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Libor NEČAS***COOPERATION OF BUSINESS AND B2B MARKETING ACTIVITIES IN AN INDUSTRIAL COMPANY****KOOPERACE OBCHODNÍCH A B2B MARKETINGOVÝCH ČINNOSTÍ V PRŮMYSLOVÉ FIRMĚ****Abstract**

The organizational arrangement of departments in Czech industrial companies is very often subject to conservative tendencies, and new elements are accepted with skepticism. Industrial B2B marketing is a functional area that was not contained in company structures for decades of years. Although consumer marketing (B2C) has already been established in enterprises, its B2B antipode still tries to find its place and is apprehended insufficiently. It has been fighting a battle with sales departments, even though their functions should complement each other and activities should be mutually cooperated.

This article tries to find a system in the content of marketing and sales activities and derives their optimal integration in the structure of an industrial company.

Abstrakt

Organizační uspořádání podnikových útvarů podléhá v českých průmyslových firmách velmi často konzervativním tendencím a skepticky jsou přijímány nové prvky. Průmyslový B2B marketing je funkční oblast, která po desítky let nebyla v podnikových strukturách obsažena. Přestože marketing spotřebitelský (B2C) si své místo v podnicích již vybojoval, jeho B2B protipól stále hledá svou pozici a je chápán nedostatečně. O své místo svádí boj s útvary obchodními, byť jejich funkce by se měly doplňovat a činnosti vzájemně kooperovat.

Tento článek hledá systém v náplni marketingových a obchodních aktivit a vyvozuje jejich optimální začlenění ve struktuře průmyslové firmy.

Keywords

Industrial marketing, B2B, organizational structure, sales, mechanical engineering, industrial company.

1 FUNCTIONS OF INDUSTRIAL MARKETING IN A MECHANICAL ENGINEERING COMPANY

Unlike consumer marketing (B2C), industrial marketing (B2B) is still a significantly neglected category with a minimal ground on theoretical basis. When dealt and developed systematically in companies, it will then represent an area protected against competitors as a company know-how.

However, the industrial production and mechanical engineering industries, in particular, provide a huge market space for Czech companies to realize the final production based on tradition,

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quality, comprehensive solution and good reputation of the former tradename “Made in Czechoslovakia”. Even today’s Czech companies have (still) something to offer, though our industrial marketing has not been able to seize the opportunities on global marketplaces in an adequate manner yet.

The Czech companies have rather been groping in the dark on the global marketplace, and are used as a high quality yet easily replaceable supplier of components or services by foreign corporations.

Our manufacturers, with few exceptions, are not aware of the power of well-done marketing, and misunderstand or insufficiently apprehend this branch. They believe that it only advertising. But the latter is only a communication tool and visible element of marketing mix. Many of them equate marketing with sales, which is an incorrect interpretation, because the latter stands at the end of a long progression of marketing activities. Last but not least, they consider the marketing as an isolated department in the organizational structure; however, it in itself does not ensure the required approach and marketing thinking of the staff.

“Marketing is a control process accountable for the identification, expectations and satisfaction of customer’s requirements. It is operated in the belief that business decisions may rather be controlled by market and customer than by own motives, technology and production capacity.” (Yadin, 2002, p. 226) [2]. Hence, in accordance with the aforesaid definition, marketing can be understood as a system control of processes:

- searching for market opportunities and new marketplaces emerging along with the development of technologies;
- management of products and product ranges;
- selection and maintenance of distribution channels;
- organizing the communication and promotion;
- management of price policy, and pricing;
- formulation of business strategy – mission, visions, goals and plans.

In order to have the marketing accepted as an essential business activity in an industrial company, it is necessary to quantify its benefit. Here, a tool to prove the effectiveness includes the monitoring of turnover development and growth, number of inquiries and potential customers, market share, number of repeated sales, increasing the brand awareness, etc. and comparing the above indicators to the costs spent for the marketing activity. However, it is to note that the area of human resources represents the most significant investment within the marketing, because the latter is primarily based on qualified, creative and strategically thinking people.

2 PROCESSES OF MARKETING AND SALES ACTIVITIES, AND TIES THEREOF

The content of B2B sales and marketing processes shows their complementariness, relationship and connection tied as a result of a synergy effect. Even if both activities relate to the market, each of them approaches it from different position and has a different impact on the system of internal processes. Whereas marketing is researching and influencing the market and searching for contacts, sales is turning the contacts to real customers, and is satisfying requirements and taking care thereof. Whereas B2B marketing is related to the creation and formulation of company mission, vision and strategic objectives for internal processes, sales initiates the business activities in purchasing and manufacturing, capacity management, etc. This implies that marketing cannot be subordinate to sales, because its activity is primarily tied to the strategic management, whereas the latter is tied to the tactical and operative management.

2.1 Marketing and sales processes

Marketing of industrial companies is primarily influenced by the nature of technological processes and production program. The production volume and number of product lines in assortment characterize the type of production that has significant influence on marketing processes and their integration into the structure of business processes and sales, in particular. Mainly single-piece and small-run production create the specifics of industrial marketing that differs from consumer marketing and is characterized by long-runs in the industrial production.

A chart of marketing and sales processes of a company engaged in the custom-made production is shown in Fig. 1. It is obvious that the marketing management represents a continuous process including marketing research and analysis (A), selection of target markets (B), creation of marketing mix (C), realization (D), and feedbacks obtained (E) – refer to Kotler, P. and Armstrong, G. Marketing. 2004, p. 43 [3]. The sales activity is then followed by the process of offering (F), getting orders and customer care – CRM (G), placing inquiries within sourcing (H), purchasing and maintaining relations with suppliers (I), assigning production tasks (J), and delivery of the product to the customer through the selling department, including service (K).

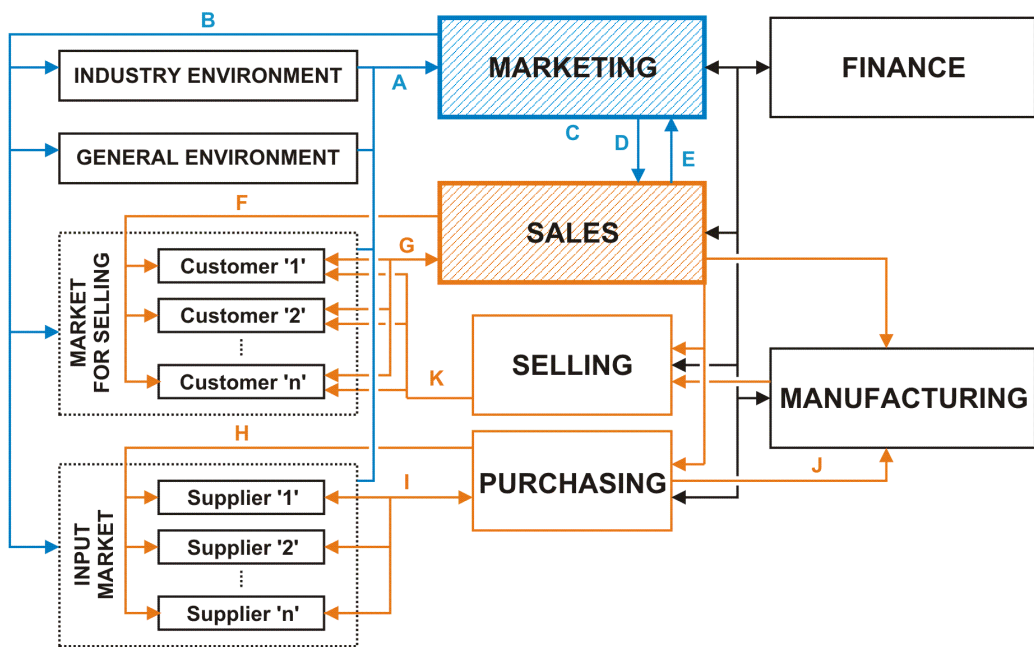


Fig. 1 Chart of marketing and sales processes of a company engaged in the custom-made production

2.2 Strategic, tactical and operative marketing in an industrial company

Within the industrial company management, marketing is not an isolated area. Even though the strategic marketing takes a relatively independent position in an optimum organizational structure and is vertically superior to other functions, both tactical and operative marketing permeate the sales activities down to the lowest control levels.

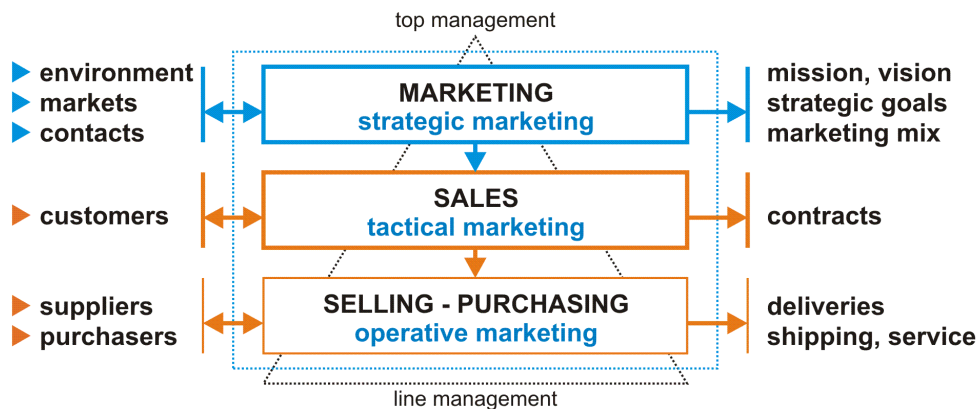


Fig. 2 Permeation of the functions of strategic, tactical and operative marketing

The marketing department incorporated within top management in the organizational structure of the industrial company primarily ensures, in terms of time, the strategic marketing activities – identification of the target market, key segments, and needs thereof. It defines and targets the offer; and last but not least, it formulates the main features of tools of the marketing mix. It plays a significant role in formulating the company mission and visions.

The tactical marketing management is tied more closely with the sales department activities at middle management level. Here, the contacts are turned into customers, and maintained and developed within the CRM system using marketing mix tools. Marketing campaigns, direct marketing or presentations on the occasion of exhibitions and trade fairs are directly related to closing deals and solving particular needs of the customers.

Operative marketing implemented in direct contact with the market (purchasing and selling) provide ties to the changing internal as well as external microenvironments and responses promptly to collisions, if any.

This implies that marketing and sales pervade theoretically, and the cooperation thereof is more than necessary. However, the researches made in B2B companies have shown that the practice is quite different. In as many as 71% of B2B companies, the two departments do not cooperate well, or are even on unfriendly terms. Such approach manifests itself demonstrably in the indicators of turnover development that is roughly by one third lower when compared to companies where the marketing and sales departments do not cooperate (B2B monitoring made in B-inside s.r.o.).

The cause of this antagony can result from differing short-term and long-term objectives. Whereas the sales is motivated to get the selling maximized and often perceives the company mission and visions only marginally, the marketing is absorbed in strategic thinking and understands the sales reality insufficiently. And yet, both areas can be aligned so that the compliance of marketing and sales interests should be achieved through the cooperation, communication and motivation. Strategy, tactics and operativeness have to be successive and united, and both management and employees of all departments have to go along with the same.

3 IMPLEMENTATION OF MARKETING IN THE ORGANIZATIONAL STRUCTURE

The actual published results of B2B monitoring made in B-inside s.r.o. (www.b2bmonitor.cz) imply that only 2% of companies deem the position of B2B marketing as an activity being superior to the sales, while 40% of B2B companies consider it as being equal, and as many as 58 consider B2B marketing as an area that reports to the sales. This shows that most industrial companies do not understand the functions of marketing activity.

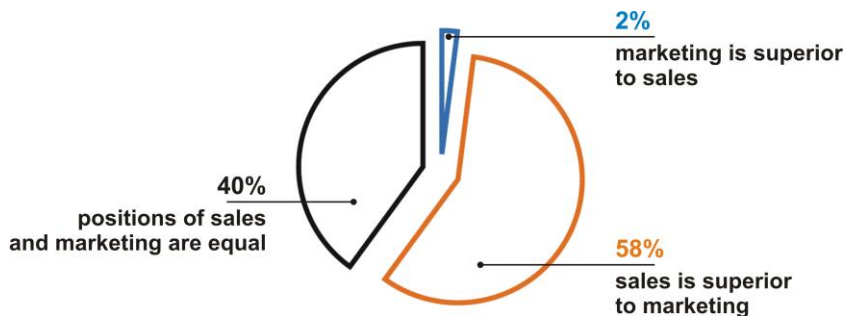


Fig. 3 Positions of marketing and sales as perceived by the management of B2B companies

Even though the marketing processes are included in the activity of many company departments, its autonomous and independent department in the organizational structure of a B2B company is necessary. Actually, it is a creator of core business strategies and an initiator of activities that should not, as such, be affected by other interests than those of the undertaking as a whole.

Although we encounter many types of the integration of B2B marketing in the organizational structure in practice, the only form thereof actually corresponds with its function, i.e. marketing incorporated in the top structures of the company management.

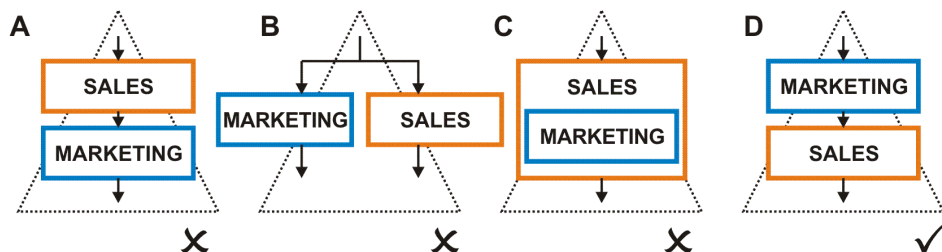


Fig. 4 Alternatives of marketing incorporation in the organizational structure

Marketing being subordinate to the sales department or incorporated in the sales activities (Fig. 4, variants A and B) should result in its degradation to a tool only supporting the sales activities, which does not reflect the broad array of marketing functions and, in particular, its role played when formulating the strategy. The arrangement along the horizontal line (variant B) could lead to problems in communication of both departments and make their activities isolated. Though not proved in practice, it is therefore necessary to establish a department to be responsible for the performance of marketing tasks and superior to the sales department.

4 CONCLUSIONS

The optimal incorporation of the marketing and sales departments in the company internal organizational structure has significant influence on the performance of their functions. It has to be based on the analysis of activities of the aforesaid departments, assessment of effects, interests and motivations so that the performance of their functions should not be affected by any undesirable factors. Another step to follow shall include the arrangement of the activities inside the departments, solution of internal relations and their other ties to other internal processes.

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