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NATURE OF INDUSTRIAL MARKETING  
RESEARCH: A USER'S VIEW**

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COPING WITH THE SITUATION-SPECIFIC NATURE OF INDUSTRIAL MARKETING  
RESEARCH: A USER'S VIEW

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"Effective marketing decision-making requires sound marketing research"

"Early possession of marketing intelligence gives a competitive advantage which can be exploited in the market place"

"Good marketing research holds the key to understanding marketing problems"

No matter how well-meaning the above exhortations to embrace marketing research, it is our contention that they may be quickly perceived as hollow slogans or platitudes by industrial marketing executives unless accompanied by convincing explanations of how to operationalise the process in what they invariably see as highly situational buying/selling transactions.

When studying most texts on marketing research, the reader is left with the impression that it is a series of clear-cut techniques aimed principally at conducting surveys on behalf of manufacturers of fast-moving consumer goods, supplemented by some reference to experimentation and marketing research for services. References, such as they are, to industrial marketing research appear to be added almost as footnotes rather than considering the issues of research in industrial contexts.

Executives in all but the most laggardly companies are aware of the need for some kind of research. Experience in industrial markets, however, seems to suggest that there are a variety of situations in which marketing research is required, but which demand somewhat different approaches than commonly portrayed in the texts. To clarify this point we have found it useful to consider the following simple 2 x 2 matrix which characterises the relationship between buyers and sellers in a market:

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		BUYERS	
		Small	Large
SELLERS	Small		
	Large		

Much of consumer marketing research is located in the lower left quadrant where large sellers supply small buyers. It is useful to note at this point that where there are large sellers (or for that matter, buyers) this usually means only a few in number; and where these are small, they tend to be many. Thus references to size are essentially in relation to one another and not according to some absolute standard. Consumer goods manufacturers and retailers, for example, are relatively large compared with individual households. It is in these areas where many of the established techniques of marketing research are applicable.

In contrast, if we move to the lower right quadrant where there are large sellers and large buyers, this is suggestive of situations in which major capital projects are negotiated. Examples which spring to mind include the procurement of defence equipment, major plant and equipment for public utilities, petro-chemical complexes, etc. In these kinds of markets, information is gathered by close contact between buyer and seller companies at a variety of levels from Chairman down to individual sales engineers and there may well be an active buyer contribution to the design, installation and commissioning. There is an urgent need to know well in advance what contracts are likely to be placed so as to ensure that the potential seller is on the short-list of those invited to tender. A close watch also needs to be kept on competitors.

The upper right quadrant of the matrix, where there are relatively large buyers from many small sellers, seems to be typical of the

supply market for components to the motor vehicles industry. It may be that many of the component makers are themselves subsidiaries of larger groups; but they, as business units, are frequently small in relation to the buyer. The concern of the seller for industrial marketing research will emerge at a number of levels, ranging from commercial aspects of the supply contract to detailed technical specifications. Large buyers such as Ford and General Motors are not passive customers nor should they be merely classified as early adoptors. They are often setting defacto international standards for the industry and are active in user-initiated product/process innovation. Increasingly, as this example shows, there will be growing international interest in the assessment of markets and competitors. One further point to note is that for at least some of the suppliers and subcontractors, their efforts will be directed less at estimates of market size and growth and more towards ensuring that production capacity is adequately filled.

Occupying the remaining upper left quadrant of small sellers and small buyers there is to be found a wide range of manufacturing and service companies; perhaps operating on a local basis, offering machining, welding, plating, heat treatment and other finishing processes. Contact between buyers and sellers is very much at the personal level at which information on market developments are exchanged. Again, a main concern may be the filling of available capacity rather than pursuing high market shares or rapid growth.

In all four quadrants there is a need for marketing information and research; but as this brief discussion indicates, in the situations covered by three of the quadrants, the purpose of research is more in the way of securing and interpreting marketing intelligence and in assessing competitors activities than conducting survey-based investigations. Since any one supplier may be selling into a number of industries, then the format of marketing research in these contexts will be very akin to Michael Porter's approach to industry analysis. The point about this realisation is that techniques for industry analysis require an emphasis on other aspects of research methodology than is frequently covered by texts in Marketing Research.

Obviously such a schema as that set out above can only be suggestive and useful for the point of orientating thinking about an area. It is not difficult to find counter examples: the supply by ICI of plastics materials to a wide range of moulding companies would clearly fall in the lower left quadrant, that is of large seller to small buyers. However, the main point of the discussion is that there are very different kinds of research situations and methodologies have to be adapted to the needs of particular industries and marketing situations.

Standing back from the multiplicity of buyer/seller situations it is possible to identify four inter-related aspects of marketing research where timely contributions can greatly enhance strategy development:

- o Defining the "Product Package". Internally generated product ideas must be placed alongside externally identified market opportunities. These sources of new/improved products converge at the product concept stage when it should be possible to define a package of tangible and intangible attributes/benefits. Our experience suggests that many product-oriented companies fail to research customer-based perceptions of their product package or ignore customer reaction to mock-ups, prototypes and field trials; ending up with the commercialisation of products chasing markets. Despite additional technical complexity, industrial marketing executives have much to learn from their consumer counter-parts when it comes to concept definition and testing.
  
- o Product/Market Segmentation. This consists of partitioning product/markets according to common characteristics such as customer size and purchasing power, geographic location, end use application, technical features, etc. Industrial marketing executives normally feel comfortable with segmentation based on these variables but there is considerable scope for combining these in ways which might reveal opportunities and inter-relationships not immediately obvious from the data. Multivariate techniques using cluster analysis of product attributes/benefits hold some promise in this respect.

- o Product/Market Positioning. Decisions are necessary concerning which segments to serve and, by implication, with whom to compete. This involves setting priorities based on the potential profitability and fertility of segments, selecting which differential advantages to exploit and assessing the likely actions of competitors. Positioning decisions determine the emphasis placed on various elements of the marketing mix and the overall thrust of marketing communications strategy. Continuing marketing research in support of targeting and positioning would, in our view, be invaluable to the many UK companies widening their product/market scope by opting out of standard products in the face of unprecedented levels of foreign competition and drifting towards customised products. We also suggest that the application of perceptual mapping techniques to the current positioning of most industrial companies would inflict an enormous shock to their executive's ego, particularly when it exposes customer perceptions of product quality, after-sales service and dealer network capability!
  
- o Identifying the Decision-Making Unit (DMU). One of the most complex and dynamic problems facing industrial marketing executives is to identify the various individuals and groups who participate in the purchasing decision-making process and how they might be reached. To-date, formally monitoring changes in the composition of the DMU has proved unwieldy for most executives. Surprisingly, on the one hand, they make much of the importance of inter-personal relationships in industrial marketing and this places them firmly in the socio-political arena; yet on the other, they have never really come to terms with eclecticism and qualitative behavioural data. A welcome opportunity to formalise descriptions of the DMU is emerging through customer database management but its effectiveness as a marketing research tool may well be limited by the difficulty in capturing and interpreting highly personalised data.

Having established in the first half of this article, albeit crudely, the situation-specific nature of industrial marketing research; in the second, we have attempted to move forward by reiterating a few

well known concepts and affirming our belief in the distinctive contribution of marketing research. In doing so, we are conscious of not having touched on the special problems of marketing research in high-tech companies and the implications of increasing professionalism among buyers, such as their adoption of vendor rating schemes, materials requirement planning and just-in-time inventory systems.

In conclusion, as primarily users of marketing research, we see it very much as a means to understanding market behaviour, identifying where and how to compete, and ensuring that our understanding keeps pace with external changes. Ultimately, we are advocating a more proactive, strategic role for industrial marketing researchers than in the past.