics, Inc.
- Case Assignment Primer Questions sheet
- Discussion Forum 1
- Discussion Forum 1 - Instructions
- Article for Discussion Forum 1
- Quiz 1
- Add a resource...
- Add an activity...

My courses

- moore
Development Eberly
EMBA Online
- Summer 2010
MKTG 422 8WB
- bebko
Development MKTG
437 Services
Marketing
- Fall 2009 MKTG
320 B06
- Fall 2009 MKTG
320 NB6

 Moodle Docs for this page

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ORGANIZATIONAL MARKETS and BUYER BEHAVIOR

THE NATURE AND SIZE OF ORGANIZATIONAL MARKETS

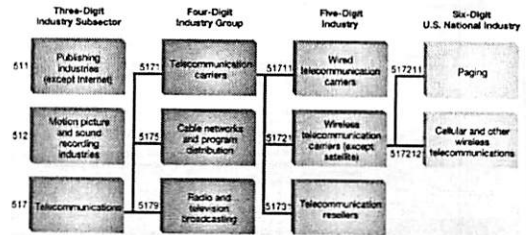
- Business Marketing
- Organizational Buyers
- Industrial Markets (Industrial Firms)
- Reseller Markets (Resellers)
- Government Markets (Government Units)
- Global Organizational Markets

MEASURING DOMESTIC AND GLOBAL INDUSTRIAL, RESELLER, AND GOVERNMENT MARKETS

- North American Industry Classification System (NAICS)
- North American Product Classification System (NAPCS)



NAICS breakdown for the Information Industries sector: NAICS code 51 (abbreviated)



CHARACTERISTICS OF ORGANIZATIONAL BUYING

- Demand Characteristics
 - Derived Demand
- Size of the Order or Purchase
- Number of Potential Buyers
- Organizational Buying Objectives

Key organizational buying criteria



CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **Organizational Buying Criteria**
 - ISO 9000
 - Reverse Marketing
 - The firm marketing its needs in the market
 - Role of Vendor Development Cells in the firm

CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **Buyer-Seller Relationships and Supply Partnerships**
 - Reciprocity (Reciprocal buying/purchases)
 - Supply Partnership
 - Aiming at overall Efficiency in Operations, Value Increase and Cost Reductions in the Supply Chains of all firms in the trading process

Key characteristics of organizational buying behavior

| CHARACTERISTICS | DIMENSIONS |
|---------------------------------------|---|
| Buyer characteristics | <ul style="list-style-type: none"> • Demand for industrial products and services is derived. • Few customers typically exist, and their purchase orders are large. |
| Product or service characteristics | <ul style="list-style-type: none"> • Products or services are technical in nature and purchased on the basis of specifications. • There is a preponderance of raw and semirefined goods purchased. • Heavy emphasis is placed on delivery time, technical assistance, post-sale service, and financing assistance. |
| Buying process characteristics | <ul style="list-style-type: none"> • Technically qualified and professional buyers exist and follow established purchasing policies and procedures. • Buying objectives and criteria are typically spelled out, as are procedures for evaluating suppliers and products/services. • Multiple buying influences exist, and multiple parties participate in purchase decisions. • Reciprocal arrangements exist, and negotiation between buyers and sellers is commonplace. • Online buying over the Internet is widespread. |
| Marketing and selling characteristics | <ul style="list-style-type: none"> • Direct selling to organizational buyers is the rule, and physical distribution is very important. • Advertising and other forms of promotion are technical in nature. • Price is often negotiated, evaluated as part of broader seller and product/service qualities, typically inelastic owing to derived demand, and frequently affected by trade and quantity discounts. |

CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **The Buying Center: A Cross-Functional Group (the Procurement function)**
 - Buying Situations (Buy Classes) and the Buying Center
 - Straight Rebuy
 - Modified Rebuy
 - New Buy

How the buying situation affects buying center behavior

| BUYING CENTER DIMENSION | BUY CLASS/SITUATION | | |
|-------------------------|-------------------------------|---------------------|-----------------------------|
| | NEW BUY | STRAIGHT REBUY | MODIFIED REBUY |
| Number of buyers | Many | One | Two to three |
| Decision time | Long | Short | Moderate |
| Decision uncertainty | Uncertain | Well-defined | Minor modifications |
| Buying objective | Good solution | Low-priced supplier | Low-priced supplier |
| Supplier relationship | New/present | Present | Present |
| Buying influence | Technical/operating personnel | Purchasing agent | Purchasing agent and others |

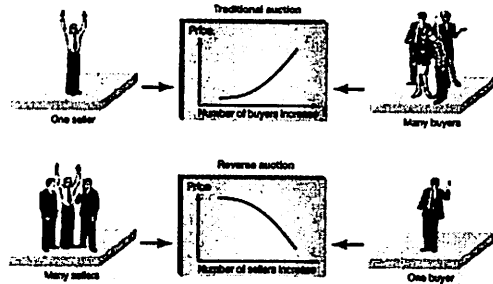
Strategic "Make" or "Buy" decision:
An evaluation of whether components and assemblies will be purchased from outside suppliers or built by the company itself.

Bidder's List: A list of firms believed to be qualified to supply a given item.

ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Prominence of Online Buying in Organizational Markets
- E-marketplaces: Virtual Organizational Markets
- Online Auctions in Organizational Markets
 - Traditional Auction
 - Reverse Auction

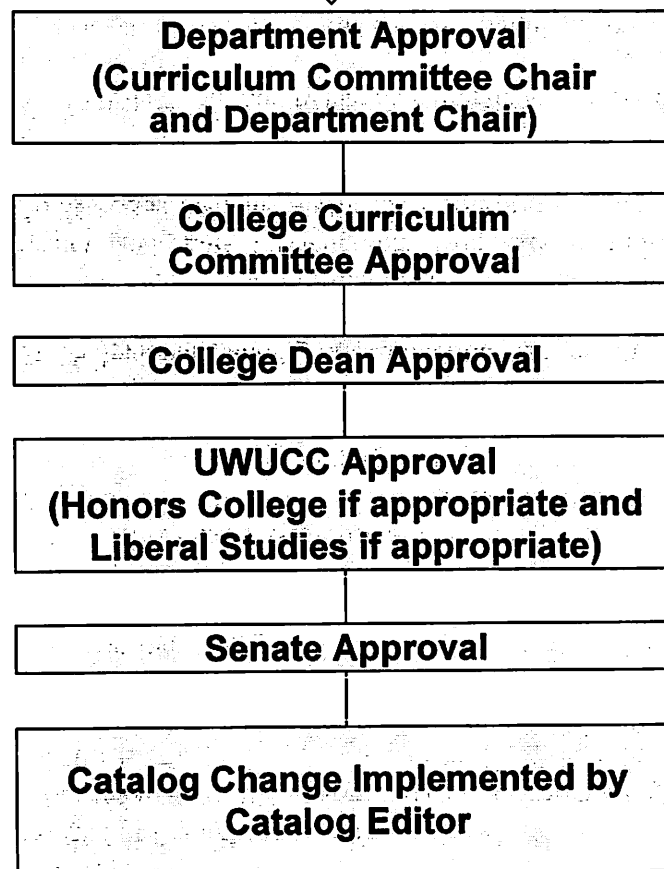
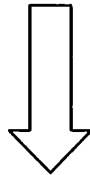
How buyer and seller participants and price behavior differ by type of online auction



Comparing the stages in consumer and organizational purchases

| STAGE IN THE BUYER DECISION PROCESS | CONSUMER PURCHASE: PORTABLE MP3-CAPABLE CD PLAYER FOR A STUDENT | ORGANIZATIONAL PURCHASE: SMARTPHONES FOR A PORTABLE MP3-CAPABLE CD PLAYER |
|-------------------------------------|--|---|
| Problem Recognition | Student doesn't like the features of the portable CD player now owned and desires a replacement. | Marketing research and sales representatives observe that companies are embracing the smartphone on their portable CD players. The firm decides to embrace the smartphone on their own new models, which will be purchased both on online marketplaces. |
| Information Search | Student seeks past experience, that of friends, with the Internet, and Consumer Alerts to collect information and compare alternatives. | Design and production engineers seek specifications for smartphones. They purchase and compare alternative suppliers of portable CD player smartphones. |
| Alternative Evaluation | Alternative portable CD players are evaluated on the basis of important attributes desired in size, and several others are ruled out. | Purchasing and engineering personnel visit with suppliers and assess (1) flexibility, (2) capacity, (3) quality control, and (4) financial status. They also may evaluate not satisfactory on these factors. |
| Selection of Alternative | A specific brand of portable CD player is selected, the price is paid, and the student leaves the store. | They use (1) quality, (2) price, (3) delivery, and (4) financial capability as the buying criteria to select a supplier. Then they negotiate terms and award a contract. |
| Postpurchase Evaluation | Student reevaluates the purchase decision, may return the player to the store if it is unsatisfactory, and looks for suggestive information to justify the purchase. | They evaluate suppliers using a formal vendor rating system and notify a supplier if suppliers do not meet their quality standards. If the problem is not corrected, they drop the firm as a future supplier. |

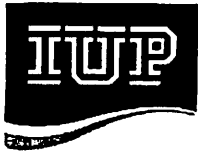
Procedures for Approval of Name, Number, or Prefix Changes



AGENDA
 University Wide Undergraduate Curriculum Committee
 Tuesday, November 9, 2010
 16A Leonard Hall

- I. Call to Order
- II. Approval of Minutes from October 26, 2010 Curriculum Committee Meeting
- III. Co-Chairs Report:
 - a. Liberal Studies Committee relationship to UWUCC
- IV. Items for Review/Possible Action:
 - A. Honors College Committee Report:
 - No report
 - B. Liberal Studies Committee Report:
 - Approved PHYS 101 Energy and Our Environment as a Writing Intensive Course
 - Approved ECED 250 Language Development as a Writing Intensive Course
 - Approved ARD 317 Art in K-6 Programs, course revision and catalog description change
 - Approved ARD 318 Art in 7-12 Programs, course revision and catalog description change
- C. 10-40 MKTG 431 Business-to-Business Marketing, distance education
- D. 10-22 MKTG 320 Principles of Marketing, course revision
- E. 10-27a SOC 357 Sociology of Aging, course revision
- F. 10-27b Soc 336 Sociology of Family, course revision
- G. 10-33a BS Regional Planning/GIS and Land Use Planning, program revision
- H. 10-33b BS Regional Planning/Environmental Planner Track, program revision
- I. 10-33c Regional Planning-Environmental Career Track/ Regional Planning- Land Use Planning and Geographic Information Systems/ Geography-GIS and Cartographer/ Geography-Environmental Geography, catalog description change
- J. 10-33d RGPL 352 Planning Methods, course prefix change
- K. 10-33e RGPL 410 Community Participation and Civic Engagement Seminar, new course
- L. 10-33f RGPL 412 Community Planning Practicum, course title change, catalog description change
- M. 10-33g RGPL 426 Environmental Land Use Planning, new course
- N. 10-33h RGPL 453 Planning Design Studio I, course title change
- O. 10-33i RGPL 454 Planning Design Studio II, course title change
- P. 10-43a THTR 347 Playwriting, catalog description change
- Q. 10-43b English B.A. Film Studies Track, program revision
- R. 10-43c English B.A. Language Studies Track, program revision
- S. 10-43d English B.A. Literacy, Textual and Cultural Studies Track, program revision
- T. 10-43e English B.A. Writing Studies Track, program revision
- U. 10-43f English B.A. Pre-law Studies Track, program revision
- V. 10-44 BSED Social Studies Education/Geography, program revision

Enclosed: Agenda, Minutes, Docket, LBST Committee/UWUCC document, 10-40, 10-22, 10-27a, 10-27b, 10-33a through i, 10-43a through f, 10-44



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[Update this Assignment](#)

No attempts have been made on this assignment

Please read the Case "Zactec Electronics, Inc." from the textbook, and answer the Primer Questions on the attached Assignment Sheet.

Available from: Tuesday, 21 September 2010, 12:40 PM
Due date: Tuesday, 28 September 2010, 12:40 PM

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Case: Zactec Electronics, Inc.

This business case is typical of a marketing management scenario. It involves elements of the marketing mix like details of product offerings and costing issues associated therewith, pricing mechanisms, distribution functions, and promotions aspects designed toward the marketing strategies implemented by the organization. Market research, sales, industrial structures, global business expansion perspectives and such other concerns are also addressed.

The following primer questions will serve to structure the analysis of this case:

- Evaluate the entire strategic plan's feasibility and its potential profitability. This calls for evaluation of the present marketing strategy being implemented by the firm. Discuss the elements of the marketing mix pertaining to the offering (the company's product/service/image characteristics), the pricing mechanisms being adopted, the distribution channels for logistics and operations, and the promotion and communication strategies for sale of the products. Given the variable and fixed costs, calculate the profit contributions and break-even volumes for assessment of sustenance and growth of the business.

- Is it unwise to be so conservative as to keep producing the cadmium line while shifting to the silicon line? Why or why not?

This hints at the need for analyzing the suitability of the new venture for product proliferation and modification/change in the operational and marketing perspectives. Attention needs to be focused toward whether there will be a potential market for the newer line and whether a viable niche can be created by the firm through this innovative entry. Resource allocation issues need to be considered, with regard to how the budget for the new venture can be approved and how the break-even figures and contribution margins can be obtained and maintained. Further, the plan should entail the nuances of the marketing strategy that needs to be developed for the new offering. Special attention must be paid to identify if any of the current marketing mix elements of the firm match with the requirements of the new plan, so that discrepancies may be resolved such that optimum resources could be budgeted and cost-savings portrayed.

- Should Zactec Electronics enter foreign markets, regardless of their inexperience with trade barriers?

This new market development strategy decision involves analysis of different market entry options like licensing, exporting, franchising, foreign direct investment, and strategic alliances, and issues of trade barriers which the firm is liable to encounter, and a layout of the pros and cons of each option, so as to narrow down to a feasible choice.

- Will the existing channel and promotion plans suffice to produce an eventual profit? If not, why not?

This section calls for analysis of the current marketing channel strategy and the promotion programs in terms of their reach and volume of business generated, and whether their efficacy outweighs the costs incurred in bearing the same.

C A S E 2 1

Zactec Electronics, Inc.

INDUSTRIAL MARKETING MANAGEMENT STRATEGY

Zactec Electronics, Inc.,¹ has been a successful electronics firm in the optoelectronics or light sensitive industry since its founding in 1959. The company has thrived on the growth of integrated circuitry in the industry. The dominant method of integrated circuits fabrication involves silicon materials rather than the cadmium sulfide or cadmium selenium the firm is now using. As a result of a shift from cadmium to silicon in this technology, the firm wishes to add to the capability of producing light sensitive components using the newer methods.

Zactec has been successful in the manufacture and design of photoconductive and photovoltaic cells. It has continued to grow until the industrial trends showed a slow growth rate or stagnation in its industry. Zactec currently sells its products to the following types of manufacturers:

| <i>Class</i> | <i>Percent of Sales</i> |
|---|-------------------------|
| Cameras | 20 |
| Musical instruments and audio equipment | 10 |
| Analytical instruments | 10 |
| Industrial equipment manufacturers | 60 |
| | 100% |

¹Fictitious name. We would like to thank Dalip Miglani, Charles E. Olson, and Michael K. Riess for their help in constructing this case.

Optoelectronic devices (OED) find applications in a wide variety of products ranging from music instruments and medical diagnostic equipment, cameras and industrial quality controls. Table C21-1 illustrates some of the market areas that use OED.

CHANGES IN THE OPTOELECTRONIC INDUSTRY

Industry trends indicate there is a developing change in the demand for OEDs, dictating the use of new technologies that offer the following advantages:

- Smaller size
- Greater total dependability
- Greater resistance to environment
- Low battery drain
- Lower total circuitry cost
- Easier circuitry replacement and repair

PRODUCTION CONCERNS AND BUSINESS ANALYSIS

Silicon Technology

Solid state electronics is totally dominated by silicon technology, with the exception of light emitting diodes and a few microwave applications. Zactec intends to produce devices of moderate complexity by proven "mainstream" methods. This will entail hiring an engineer in this area and making capital investments in silicon wafer processing, integrated circuit packaging, and testing facilities.

Silicon wafer processing plus basic assembly and test equipment will require a \$350,000 initial

TABLE C21-1 Electronics Sales in Various Market Areas (in millions of dollars)

| <i>Area</i> | <i>1985</i> | <i>1986</i> | <i>1987</i> | <i>1988</i> |
|---------------------------------|-------------|-------------|-------------|-------------|
| Musical instruments | 141.0 | 162.0 | 175.0 | 210.0 |
| Test and measuring instruments | 722.0 | 715.1 | 758.6 | 914.0 |
| Medical diagnostic equipment | 399.6 | 431.5 | 470.6 | 577.0 |
| AM and FM station equipment | 17.5 | 18.0 | 19.2 | 21.0 |
| Industrial operations equipment | 651.0 | 589.8 | 673.7 | 960.0 |

TABLE C21-2 Silicon Semiconductor Facility Project Schedule

| | <i>Planning, Marketing, and Finance</i> | <i>Production</i> |
|---------------------------------------|---|---|
| Preparatory phase | Conduct market analysis and market survey, forecast equipment, financial, and personnel requirements Hire silicon technology specialists | |
| Installation phase (6 to 9 months) | Maintain market contact, monitor costs | Install wafer production equipment, begin phototransistor and photodiode design, integrated circuit R&D |
| First operational phase (2 years) | Maintain market contact, monitor costs Begin advertising and promotion of silicon products Repeat market survey | Begin Monsanto production of phototransistors, establish packaging and testing assembly line, continue research and development Begin Zactec production of phototransistors and photodiodes Begin installation of automatic packaging and testing equipment |
| Second operational phase | Make product decisions on integrated circuits Maintain market contact, monitor costs | Begin production of integrated circuits |

investment. The photodiode devices will be produced first, and the production of the integrated circuits deferred by 2 to 3 years. Efficient IC assembly and testing is estimated to cost an additional \$150,000. Table C21-2 is an overview of the entire project.

Costs

Up to 7,500 devices can be "built" on a single 3-inch diameter silicon wafer, but the major production problem is quality control. By their very nature, not all devices will work and the good ones have to be sorted from the bad ones. If yields of good wafers exceed 20 to 25 percent of the total produced, then the cost of the silicon wafer per good device is trivial compared with the costs associated with testing and packaging the devices. Table C21-3 is a fixed and variable cost breakdown with resulting break-even points for different variable costs. The average variable labor cost of \$270 per 1,000 devices implies a production mix with fewer ICs,

and it illustrates how automation and the experience curve can substantially reduce packaging and testing labor costs.

Prices

For the purposes of this plan, the market price of \$0.75 per device was assumed. Current prices for phototransistors of the quality Zactec will produce range from \$1.22 to \$2.25, in large quantities. Since demand is relatively inelastic, this price range would avoid mutual throat cutting.

Pricing for integrated circuits will depend on the market and application. Cameras and some remote sensing applications will see high-volume, low-margin markets with prices perhaps as low as \$0.80. Control, audio, and musical applications will have prices in the range of \$1.00 to \$5.00, and some instrument makers will be willing to pay up to \$15.00 per device. The above price statements are based on current price trends, Zactec's expert opinion, and a market survey.

TABLE C21-3 Cost Analysis

| | |
|--|---------------------|
| <i>Average Fixed Production Costs per Year</i> | |
| Salaries for engineer, technician, supervisor | \$ 55,000 |
| General overhead: utilities, some equipment rentals, outside lab work, masking, filters, interest on debt, etc. | 71,000 |
| Recovery of fixed assets, \$500,000 over 10 years | 50,000 |
| | <u>\$176,000</u> |
| <i>Wafer Production Variable Costs¹</i> | |
| Labor: 1.28 hours/wafer @\$4/hour | \$5.12 |
| Materials | 4.00 |
| | <u>\$9.12/wafer</u> |
| <i>Wafer Production Variable Costs per Thousand Devices for Different Yields</i> | |
| Phototransistor—photodiode | |
| 30% yield (worst case) | \$ 4.06 |
| 60% yield (best case) | \$ 2.03 |
| Integrated Circuit | |
| 4% yield (worst case) | \$30.40 |
| 20% yield (best case) | \$ 6.08 |
| <i>Packaging and Testing Variable Costs Per Thousand Devices²</i> | |
| Phototransistor— photodiode | \$120.00 |
| Labor: 30 man-hours/1,000 devices @\$4/man-hour | 100.00 |
| Materials | <u>\$220.00</u> |
| Integrated circuit | \$140.00 |
| Labor: 35 man-hours/1,000 devices @\$4/man-hour | 200.00 |
| Materials | <u>\$340.00</u> |
| <i>Total Variable Production Costs per Thousand Devices</i> | |
| Phototransistor—photodiode | \$224.06 |
| 30% yield | \$222.03 |
| 60% yield | |
| Integrated circuit | \$370.40 |
| 4% yield | \$346.08 |
| 20% yield | |
| <i>Break-Even Analysis</i> | |
| Assume average market price of \$.75/device with 17% of sales going to advertising, selling, and administration. | |
| With a variable production cost of \$270/1000 devices, break-even volume is 486,000 units/year average for 10 years. | |
| With a variable production cost of \$320/1000 devices, break-even volume is 582,000 units/year average for 10 years. | |

¹Zactec has the option of buying fully processed wafers from Monsanto at \$14/wafer, but yields, continuity of long-term price and availability, and assurance of a particular technology are not guaranteed.

²Labor costs are based on the assumption that operations are primarily manual with little automation.

MARKET SURVEY RESULTS

Of the 187 survey forms mailed, 75 were returned (40 percent). The following results were provided from the survey.

1. The trend to silicon technology was verified.
2. IC characteristics valued the most by respondents were higher reliability, reduced product assembly cost, and reduced net component cost.
3. Few respondents desired unusual power, voltage, or temperature that would rule out an inexpensive IC.
4. Of the devices proposed, the optical Schmitt trigger and the operational amplifier integrated with a light were the most popular.
5. The most common applications were industrial controls, computer peripherals, photometry, laboratory instrumentation, and photon coupling.
6. The mean price was \$3.07 per unit. Low-value items (controls, burglar alarms, remote sensors) wanted a low price.
7. Packaging preferences expressed leaned heavily toward the Dual-Inline Package and the metal can with a transparent window.

SALES FORECASTS

The marketing department will estimate future sales using two assumptions. Table C21-4 shows the estimated sales volume and net cash flow for Zactec's light sensitive devices if the company achieves 10 percent of the current market within 8 years. Table C21-5 shows the results if Zactec achieves 25 percent of the current market within 10 years.

BUSINESS MARKETING STRATEGY

Historically, large firms have not been sufficiently adaptive, or had low enough overhead, to find optoelectronics markets profitable. Zactec's principal competitor, Flairex Electronics, is also a small firm that has a substantial share of the silicon optoelectronics market (current total \$11 million) and almost as large a share as Zactec (20 to 25 percent) of the photoconductor market, which totals \$5 to \$6 million.

Zactec proposes a two-prong offensive and defensive marketing effort. Zactec cannot afford to leave the burgeoning silicon market to its competitors, although it could survive by making CdS and CdSe

TABLE C21-4 Cash Flow (in thousands of dollars)

Assumption: Zactec achieves sales volume for its silicon light-sensitive devices equal to 10 percent of the current market within 8 years

| Year | Fixed Production Costs | Variable Production Costs | Selling, Advertising, and Administrative Costs | Total Costs | Sales Revenue | Net Cash Flow |
|------|------------------------------|---------------------------------|---|----------------|------------------|------------------|
| 0 | 350 | 0 | 0 | 350 | 0 | (350) |
| 1 | 141 | 0 | 20 ¹ | 161 | 0 | (161) |
| 2 | 141 | 72 | 34 | 247 | 200 | (47) |
| 3 | 281 | 99 | 47 | 427 | 276 | (151) |
| 4 | 121 | 173 | 82 | 376 | 481 | 105 |
| 5 | 121 | 252 | 119 | 492 | 700 | 208 |
| 6 | 121 | 279 | 132 | 532 | 776 | 244 |
| 7 | 121 | 317 | 150 | 588 | 881 | 293 |
| 8 | 121 | 360 | 170 | 651 | 1000 | 349 |
| 9 | 121 | 360 | 170 | 651 | 1000 | 349 |
| 10 | 121 | 360 | 170 | 651 | 1000 | 349 |

¹Seed money to initiate advertising for silicon photo devices.

Internal rate of return = 16.6%.

TABLE C21-5 Cash Flow (in thousands of dollars)

Assumption: Zactec achieves sales volume for its silicon light-sensitive devices equal to 25 percent of the current market within 10 years.

| Year | Fixed Production Costs | Variable Production Costs | Selling, Advertising, and Administrative Costs | Total Costs | Sales Revenue | Net Cash Flow |
|------|------------------------------|---------------------------------|---|----------------|------------------|------------------|
| 0 | 350 | 0 | 0 | 350 | 0 | (350) |
| 1 | 141 | 0 | 20* | 161 | 0 | (161) |
| 2 | 141 | 72 | 34 | 247 | 200 | (47) |
| 3 | 281 | 107 | 50 | 438 | 296 | (142) |
| 4 | 121 | 209 | 99 | 429 | 581 | 152 |
| 5 | 121 | 288 | 136 | 535 | 800 | 265 |
| 6 | 121 | 342 | 162 | 625 | 950 | 325 |
| 7 | 121 | 396 | 187 | 704 | 1100 | 396 |
| 8 | 121 | 504 | 238 | 863 | 1400 | 537 |
| 9 | 121 | 666 | 315 | 1102 | 1850 | 748 |
| 10 | 121 | 900 | 425 | 1446 | 2500 | 1054 |

*Seed money to initiate advertising for Silicon photo devices

Internal Rate of Return = 26.3%

photoconductors in applications requiring wide spectral response, low noise, or high temperatures. The long-term growth potential for this market is rather bleak. Silicon technology will assume increasing importance. Therefore, Zactec will continue in the cadmium device market but will also enter the silicon market to gain future sales and to sustain its future market share. The company proposes to develop a total capability for the design and manufacture of silicon devices.

Research and Development

Zactec's past success has been its ability to provide consistent product quality and maintain high levels of customer service. The company decided to develop a light-controlled oscillator (LCO), which produces a sine wave signal and has a frequency that depends on the intensity of the light incident on the device. An integrated circuit (IC) with this capacity has the desirable characteristics of serving a critical need in several markets, including cameras, instrumentation, remote sensing, and direct applications in electronic organs and musical instruments.

Promotion

Technical brochures, publicity, industrial advertising in trade journals, and personal selling will be con-

tinued. Promotion of Zactec's new line will incorporate promotion at the manufacturers' rep level and at the OEM and end-user levels. Direct mail will be sent to selected firms that can use the new product line. News releases will be sent, followed by advertising space in trade journals, such as *Electro-optical Systems Design*, *Electro-optical Master Catalog*, *Electronics*, *Electronics Buyers' Guide*, and *Electronics Design*.

Distribution Channels

Zactec currently uses manufacturers' reps but sells directly to very large customers, such as Kodak. There are twenty reps, who operate on a 5 percent commission basis. When the rep does routine clerical work on high-volume accounts, he or she receives an additional 2 percent. The present system offers many advantages:

1. The new product line can be offered quickly to the market.
2. The firm has experienced reps with ongoing accounts.
3. Lower initial expense will be incurred and the channel will be more adaptive to changes in sales volume.
4. This is a traditional channel, more acceptable for marketing business and industrial products.

Strategic Plan's Marketing Reach

Sales of OEDs are confined to industrial and research organizations. Although many applications exist for these devices, the realistic, potential market size numbers less than 200 organizations. Only domestic sales will be considered at this time; however, the vast foreign market cannot be overlooked, despite the numerous trade barriers that protect each country's domestic producers. It is not anticipated that the potential market will expand very much in the near future because most current and projected applications require a high degree of experience and sophistication. If new

applications open up, the total number of OED sales could expand rapidly.

Questions for Discussion

1. Evaluate the entire strategic plan's feasibility and its potential profitability.
2. Is it unwise to be so conservative as to keep producing the cadmium line while shifting to the silicon line? Why or why not?
3. Should Zactec enter foreign markets, regardless of their inexperience with trade barriers?
4. Will the existing channel and promotion plans suffice to produce an eventual profit? If not, why not?



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This Discussion Forum pertains to the Article "Staple Yourself to an Order" provided online in this module.

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Discussion Forum

Discussion Forum Article: "Staple Yourself to an Order"

Please carefully read the Article attached herewith (it's interesting, useful, sense-making, and applicable); then do as follows for participating in the Forum by posting your discussion comment up to one page:

- Briefly comment on the highlights which this article projects.
- Explain the OMC chart shown on page 165 in terms of how coordinated integration between the various business functions and processes in a firm can lead to smoother through the 10 stages/steps of the OMC shown in that chart.
- Explain the difference between Horizontal Gap and Vertical Gap in the context of the customer order management cycle. Use an example.
- Explain the context of "Order Based Pricing" in the costs/profits estimation step of the customer order management cycle to improve profitability.

Your write-up should be preferably succinct, on a simple word document.

The executive who wants to delight customers – and thereby grow the top line – is apt to think big: Invent a breakthrough product; provide an extraordinary service. That's great work if you can get it, but the more humble job of making sure customers aren't excessively annoyed by the company's order management processes may be more urgent and more relevant to future growth. Every time an order is handled, the customer is handled. Every time an order sits unattended, the customer sits unattended. Yet, to most senior executives, the details of the order management process are invisible. When managers take the time to track each step of the cycle, they come into contact with critical people like customer service representatives, production schedulers, order processors, and shipping clerks. Managers who "staple themselves to an order" will not only move horizontally across their own organization, charting gaps and building information bridges, but will also see the company from the customer's perspective. There's no better way to alter that perspective, improve interdepartmental relations, and – over the long haul – improve financial performance.

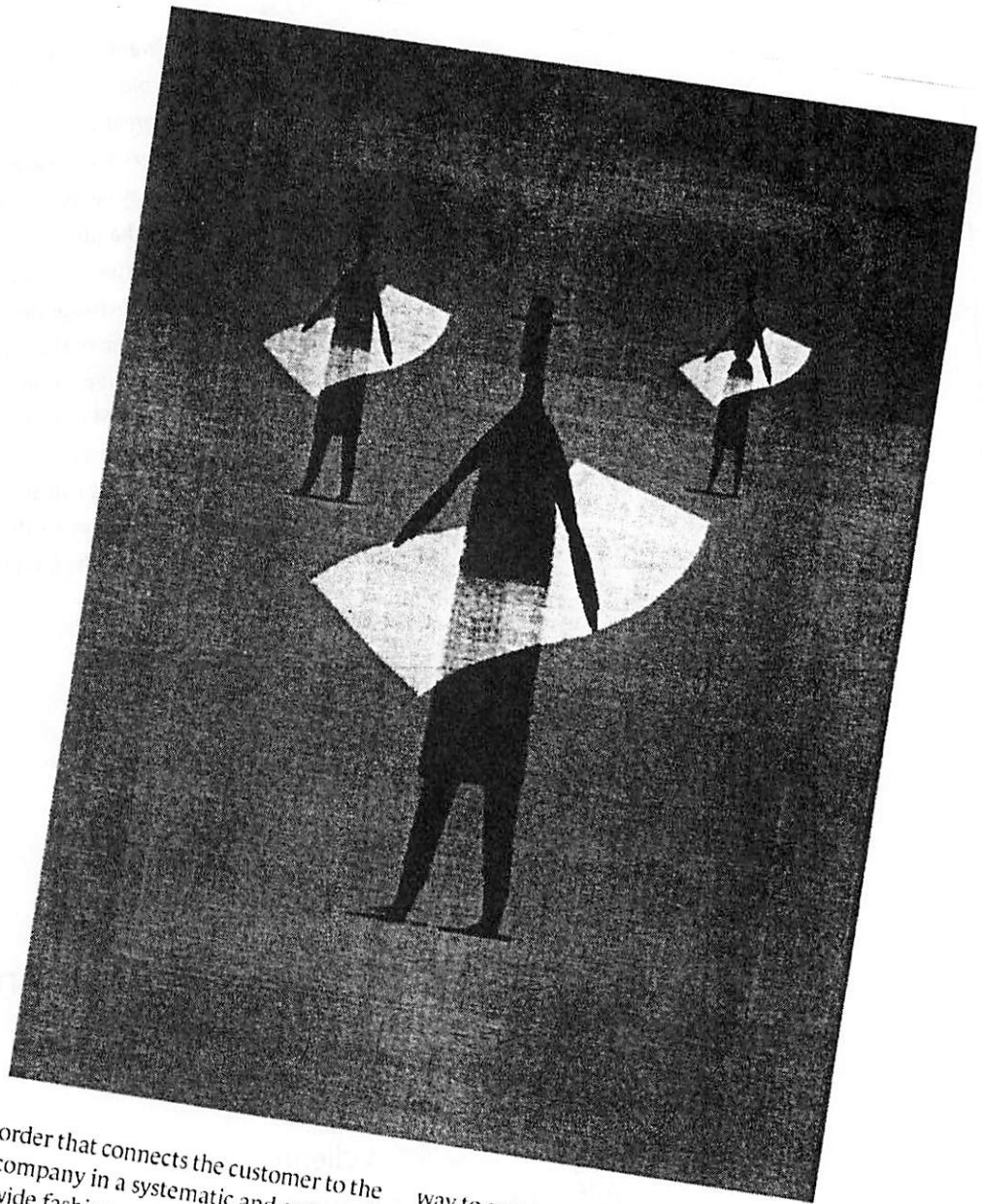
Staple Yourself to an Order

by Benson P. Shapiro, V. Kasturi Rangan, and John J. Sviokla

A typical CEO woos clients on the golf course or at meetings devoted to high-level questions. Here's a better idea: Re-create the client's *experience* by following an order through your own plant.

IT'S FASHIONABLE TODAY to talk of becoming "customer oriented." Or to focus on that moment of truth when customers experience the actual transaction that determines whether or not they are completely satisfied. Or to empower frontline workers so they can delight the customer with their initiative and spunk.

None of that advice, however, focuses on the real way to harness the customer's interests in the operation of a company. The simple truth is that every customer's experience is determined by a company's order management cycle (OMC): the ten steps, from planning to postsales service, that define a company's business system. The order management cycle offers managers the



opportunity to look at their company through a customer's eyes, to see and experience transactions the way a customer does. Managers who track each step of the OMC work their way through the company from the customer's angle rather than from their own.

In the course of the order management cycle, every time the order is handled, the customer is handled. Every time the order sits unattended, the customer sits unattended. Paradoxically, the best way to be customer oriented is to go beyond customers and products to the order. The moment of truth occurs at every step of the OMC, and every employee in the company who affects the OMC is the equivalent of a frontline worker. Ultimately, it is the

order that connects the customer to the company in a systematic and company-wide fashion.

Moreover, focusing on the OMC offers managers the greatest opportunity to improve overall operations and create new competitive advantages. Managers can establish and achieve aggressive goals—such as “improve customer fill rate from 80% to 98%,” “reach 99% billing accuracy,” or “cut order cycle time by 25%”—and force otherwise parochial teams to look at the entire order management cycle to discover how various changes affect customers. When the OMC is substituted for narrow functional interests, customer responsiveness becomes the overriding goal of the entire organization, and conflicts give

way to systemic solutions. The best way for managers to learn this lesson and pass it on to their whole workforce is, in effect, to staple themselves to an order. They can then track an order as it moves through the OMC, always aware that the order is simply a surrogate for the customer.

A Realistic Walk Through the OMC

The typical OMC includes ten activities that sometimes overlap or interact. While OMCs vary from industry to industry and are different for products and services, almost every business, from the corner ice-cream stand to the global computer company, has these same steps. In the following discussion

a number of important lessons will emerge that explain both the customer's experience with a company and that company's ability to achieve ambitious cost and quality goals. For example, as we "walk" an order through the OMC, note the number of times that the order or information about it physically moves horizontally from one functional department to another. Since most companies

What customers want is to have their orders handled quickly, accurately, and cost-effectively.

are organized along vertical functional lines, every time an order moves horizontally from one department to another, it runs the risk of falling through the cracks.

In addition to these horizontal gaps, a second lesson to be learned from tracking the OMC is the likelihood of vertical gaps in knowledge. In field visits to 18 different companies in vastly different industries, we invariably found a top marketing or administrative executive who would offer a simple, truncated - and inaccurate - description of the order flow. The people at the top couldn't see the details of their OMC; the people deep within the organization saw only their own individual details. And when an order moved across departmental boundaries from one function to another, it faded from sight. No one was responsible for it or the customer.

A third lesson concerns the importance of order selection and prioritization. In fact, not all orders are created equal; some are simply better for the business than others. The best orders

come from long-term customers who fit the company's capabilities and represent healthy profits. These customers fall into the company's "sweet spot," a convergence of great customer need, high customer value, and good fit with what the company can offer. But in most companies, no one does order selection or prioritization. The sales force chooses the customers, and customer service representatives or production schedulers establish the priorities. In these cases, the OMC effectively goes unmanaged.

Finally, the fourth lesson we offer involves cost estimation and pricing. Pricing is the mediator between customer needs and company capabilities and a critical part of the OMC. But most companies don't understand the opportunity for or impact of order-based pricing. Pricing at the individual order level depends on understanding the customer value generated by each order, evaluating the cost of filling each order, and instituting a system that enables the company to price each order based on its value and cost. While order-based pricing is difficult work that requires meticulous thinking and deliberate execution, the potential for greater profits is worth the effort. And by gaining control of their OMCs, managers can practice order-based pricing.

When we started our investigation of the order management cycle, we recognized first that the process, in fact, begins long before there is an order or a customer. What happens in the first step, *order planning*, can already show how and why bad customer service and fragmented operations can cripple a company. The people furthest from the customer make crucial decisions and open up deep disagreements between interdependent functions right from the start. The contention and internal gaming that we saw in order planning is an

effective early warning sign of the systemwide disagreements that plague most order management cycles.

For example, people close to the customer, either in the sales force or a marketing group at company headquarters, develop a sales forecast. At the same time, a group in the operations or manufacturing function drafts a capacity plan that specifies how much money will be spent, how many people will be hired, and how much inventory will be created. Even at this early stage, these departments are at war. Lamented one production planner: "The salespeople and their forecasting 'experts' are so optimistic and so worried about late deliveries that they pad their forecasts. We have to recalculate their plans so we don't get sucked into their euphoria." From their side, marketing people counter distrust with equal distrust: "Production won't change anything, anyhow, anywhere." Ultimately, the people deepest in the organization and furthest from the customer - production planners - often develop the final forecast used to hire workers and build inventory.

The next step in the OMC is *order generation*, a stage that usually produces a gap between order generation itself, order planning, and later steps in the cycle. In our research, we saw orders generated in a number of ways. The sales force knocks on doors or makes cold calls. The company places advertisements that draw customers into distribution centers or retailers where customers actually place orders. Or, increasingly, companies turn to direct marketing. But regardless of the specific marketing approach, the result is almost always the same: The sales and marketing functions worry about order generation, and the other functions get out of the way. Little coordination takes place across functional boundaries.

At the third step, *cost estimation and pricing*, battles erupt between engineers who do the estimating, accountants who calculate costs, a headquarters group that oversees pricing, and the field sales force that actually develops a price. Each group questions the judgment, compe-

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Why Orders Fall Through the Cracks

Staple Yourself to an Order • BEST OF HBR

The order management cycle is supposedly everybody's job, but in reality, overlapping, poorly designed processes lead to confusion, delays, and customer complaints. Internal functions like marketing and operations don't communicate with each other, and top managers and customers alike are often out of the loop.

● leading role ⊙ supporting role — no role

| Customer Participation | Steps in the Order Management Cycle | Sales | Marketing | Customer Service | Engineering | Purchasing | Finance | Operations | Logistics | Top Management Participation |
|------------------------|---------------------------------------|-------|-----------|------------------|-------------|------------|---------|------------|-----------|------------------------------|
| plans to buy | 1. Order planning | ⊙ | ● | ⊙ | ⊙ | — | — | — | — | coordinates |
| gets sales pitch | 2. Order generation | ● | ⊙ | ⊙ | — | — | — | — | — | some |
| negotiates | 3. Cost estimation and pricing | ⊙ | ● | ⊙ | — | — | — | — | — | some |
| orders | 4. Order receipt and entry | ⊙ | ⊙ | ● | ⊙ | — | — | ⊙ | ⊙ | none |
| waits | 5. Order selection and prioritization | ⊙ | ● | ⊙ | ⊙ | — | — | ⊙ | ⊙ | some |
| waits | 6. Scheduling | ⊙ | ⊙ | ⊙ | ⊙ | — | ⊙ | ⊙ | ⊙ | none |
| accepts delivery | 7. Fulfillment | ⊙ | ⊙ | ⊙ | ⊙ | — | — | ● | ⊙ | none |
| pays | 8. Billing | ⊙ | ⊙ | ⊙ | ⊙ | — | — | ● | ⊙ | none |
| negotiates | 9. Returns and claims | ● | — | ⊙ | — | — | — | — | ⊙ | none |
| complaints | 10. Postsales service | ⊙ | — | ⊙ | — | — | ⊙ | ⊙ | ⊙ | some |
| | | | ● | ⊙ | — | — | ⊙ | ⊙ | ⊙ | none |

tence, and goals of the others. Working through the organizational barriers takes time. Meanwhile, of course, the customer waits for the bid or quote, unattended.

Order receipt and entry comes next. This stage typically takes place in a neglected department called "customer service," "order entry," "the inside sales desk," or "customer liaison." Customer service representatives are usually either very experienced, long-term employees or totally inexperienced trainees. But regardless of their experience level, customer service reps are, in fact, in daily contact with customers. At the same time, these employees have little clout in the organization and no executive-level visibility. That means customer service representatives don't know what is going on at the top of the company, including its basic strategy. And top management doesn't know much about what its customer service department—the function closest to customers—is doing.

This unlinked group of customer service reps is also often responsible for the fifth step in the OMC: *order selection and prioritization*, the process of choosing which orders to accept and which to decline. Of course, the more carefully companies think through order selection and link it to their general business strategy, the more money they stand to make, regardless of physical production capacity. In addition, companies can make important gains by the way they handle order prioritization—that is, how they decide which orders receive faster, more complete attention. However, these decisions are usually made not by top executives who articulate corporate strategy but by customer service representatives who have no idea what the strategy is. While customer service reps decide which order gets filled when, they also often determine which order gets lost in limbo.

At the sixth step, *scheduling*, when the order gets slotted into an actual production or operational sequence, some

of the fiercest fights erupt. Here sales, marketing, or customer service usually face off with operations or production staff. The different functional departments have conflicting goals, compensation systems, and organizational imperatives: Production people seek to minimize equipment changeovers, while marketing and customer service reps argue for special service for special customers. And if the operations staff schedule orders unilaterally, both customers and their reps are completely excluded from the process. Communication between the functions is often strained at best, with customer service reporting to sales and physically separated from production scheduling, which reports to manufacturing or operations. Once again, the result is interdepartmental warfare.

Next comes *fulfillment*—the actual provision of the product or service. While the details vary from industry to industry, in almost every company, this step has become increasingly complex.

Sometimes, for example, order fulfillment involves multiple functions and locations: Different parts of an order may be created in different manufacturing facilities and merged at yet another site, or orders may be manufactured in one location, inventoried in a second, and installed in a third. In

In most businesses, managers can learn more from salespeople, customer service reps, production schedulers, and shippers than from a customer's CEO.

some businesses, fulfillment includes third-party vendors. In service operations, it can mean sending individuals with different talents to the customer's site. The more complicated the assembly activity, the more coordination must take place across the organization. And the more coordination required across the organization, the greater the chance for a physical gap. The order is dropped, and so is the customer. The order ends up on the floor, while different departments argue over whose fault it is and whose job it is to pick it up.

After the order has been delivered, *billing* is typically handled by people from finance who view their job as getting the bill out efficiently and making the collection quickly. In other words, the billing function is designed to serve the needs and interests of the company, not the customer. In our research, we often saw customers who could not understand a bill they had received or thought it was inaccurate. Usually the bill wasn't inaccurate, but it had been put together in a way that was more convenient for the billing department than for the customer. In one case, a customer acknowledged that the company provided superior service but found the billing operation a source of constant aggravation. The problem? Billing insisted on sending an invoice

with prices on it. But because these shipments went to subcontractors, the customer didn't want the actual prices to show. The finance function's response? How we do our invoices is none of the customer's business. Yet such a response is clearly self-serving and creates one more gap in the cycle – and possibly a loss to the company.

In some businesses, *returns and claims* are an important part of the OMC because of their impact on administrative costs, scrap and transportation expenses, and customer relations. In the ongoing relationship with the customer, this ninth step can produce some heated disagreements. Every interaction becomes a zero-sum game that either the company or the customer wins. To compound the problem, most companies design their OMCs for one-way merchandise flow: outbound to the customer. That means returns and claims must flow upstream against the current, creating logistical messes, transactional snarls – and extremely dissatisfied customers.

The last step, *postsales service*, now plays an important role in all elements of a company's profit equation: customer value, price, and cost. Depending on the specifics of the business, postsales service can include such elements as the physical installation of a product, repair and maintenance, customer training, equipment upgrading, and product disposal. At this final step in the OMC, service representatives can truly get inside the customer's organization. Because of the information conveyed and intimacy involved, postsales service can affect customer satisfaction and company profitability for years. But in most companies, the postsales service people are not linked to any marketing operation, internal product development effort, or quality assurance team.

At company after company, we traced the progress of individual orders as they traveled the OMC, beginning at one end of the process where orders entered and concluding at the other end where postsales service followed up. What we witnessed was frustration, missed opportunities, dissatisfied customers, and un-

derperforming companies. Ultimately, four problems emerged, which are tied to the four lessons discussed earlier.

- Most companies never view the OMC as a whole system. People in sales think someone in production scheduling understands the entire system; people in production scheduling think customer service reps do. No one really does, and everyone can only give a partial description.

- Each step in the OMC requires a bewildering mix of overlapping functional responsibilities. As illustrated in the exhibit "Why Orders Fall Through the Cracks," each step is considered the primary responsibility of a specific department, and no step is the sole responsibility of any department. But given the fact that responsibilities do overlap, many disasters occur.

- To top management, the details of the OMC are invisible. Senior executives at all but the smallest operating units simply don't understand the intricacy of the OMC. And people with the most crucial information, such as customer service reps, are at the bottom of the organization and can't communicate with the top.

- The customer remains as remote from the OMC as top management does. During the process, the customer's primary activities are to negotiate price, place the order, wait, accept delivery, pay, and complain. In the middle of the OMC, the customer is out of the picture completely.

Of course, today, top managers know that customer service and customer satisfaction are critical to a company's success. In one company after another, managers pursue the same solutions to problems that crop up with customers. They try to flatten the organization to bring themselves and non-marketing people into direct contact with customers. But while flattening the organization is a fine idea, it's not going to solve the real problem. No matter how flat an organization gets, no matter how many different functions interact with customers face-to-face – or phone to phone – what customers want is something else: to have their

orders handled quickly, accurately, and cost-effectively.

Here's what top managers don't do: They don't travel horizontally through their own vertical organization. They don't consider the order management cycle to be the system that ties together the entire customer experience and that can provide true customer perspective. Yet all ten steps are closely tied to customer satisfaction. Because the OMC is an intricate network that almost guarantees problems, top management's job is to understand the system so thoroughly it can anticipate those problems before they occur. That means managers must walk up and down and from side to side, every step of the way.

What's Wrong with My OMC?

Consider two brief case studies. One is taken from a specialty materials producer, the other from a custom capital equipment company. Both exemplify the three most common and debilitating problems that plague OMCs.

At the specialty materials company, when customers complained about order cycle time, top managers responded by increasing the work-in-process inventory. As a result, the company could meet customer specifications from semi-finished goods rather than starting from scratch. At the custom capital equipment company, when customers complained about slow deliveries, the company increased its manufacturing capacity. That meant it always had enough capacity to expedite any order.

Both solutions pleased customers. In addition, the first solution pleased that company's marketers, and the second

Managers who try to focus on internal conflicts without charting the OMC often find themselves thwarted by politics and recalcitrant employees.

solution pleased its operations department. But neither solution pleased top management because even after several quarters, neither produced economic returns to justify the investments. In fact, both solutions only made matters worse. At the specialty materials com-

pany, marketing staff took advantage of the increased work-in-process inventory to take orders and make sales that used up that inventory but didn't generate profits. And at the capital equipment company, manufacturing staff relied on the increased capacity to meet marketing demands but allowed productivity to slide.

The next step each company took was predictable. Top management, frustrated by the failure of its solution and concerned over continuing squabbles between departments, called on managers across the organization to rally around "making superior profits by providing top quality products and excellent service." Top management translated "top quality" and "excellent service" into catchy slogans and posters that decorated office cubicles and factory walls. It etched the "superior profit" objective into the operating budgets of higher-level managers. And it formed interfunctional teams so managers could practice participative decision making in pursuit of the new, companywide goal.

At the specialty materials company, a star sales manager who had been promoted to general manager set up an interfunctional executive committee to assess quarterly revenue and profit goals. We attended one meeting of this new committee. As the general manager sat down at the head of the table to begin the meeting, he expressed concern that the division was about to miss its revenue and profit goals for the second consecutive quarter. Committee members responded by pointing at other departments or making excuses. The vice president of sales produced

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However, given their new joint responsibility for profits, both sides agreed to put aside such arguments and focus on "how to make the quarter." All agreed to ship some customer orders in advance of their due dates because those items could readily be finished from available work-in-process inventory. While this solution would delay some long cycle-time orders, the committee decided to sacrifice these orders for the moment and take them up early in the next quarter. Immediately after the meeting, committee members started executing the plan: salespeople called their customers and cajoled them to accept early delivery; manufacturing staff rescheduled the shop floor.

Because of its small size, the custom capital equipment producer didn't need such a formal mechanism for coordinating activities. The CEO simply inserted himself into the daily workings of all functional areas and insisted on hearing all customer complaints immediately. While visiting this company, we heard a customer service representative talking on the telephone to a customer who had just been told her order would be late. The customer objected and asked for an explanation. After much hemming and hawing, the rep explained that her order had been "re-allocated" to another customer who needed the product more. The customer on the phone, who purchased products from the company in a relatively large volume, demanded to speak to the CEO and, under the new policy, was connected right away. When the CEO heard this important customer's complaint, he instantly plugged the order back in at the top of the priority list.

But in spite of such heroic efforts at both companies, customer service continued to slump, and financial results did not improve. At the materials company, customers who expected later delivery of their orders received them unexpectedly early, while those who needed them early got them late. At the capital equipment company, small customers who didn't know the CEO personally or didn't understand the route to him found their orders continually

bumped. At both companies, there was no real progress toward genuine customer satisfaction, improved service, or enhanced profits. Neither company had come to terms with the three critical problems embedded in their order management cycles: horizontal and vertical gaps, poor prioritization of orders, and inaccurate cost estimation and pricing.

The specialty materials company suffered from a fundamental horizontal gap: The marketing and manufacturing departments didn't share the same priorities for customer value, order selection, and order urgency. The real solution to this problem was to encourage and reinforce an understanding between these two critical OMC elements. Both the marketing and manufacturing departments needed to address how their part of the order management cycle generated customer value and where they were dropping customer orders in the horizontal handoff. Instead, the company introduced an expensive buffer to cover the gap between the functions – a semifinished inventory – and, when that failed, it decided to sacrifice real customer service to serve its own short-term financial needs. The immediate solution, simply shipping orders based on the amount of time it would take to complete them, merely pushed the problem from one quarter to the next without addressing the system failure. When the next quarter rolls around, top management will still have to contend with horizontal gaps, a lack of order selection and prioritization, and the inability of the order flow to generate value for the customer.

The same underlying systemic problems existed at the custom capital equipment producer. However, because of the small size of the organization, this company took a simple, politically expedient solution – letting the CEO decide – and superimposed it on an expensive financial solution – adding manufacturing capacity. If the company suffered from vertical gaps before, where people down in the trenches failed to understand the strategy developed up in the executive suite, the CEO's intervention in customer orders only made those gaps

worse. The CEO's involvement didn't address the systemic problems; he merely substituted his judgment and knowledge for that of lower-level employees. The detrimental effects on employee morale more than offset any immediate gains in customer appreciation. Had the CEO invested his energy in helping employees understand how each order creates customer value, has specific costs attached, and involves a certain amount of processing time, and had he communicated the importance of the whole OMC, he would have generated more customer satisfaction, greater employee morale, and higher profitability without adding expensive manufacturing capacity.

How Can I Fix My OMC?

It takes hard work for a company to improve its order management cycle. Most successful efforts involve three basic elements: analysis, system focus, and political strategy. Each plays a different role in overall upgrading of the OMC and requires different implementation techniques, so let's look at each in turn.

Analysis: Draw your OMC, and chart the gaps. In the course of our research, we visited a number of companies that were actively engaged in reviewing their OMCs with an eye to improvement. But only two had made progress. Significantly, both had begun by trying to understand the whole OMC from start to finish. And they hadn't created a diagram on a single sheet of paper or a standard report format. Rather, one of these companies had built "war rooms": two adjacent, bunker-like offices. The walls of both rooms were made of poster board coated with color-coded sheets of paper and knitting yarn that graphically charted the order flow from the first step to the last, highlighting problems, opportunities, and potential action steps. With its multiple and overlapping sheets of paper, the entire chart easily exceeded 200 feet in length.

This visual tool made it possible for people from different functions and at different levels in the organization to accept the OMC as a tangible entity.

Everyone could discuss the order flow with a clear and shared picture in front of him. And by representing the OMC in visual terms, the chart guaranteed that disagreements over problems would focus on facts rather than on opinions about how the OMC worked.

A second type of successful analysis requires companies to look at the OMC from the customer's point of view. For example, at one company, the in-house measurement system found that 98% of all orders went out on time. But another detailed survey noted that only 50% of customers said they were satisfied with deliveries. The company was unable to reconcile the two reports until managers looked at the issue from the customer's angle and compared it with their own point of view. For instance, the customer survey measured the date when the customer actually received the order, but the company's internal system was based on the date when it shipped the order. If an order consisted of 100 items, and the company correctly

shipped 99 of those items, the internal report recorded a 99% perfect shipment. But the customer, who needed all 100 items before work could begin, recorded the order as a complete failure. Also, if the order contained an incorrectly shipped item, the company did not register the mistake at all. Of course, the customer did because an incorrect

elements. One company realized that, while it currently relied on extensive competitive bidding, it would have to start tracking its own win-loss percentages by type of customer, geography, type of order, and other relevant data to meet its larger goals. Managers could then use such data to analyze the relationship between the company's prices

Most OMCs perform worst when demand is greatest, which means that the largest number of customers experience service at its poorest quality.

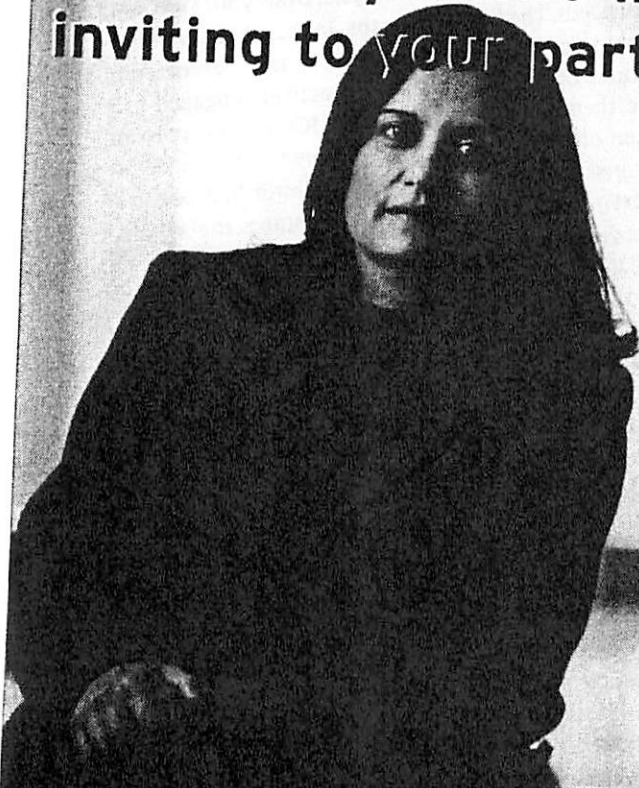
item could easily interfere with his or her ability to get on with the job. Once this company recognized the difference between its perspective and the customer's, it switched to the customer's view as the basis for its tracking system.

Finally, successful companies have explicitly stated that their goals are satisfied customers, higher profits, and sustainable competitive advantage – without compromising any of these

and its competitors, as well as between volume and price. That, in turn, could translate into better price and market share and less effort wasted on unattractive or unattainable business.

System Focus: Put the pieces together; move across boundaries. An analysis of the order management cycle should underline this fundamental point: The OMC is a system, and executives must manage it as a system. The

"How many of the wrong guests are you inviting to your party?"



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goal, of course, is to fit together the horizontal pieces into a unified, harmonious whole. To encourage such alignment, managers have a number of tools at their disposal. For example, through the company compensation system, managers can introduce joint reward plans that encourage employees to take a systemwide view of company performance. Or, in designing performance measurements, managers can include numbers that reflect performance across boundaries or throughout the system.

Perhaps the most powerful tool managers can use is interfunctional or interdepartmental investments in projects. These expenditures not only bring different units closer together but can also result in substantial financial returns to the company. Of course, in most companies, project champions drive the decisions in the capital-budgeting process. Most project champions embrace projects in their own departments or functions. Projects that cross boundaries tend to be orphans because they lack champions. Even with champions, such projects require difficult, time-consuming negotiations and are often deferred or fail outright. But precisely for this reason, projects that cross department boundaries can create an integrated atmosphere. When the CEO or chief operating officer personally backs investments, the whole company gets the message that these investments reflect a new perspective. Significantly, interdepartmental projects, usually underfunded for years, often deliver the greatest returns to the organization in terms of real improvements and financial results.

A company's information technology system can also play an important role. Computer technology is a crucial tool for integrating many steps of the order management cycle. Direct computer links with customers and integrated internal computer systems, for example, typically result in lower costs and better analysis. And while order processing was one of the earliest activities to be computerized in many companies, it's now time to update and reengineer such systems. When managers walk

through the entire OMC, they have the opportunity to ask whether each step can be improved through automation or, perhaps, eliminated altogether given new technology and processes. With more reliable computer systems, for instance, is manual backup still required? Or can data be captured at the source to avoid repeat entry and inevitable clerical errors?

All of these human resource, management, and information technology tools reinforce the idea, represented by the OMC, that the basic work of the company takes place across boundaries. And because obsolete or unnecessary

When the order management cycle is not working well, it both reflects and causes monumental internal strife.

tasks hinder coordination, all pieces of the system must fit together to meet customer needs in a seamless fashion.

Political Strategy: Staple yourself to an order. Given that the order management cycle is critical to so many daily operating decisions, it is often at the center of all political maneuverings in a company. Realistically, OMC politics will never go away; working horizontally in a vertical organization is always difficult at best. In our research, we saw hard-nosed CEOs and high-ranking divisional general managers forced to admit defeat when confronted with stonewalling functional staffs. We watched young, analytically focused managers with innovative ideas face disinterest, distrust, and selfishness—and fail miserably. The people who can succeed at interdepartmental management are usually hardened veterans who understand company politics and can cash in favors. But even they won't succeed without visible support from the top.

One way to improve the situation in any company is to "close the loop" be-

tween the service providers and the strategy setters or, in other words, to tie the company closer together through the order management cycle. Managers should try what we did in our research: We stapled ourselves to an order and literally followed it through each step of the OMC. When managers do this, descending from the executive heights into the organization's lower depths, they come into contact with critical people like customer service reps and production schedulers. Reps, schedulers, order processors, shipping clerks, and many others are the ones who know fine-grained information about customer needs. For example, customers might want the product delivered in a drum rather than in a bag or prefer plastic wrapping to Styrofoam.

For most executives in most companies, there is simply no organizational setup for listening and responding to people at all levels. The McDonald's policy of having executives regularly work behind the counter is a worthwhile example of creating such an opportunity. Requiring top managers to work as cashiers and cooks sends a message about the company's values to all staff and enables executives to experience the OMC firsthand.

However, this idea can degenerate into an empty gesture or just another management fad. Take, for example, CEO visits to customers that become official state visits during which corporate heads discuss company relationships at a level of abstraction that has little to do with reality. In most businesses, managers can learn more from salespeople, customer service reps, production schedulers, and shippers than from a customer's CEO.

All too often, managers who try to focus on internal conflicts directly, without charting the OMC, find themselves thwarted by politics and recalcitrant employees. But the wall charts and interdepartmental measurements engendered by focusing on the OMC can create an overall vision that transcends vertical politics. The customer is not involved in organizational infighting, and when a company takes

on the customer's perspective, politics must take a different and more productive turn.

What Are the Benefits of Fixing My OMC?

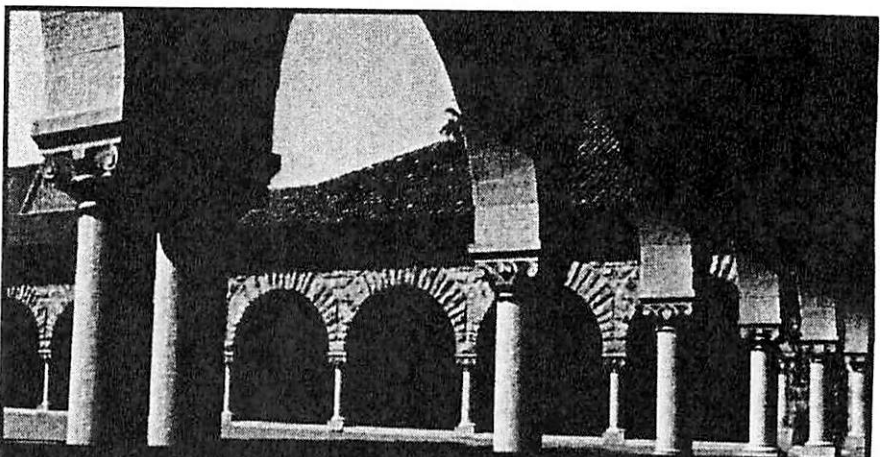
When companies improve their order management cycles, there are three important benefits. First and foremost, they will experience improved customer satisfaction. Companies will fill orders faster, become more accurate, and generally keep their promises to customers. A well-run OMC has a huge effect on customers: Most OMCs perform worst when demand is greatest, which means that the largest number of customers experience service at its poorest quality. Fixing the OMC reverses that downward trend.

Second, interdepartmental problems will recede. When the OMC is not working well, it both reflects and causes monumental internal strife in a company. People in each department feel they are working hard to achieve their goals and feel let down by other functions when customer service or financial performance fails to measure up. In the absence of unifying efforts and signs of improvement, the infighting can take on a life of its own and become even more divisive than the operating problems that started the battle. A systemic view helps everyone understand that all departments are interdependent.

Finally, companies will improve their financial performance. We saw companies lose sales, waste labor, and fumble investments because of poor order management cycles. Typically, companies throw money at their problems, building excess capacity, adding inventory, or increasing the body count, all of which are expensive and none of which solves the real problem. The simple fact is that when an OMC is poorly managed, greater sales, lower costs, higher prices, and smaller investments all seem impossible. But when an order management cycle works efficiently, a company can achieve these goals—and more. ☺

Reprint R0407N
To order, see page 191.

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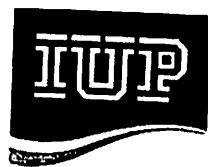
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Weekly outline

MKTG 431 – “Business-to-Business Marketing”

Welcome to the MKTG 431 “Business-to-Business Marketing” course.

This advanced course in marketing is concerned with the major activities involved in the marketing of business goods and services, to include the industrial marketing system, marketing information needs of the industrial firm, its product, pricing, promotion and distribution strategies, and how they differ from those firms utilizing a business-to-consumer model.

Catalog Course Description:

Concerned with the major activities involved in the marketing of industrial goods and services, including the industrial marketing system, marketing information needs of the industrial firm, industrial marketing implementation and control, and channel, pricing, product, and promotional strategies for industrial goods.

News forum

Syllabus for MKTG 431

Add a resource...

Add an activity...

8 September - 14 September

‘Organizational Markets and Buyer Behavior’

Objectives:

- Understand the nature of organizational markets and the perspectives of firms as buyers in a business-to-business marketing environment.
- Identify the characteristics of and key criteria driving organizations’ buying behavior.
- Determine the cross-functional processes of business entities involved in the procurement systems of firms.
- Compare and contrast the similarities and nuances between the various stages of the purchase process for organizations and consumers.

Checklist:

Complete the following tasks:

Latest News

Add a new topic...
(No news has been posted yet)

Upcoming Events

There are no upcoming events

[Go to calendar...](#)
[New Event...](#)

Recent Activity

Activity since Monday, 1 November 2010, 03:15 PM
Full report of recent activity...

Nothing new since your last login

Blocks

Add...

Activities

Assignments
Forums
Quizzes
Resources

Search Forums

Go

Advanced search

Administration

Turn editing off
Settings
Grades
Outcomes
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Marketing
Fall 2009 MKTG
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Fall 2009 MKTG
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Development MKTG
437 Services
Marketing
Fall 2009 MKTG
320 B06
- Fall 2009 MKTG
320 NB6

1. Read Chapters 3 and 4 from the text.
2. Review the Powerpoint Presentation.
3. Complete the Case Assignment.
4. Participate in the Forum by posting your discussion comment up to one page.
5. Complete the Quiz.

- Organizational Markets and Buyer Behavior.ppt
- Case Assignment: Zactec Electronics, Inc.
- Case Assignment Primer Questions sheet
- Discussion Forum 1
- Discussion Forum 1 - Instructions
- Article for Discussion Forum 1
- Quiz 1
- Add a resource...
- Add an activity...

ORGANIZATIONAL MARKETS and BUYER BEHAVIOR

THE NATURE AND SIZE OF ORGANIZATIONAL MARKETS

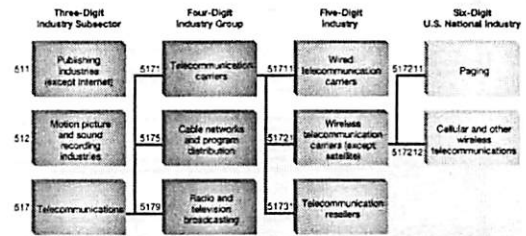
- Business Marketing
- Organizational Buyers
- Industrial Markets (Industrial Firms)
- Reseller Markets (Resellers)
- Government Markets (Government Units)
- Global Organizational Markets

MEASURING DOMESTIC AND GLOBAL INDUSTRIAL, RESELLER, AND GOVERNMENT MARKETS

- North American Industry Classification System (NAICS)
- North American Product Classification System (NAPCS)



NAICS breakdown for the Information Industries sector: NAICS code 51 (abbreviated)



CHARACTERISTICS OF ORGANIZATIONAL BUYING

- Demand Characteristics
 - Derived Demand
- Size of the Order or Purchase
- Number of Potential Buyers
- Organizational Buying Objectives

Key organizational buying criteria



CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **Organizational Buying Criteria**
 - ISO 9000
 - Reverse Marketing
 - The firm marketing its needs in the market
 - Role of Vendor Development Cells in the firm

CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **Buyer-Seller Relationships and Supply Partnerships**
 - Reciprocity (Reciprocal buying/purchases)
 - Supply Partnership
- Aiming at overall Efficiency in Operations, Value Increase and Cost Reductions in the Supply Chains of all firms in the trading process

Key characteristics of organizational buying behavior

| CHARACTERISTICS | DIMENSIONS |
|------------------------------------|---|
| Product characteristics | <ul style="list-style-type: none"> • Demand for industrial products and services is derived. • Few customers typically exist, and their purchase orders are large. |
| Product or service characteristics | <ul style="list-style-type: none"> • Products or services are technical in nature and purchased on the basis of specifications. • There is a predominance of raw and semi-finished goods purchased. • Heavy emphasis is placed on delivery time, technical assistance, post-sale service, and financing alternatives. |
| Buying process characteristics | <ul style="list-style-type: none"> • Technically qualified and professional buyers exist and follow established purchasing policies and procedures. • Buying objectives and orders are typically spelled out, as are procedures for evaluating sellers and products/services. • Multiple buying influences exist, and multiple parties participate in purchase decisions. • Reciprocal arrangements exist, and negotiation between buyers and sellers is commonplace. • Online buying over the Internet is widespread. |
| Marketing mix characteristics | <ul style="list-style-type: none"> • Direct selling to organizational buyers is the rule, and physical distribution is very important. • Advertising and other forms of promotion are technical in nature. • Price is often negotiated, evaluated as part of broader seller and product (service) qualities, typically realized owing to derived demand, and frequently affected by trade and quantity discounts. |

CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **The Buying Center: A Cross-Functional Group (the Procurement function)**
 - **Buying Situations (Buy Classes) and the Buying Center**
 - Straight Rebuy
 - Modified Rebuy
 - New Buy

How the buying situation affects buying center behavior

| BUYING CENTER DIMENSION | BUY CLASS/SITUATION | | |
|-------------------------|-------------------------------|---------------------|------------------------------|
| | NEW BUY | STRAIGHT REBUY | MODIFIED REBUY |
| Number of suppliers | Many | One | Two to three |
| Decision time | Long | Short | Moderate |
| Product definition | Uncertain | Well-defined | Minor modifications |
| Product objective | Good solution | Low-priced supplier | Low-priced supplier |
| Supplier considered | New/present | Present | Present |
| Buying influence | Technical/operating personnel | Purchasing agents | Purchasing agents and others |

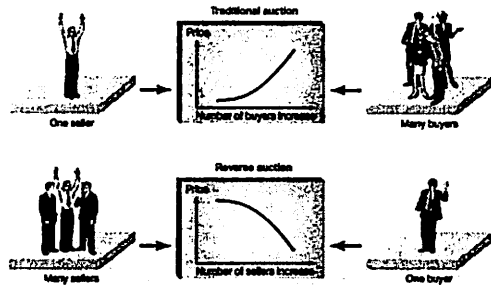
Strategic "Make" or "Buy" decision:
 An evaluation of whether components and assemblies will be purchased from outside suppliers or built by the company itself.

Bidder's List: A list of firms believed to be qualified to supply a given item.

ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Prominence of Online Buying in Organizational Markets
- E-marketplaces: Virtual Organizational Markets
- Online Auctions in Organizational Markets
 - Traditional Auction
 - Reverse Auction

How buyer and seller participants and price behavior differ by type of online auction



Comparing the stages in consumer and organizational purchases

| STAGE IN THE BUYING DECISION PROCESS | CONSUMER PURCHASES: PORTABLE MP3-CAPABLE CD PLAYER FOR A STUDENT | ORGANIZATIONAL PURCHASES: SAMPHONES FOR A PORTABLE MP3-CAPABLE CD PLAYER |
|--------------------------------------|--|--|
| Problem Recognition | Student desires the features of the portable CD player now owned and wishes a new one. | Marketing research and sales departments observe that competitors are expanding the offerings on their portable CD players. The firm decides to improve the offerings on their own new models, which will be purchased from an outside supplier. |
| Information Search | Student uses past experience, that of friends, ads, the Internet, and Consumer Reports to collect information and uncover alternatives. | Design and production engineers draft specifications for samphones. The purchasing department identifies suppliers of portable CD player samphones. |
| Alternative Evaluation | Alternative portable CD players are evaluated on the basis of features, alternatives listed in ads, and several others are ruled out. | Purchasing and engineering personnel visit six suppliers and request CD facilities, CD capacity, CD quality control, and all technical specs. They drop any supplier not satisfactory on these factors. |
| Selection | A specific brand of portable CD player is selected, the price is paid, and the student leaves the store. | They use 1) quality 2) price, 3) delivery and 4) technical capability as key buying criteria to select a supplier. They check response times and start a contract. |
| Postpurchase Behavior | Student evaluates the purchase. Satisfied, they return the player to the store if it is unsatisfactory, and note for responsive information to justify the purchase. | They evaluate suppliers using a formal vendor rating system and notify a number of suppliers do not meet their quality standards. If the position is not corrected, they drop the firm as a future supplier. |



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[moodle.iup.edu](#) ▶ [sharma-dev-MKTG431](#) ▶ [Assignments](#) ▶ **Case Assignment: Zactec Electronics, Inc.**

No attempts have been made on this assignment

Please read the Case "Zactec Electronics, Inc." from the textbook, and answer the Primer Questions on the attached Assignment Sheet.

Available from: Tuesday, 21 September 2010, 12:40 PM

Due date: Tuesday, 28 September 2010, 12:40 PM

Upload a file (Max size: 1MB)

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Case: Zactec Electronics, Inc.

This business case is typical of a marketing management scenario. It involves elements of the marketing mix like details of product offerings and costing issues associated therewith, pricing mechanisms, distribution functions, and promotions aspects designed toward the marketing strategies implemented by the organization. Market research, sales, industrial structures, global business expansion perspectives and such other concerns are also addressed.

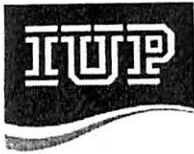
The following primer questions will serve to structure the analysis of this case:

- Evaluate the entire strategic plan's feasibility and its potential profitability. This calls for evaluation of the present marketing strategy being implemented by the firm. Discuss the elements of the marketing mix pertaining to the offering (the company's product/service/image characteristics), the pricing mechanisms being adopted, the distribution channels for logistics and operations, and the promotion and communication strategies for sale of the products. Given the variable and fixed costs, calculate the profit contributions and break-even volumes for assessment of sustenance and growth of the business.

- Is it unwise to be so conservative as to keep producing the cadmium line while shifting to the silicon line? Why or why not? This hints at the need for analyzing the suitability of the new venture for product proliferation and modification/change in the operational and marketing perspectives. Attention needs to be focused toward whether there will be a potential market for the newer line and whether a viable niche can be created by the firm through this innovative entry. Resource allocation issues need to be considered, with regard to how the budget for the new venture can be approved and how the break-even figures and contribution margins can be obtained and maintained. Further, the plan should entail the nuances of the marketing strategy that needs to be developed for the new offering. Special attention must be paid to identify if any of the current marketing mix elements of the firm match with the requirements of the new plan, so that discrepancies may be resolved such that optimum resources could be budgeted and cost-savings portrayed.

- Should Zactec Electronics enter foreign markets, regardless of their inexperience with trade barriers? This new market development strategy decision involves analysis of different market entry options like licensing, exporting, franchising, foreign direct investment, and strategic alliances, and issues of trade barriers which the firm is liable to encounter, and a layout of the pros and cons of each option, so as to narrow down to a feasible choice.

- Will the existing channel and promotion plans suffice to produce an eventual profit? If not, why not? This section calls for analysis of the current marketing channel strategy and the promotion programs in terms of their reach and volume of business generated, and whether their efficacy outweighs the costs incurred in bearing the same.



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This forum allows everyone to choose whether to subscribe or not
 Force everyone to be subscribed
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This Discussion Forum pertains to the Article "Staple Yourself to an Order" provided online in this module.

Please read the necessary instructions for this discussion forum participation as given on its respective word document.

[Add a new discussion topic](#)

(There are no discussion topics yet in this forum)

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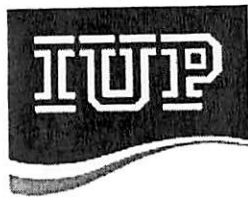
Discussion Forum

Discussion Forum Article: "Staple Yourself to an Order"

Please carefully read the Article attached herewith (it's interesting, useful, sense-making, and applicable); then do as follows for participating in the Forum by posting your discussion comment up to one page:

- Briefly comment on the highlights which this article projects.
- Explain the OMC chart shown on page 165 in terms of how coordinated integration between the various business functions and processes in a firm can lead to smoother through the 10 stages/steps of the OMC shown in that chart.
- Explain the difference between Horizontal Gap and Vertical Gap in the context of the customer order management cycle. Use an example.
- Explain the context of "Order Based Pricing" in the costs/profits estimation step of the customer order management cycle to improve profitability.

Your write-up should be preferably succinct, on a simple word document.



Preview Quiz 1

[Start again](#)

1 Organizational buyers can be divided into three different markets. They are:

Marks: 1

- Choose one answer.
- a. industrial, wholesaler, and retailer.
 - b. industrial, retailer, and government.
 - c. retailer, manufacturer, and government agencies.
 - d. industrial, government, and ultimate consumer.
 - e. industrial, reseller, and government.

2 _____ reprocess a good or service they buy before selling it again to the next buyer.

Marks: 1

- Choose one answer.
- a. Industrial firms
 - b. Reseller firms
 - c. Government agencies
 - d. Wholesalers
 - e. Retail firms

3 When compared to consumer marketing, industrial marketing is simpler because:

Marks: 1

- Choose one answer.
- a. firms have buying centers.

- b. it is easy to forecast derived demand.
- c. the buying objectives of industrial buyers are easily identifiable.
- d. industrial orders are smaller.
- e. industrial products involve fewer services and types of customer assistance.

4 🗳 The reseller market includes:

Marks: 1

- Choose one answer.
- a. manufacturers and service providers.
 - b. transportation providers and other facilitators.
 - c. government agencies and service providers.
 - d. agricultural markets and the mining industry.
 - e. retailers and wholesalers.

5 🗳 Del, Inc. sells surplus, refurbished, or closeout computer merchandise at its dellauction.com website to many buyers who bid sequentially. This is an example of a:

Marks: 1

- Choose one answer.
- a. storefront operation
 - b. traditional auction
 - c. Japanese auction
 - d. English auction
 - e. reverse auction

6 🗳 Which of the following is a characteristic of products and services purchased within an organizational context?


Marks: 1

- Choose one answer.
- a. The focus is on delivery time and post-sale service.
 - b. Raw and semi-finished goods are predominantly purchased.
 - c. Financial assistance with the purchase is important.
 - d. Goods and services are purchased on the basis of specifications that are technical in nature.
 - e. All of the above are characteristics of purchases within an organizational context.

7 🗳 Derived demand means the demand for industrial products and services is driven by, or derived, from:


Marks: 1

- Choose one answer.
- a. mathematical formulas and statistical models.
 - b. the Gross National Product.
 - c. demand for consumer goods and services.
 - d. demand for industrial goods.
 - e. profit margins and ratios.

8  A buy class situation affects buying center tendencies in different ways. If there are many people involved, both new and present suppliers are considered, and the buying objective is a good solution, the buy class situation which is most likely is a:


Marks: 1

- Choose one answer.
- a. new buy.
 - b. modified rebuy.
 - c. straight rebuy.
 - d. make-buy.
 - e. standard buy.

9  An international company that wants indisputable proof that its supplier maintains a high level of quality management could ask the company to:

Marks: 1

- Choose one answer.
- a. apply for an ISO 9000 certification.
 - b. allow its engineers to study all of the supplier's proprietary information before establishing any formal relationship.
 - c. enter a tying agreement in which it only sells to one customer-the international one.
 - d. show how it is listed in the NAICS to prove its quality focus.
 - e. do none of the above because a mechanism for proving organizational quality does not exist.

10  _____ is the deliberate effort by organizational buyers to build relationships that shape suppliers' goods, services, and capabilities to fit a buyer's needs and those of its customers.

Marks: 1

- Choose one answer.
- a. Relationship marketing
 - b. Reverse marketing
 - c. Cooperative marketing
 - d. Vertical integration
 - e. Reciprocity