Online tananyag

Gazdaságtudomány

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8. Business Marketing

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Table of Content

Introduction of the handbook

The handbook supports understanding and learning of the course of Business marketing. So this handbook closely belongs to polimedia (and relevant PPTs) but it is more detailed and tries to examine some topics and issues in a deeper way. The handbook helps to solve tests after chapters, subchapters and one open question per chapter.

At the end of each chapter there is a list of relevant definitions. You will find some parts as 'Recommended learning material'. These materials serve for deeper understanding and some practical examples as well.

We suggest using this handbook together with polimedia. We think essential the continuous learning which means after watching a polimedia you should read and learn relevant parts of the handbook and then you can fill tests of subchapters. When you reach the end of a chapter, you should answer the test and the open question.

We wish you joyful and successful learning!

1. Fejezet

1.1 Why is business marketing important?

1.) Two basic terms [1]

– Business to Consumer – BtoC – B2C relationships or transactions

- – The final customer is directly an individual consumer (e.g. people, families, households)
- – Housecleaning services, restaurants and retail stores are examples of B2C companies. Websites that offer consumer products are B2C.

– Business to Business – BtoB – B2B relationships or transactions

- – The products and services of the business are marketed to other businesses.
- – Examples include advertising agencies, web hosting and graphic design services, office furniture manufacturers and landlords who lease office and retail space.
- – Business to business relationships are developed and on – going, and the sales processes involved take longer than business – to-consumer relation ships.

[1] http://smallbusiness.chron.com/b2b – b2c – mean – 56101.html 10. 08. 2014

B2B and B2C

An industry may include both B2B and B2C companies. The book – publishing industry is a good example. Authors market their manuscripts to book publishers. Both the author and the book publisher are in a B2B relationship. The publisher prints and markets the books to booksellers, both online and in retail stores. This relationship is B2B as well. However, the bookstores sell to the final consumer and are in a B2C relationship. Another example is food. Food products are marketed to consumers but are sold by grocery stores. Both the manufacturer of the food product and the store target their promotions to the final consumer.

2.) What are business-to-business markets?

– They do not arrive in the shops by accident

– Businesses sell cotton to merchants who sell it to spinners who sell it to weavers who sell it to garment makers and so on

– None of the businesses buy the products for pure indulgence.

– They buy them with the ultimate aim of adding value in order that they can move the products down the chain until they finally reach us, the general public.

3.) The four key factors that make b2b business markets special [2]

1) The complexity of the decision making unit

In most households, even the most complex of decisions is confined to the small family unit while items such as clothes, food and cigarettes usually involve just one person. The decision making unit (DMU) in business-to-business markets is highly complex or at least it has the potential to be so. Ordering products of low value and low risk (such as the ubiquitous paper clip) may well be the responsibility of the office junior. However, the purchase of a new plant that is vital to a business may involve a large team who makes their decision over a protracted period. Often the DMU changes during this negotiation period as specialists enter and leave it to make their different contributions.

[2] http://www.research – live.com/features/four – factors – that – make – b2b – marketing – special 10. 08. 2014

This complexity has implications for business-to-business markets. The target audiences for b2b communications are amorphous, made up of groups of constantly changing individuals with different interests and motivations. Buyers seek a good financial deal. Production managers want high throughput. Health and safety executives want low risk. And those are just their simple, functional needs. Each person who is party to the DMU will also bring their psychological and cultural baggage to the decision and this can create interesting variations to the selection of products and suppliers

2) The complexity of the product

Just as the decision making unit is complex in relation to business-to-business markets, so the same rule applies for the actual products in these markets. Business-to-business products – and their applications – are far more likely to be complex than is the case with their counterparts in consumer markets.

Where the purchase of a consumer product requires little expertise (perhaps nothing more than a whim), the purchase of an industrial product frequently requires a qualified expert. Where consumer products are largely standardised, industrial products are often bespoke and require high levels of fine – tuning. Even relatively complex consumer products tend to be chosen on fairly simple criteria. A car might be chosen because it goes fast and looks nice, and a stereo might be purchased on the grounds that it is tremendously loud.

3) The limited number of buying units

Almost all business-to-business markets exhibit a customer distribution that confirms the Pareto Principle or 80:20 rule. A small number of customers dominate the sales ledger. Nor are we talking thousands and millions of customers. It is not unusual, even in the largest business-to-business companies, to have 100 or less customers that really make a difference to sales.

4) The importance of personal relationships

The fourth distinguishing feature of business-to-business markets is the importance of the personal relationship. A small customer base that buys regularly from the business-to-business supplier is relatively easy to talk to. Sales and technical representatives visit the customers. People are on first name terms. Personal relationships and trust develops. It is not unusual for a business-to – business supplier to have customers that have been loyal and committed for many years.

The consequences of this for marketing budgets are a relatively high spends on people (sales and technical support) and a more modest expenditure on other forms of promotion. Advertising budgets for business marketers are usually measured in thousands of euros and not millions.

The customer is always an organization!! -> This is our starting point in this course!

4 The most important definition

Business marketing is

– a long term activity and that it involves working with the enterprise's customers,
– but it also with the enterprise's suppliers and – sometimes even with the enterprise's competitors to solve their problems.

1 Definition, essence and development of business marketing

1.1 Why is business marketing important?


B2B
BUSINESS
COLLABORATION
MARKETING
COMMUNICATION
TRANSACTION
COMMERCE
CHALLENGED
USING
COMPANIES
ECOMMERCE
CHAIN
BETWEEN
ENTERPRISE
ENTERPRISES
SYSTEMS
SERVICES
SUPPLY
CONSUMER
SELL
IMPROVE
WHOLESALER
CITATIONS
COMMERCIAL
ITEMS
PLACE
COMPONENTS
TRANSFER
MOBILE
PRODUCTS
AUTOMATED
SERVICE
CONNECT
CONTEXT
ETAILER
DEVELOPMENT
PRODUCT
WAY
SALE
SYSTEM
SOURCES
DESCRIBE
RAW
TRADE
MATERIAL
WEB
EMPLOYEES
FINISHED
USED
HELP
MANAGEMENT
REFERRED
EXCHANGE
INTERNET
VOLUME
ELECTRONIC
DATA
ELECTRONICALLY
HIGHER
PROTOCOLS
BOOKS
ADDING
FOCUS
EDI
MEDIA
INVOLVING
ENTERPRISES
SELLING
ONLINE
KNOWN

1 Two basic terms

- **Business to Consumer – BtoC – B2C**
  - The final customer is the consumer with a B2C business.
  - House-cleaning services, restaurants and retail stores are examples of B2C companies. Websites that offer consumer products are B2C.
- **Business to Business – BtoB – B2B**
  - The products and services of the business are marketed to other businesses
  - Examples include advertising agencies, web hosting and graphic design services, office furniture manufacturers and landlords who lease office and retail space.

2 What are business-to-business markets?

- They **do not arrive in the shops by accident**
- Businesses sell cotton to merchants who sell it to spinners who sell it to weavers who sell it to garment makers and so on
- **None of the businesses buy the products for pure indulgence.**
- They buy them with the ultimate aim of adding value in order that they can move the products down the chain until they finally reach us, the general public.

4

4 The four key factors that make b2b business markets special

1. **The decision making unit is far more complex** in business-to-business markets than in consumer markets
2. Business-to-business **products and their applications are more complex** than consumer products
3. Business-to-business marketers address a much **smaller number of customers** who are very much larger in their consumption of products than is the case in consumer markets
4. **Personal relationships** are of critical importance in business-to-business markets.

5

This is our starting point!

The customer is always an organization!!

5 The most important definition

- **Business marketing** is
  - long term activity
  - which involves working with the enterprise's customers,
  - but it also with the enterprise's suppliers and
  - sometimes even with the enterprise's competitors to solve their problems

1.2 The main characteristics of business marketing

Business buyers: less in numbers but larger in size than in the consumer buyers. Business buyers are professional and buy special products and/or services for their organizational purposes (operation, maintenance etc.) and for personal use. They purchase in business markets.

1. Characters of business markets

– In most cases they operate in a well – defined geographical area e.g. public offices

– Most of the products are quite individual and have high price

– Price changes have less effects because the firms charge these to their consumers

– There is usually closer relationship between business buyer and business seller

– Personal selling is very often

2. B2B Success

– Long – term mutually profitable relationships

– Co – develop products

– Timely exchanges at competitive prices

– Concrete purchase

3. Dimensions of B2B Marketing

– **Characteristics of transactions:** e.g. close or competitive, interests and priorities in the background

– **Attributes of customers:** professional, economic, experience, relationships in different markets, image, history of our relationship with them etc.

– **Customer primary concerns:** price, high (latest) technology, time (urgent), long term stability, improving image, concrete firm strategy etc.

– **Methods of buying:** new buying, modified buying

– Types of purchases

– **Demand:** e.g. quantity, geographical location, written and unwritten rules, types of demand

1 Definition, essence and development of business marketing

1.2 The main characteristics of business marketing

This is our starting point!

The customer is always an organization!!

1 Characters of business markets - 1

- **Business buyers**: **less** but **larger** than in the consumer markets
- In most cases they operate in a **well defined geographical area** e.g. public offices

1 Characters of business markets - 2

- Most of the products are quite unique and
- have high price
- Price changes have less effects because the firms charge these to their consumers
- There is usually closer relationship between business buyer and business seller
- Personal selling is very often

2 B2B success

- Long-term mutually profitable relationships
- Co-develop products
- Timely exchanges at competitive prices
- Concrete purchase

5

3 Dimensions of B2B marketing

- Characteristics of transactions
- Attributes of customers
- Customer primary concerns
- Methods of buying
- Types of purchases
- Demand

"We've talked several times over the past few years... ...and I think we're ready to make a decision."

1.3 The subject of business marketing

1. Major Uses of B2B Products

– For additional production (e.g., components are combined into subassemblies and become part of the finished product)

– For use in operations but not part of the finished product

– For resale

2. What and why do companies buy?

A) **Problems:** Rationalization, Development

B) **Products and services:** Use of Interchangeable

C) **Offerings:** Promise & package, Developed interactively

D) **Solutions:** To customers' problems

3. Components of the business market

– **Commercial market**
– Individuals and firms that acquire products to support, directly or indirectly, production of other goods and services.
–Largest segment of the business market.

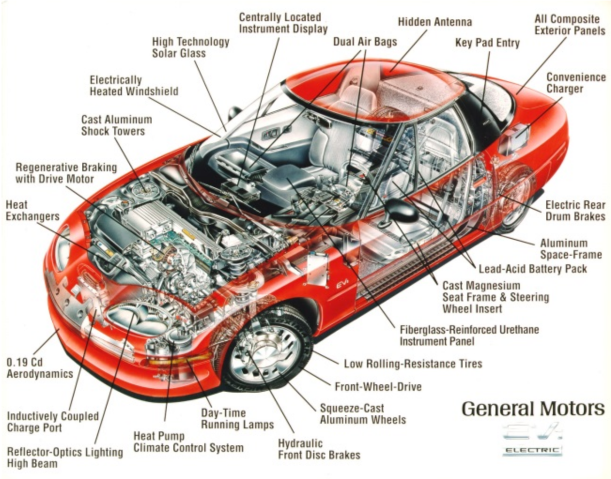
– **Trade industries**
– Retailers or wholesalers that purchase products for resale to others.
– Also called resellers, marketing intermediaries that operate in the trade sector.

– **Government–all domestic levels** (federal, state, local) and foreign governments;

– **Public and private institutions,**
– such as hospitals, churches, colleges and universities, and museums.

4. Business to Business: It is all about demand

– **Derived demand**
– Business demand is derived from demand for the final products of which they become a part
– For example demand for spare parts of a car directly and heavily depend on demand for the final product, the car



- **Fluctuating demand**
    - The market interest for a product that shows variations over time
    - Factors that lead to fluctuating demand:
        - seasonality,
        - taxation,
        - product availability and
        - Pricing.
    - Opposite of stable demand
    - Since demand is derived, the business marketer must monitor and forecast demand in final consumer markets.

- **Joint demand**
    - Two products are used together and demanded together – Both products are consumed at the same time.

1 Definition, essence and development of business marketing

1.3 The subject of business marketing

1 Major Uses of B2B Products

- For **additional production** (e.g., components are combined into subassemblies and become part of the finished product)
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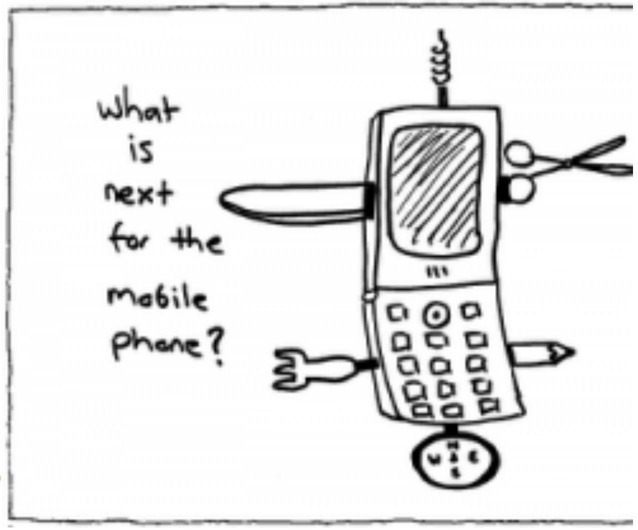

2 What & why do companies buy?

- **1. Problems**
  - Rationalization
  - Development
- **2. Products and services**
  - Use of
  - Interchangeable
- **3. Offerings**
  - Promise & package
  - Developed interactively
- **4. Solutions**
  - To customers' problems

3

3 COMPONENTS OF THE BUSINESS MARKET

1. **Commercial market** Individuals and firms that acquire products **to support**, directly or indirectly, **production** of other goods and services. - Largest segment of the business market.
2. **Trade industries** Retailers or wholesalers that purchase products for resale to others. - Also called **resellers**, marketing intermediaries that operate in the trade sector.
3. **Government**—all domestic levels (federal, state, local) and foreign governments;
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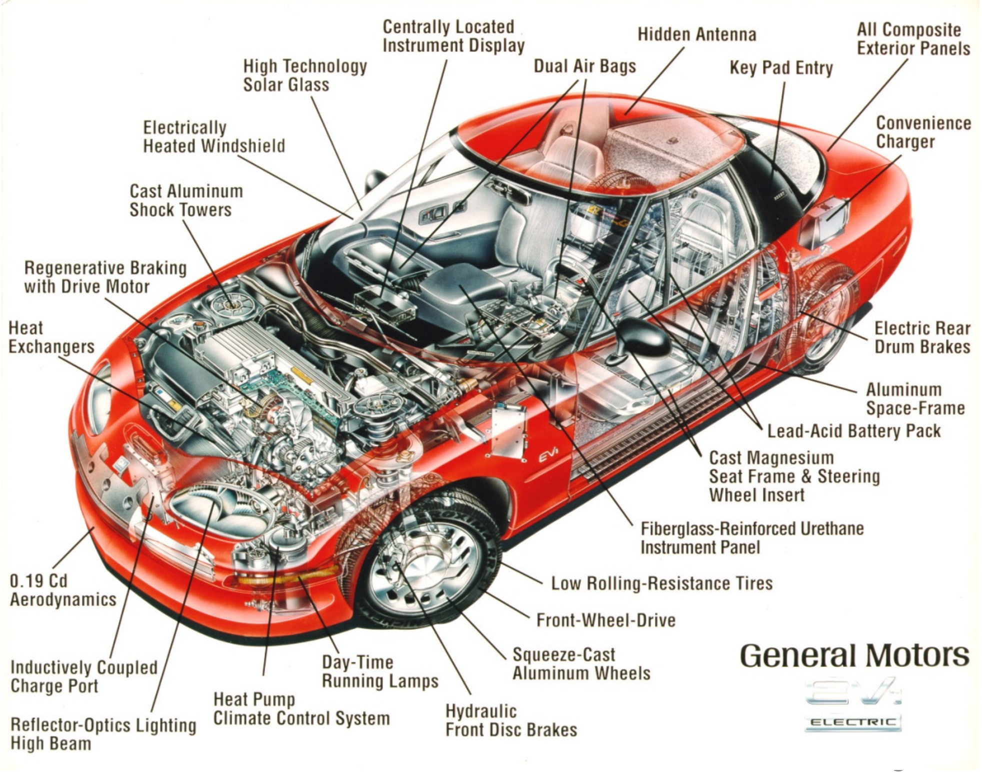
4 BUSINESS TO BUSINESS: IT IS ALL ABOUT DEMAND – 1

- **Derived demand**

  Business consumer demand is derived from demand for the final products of which they become a part



4 BUSINESS TO BUSINESS: IT IS ALL ABOUT DEMAND - 2

- **Fluctuating demand**
- The **market interest** for a product that **shows variations over time**
- Since demand is derived, the business marketer must **monitor and forecast** demand in final consumer markets
- **Joint demand**
- **Two products are used together** and demanded together
- Both products are consumed at the same time

6

2. Fejezet

2.1 Similarities between business market and consumer market

1. SMALL INTRODUCTION OF BUSINESS MARKETING

The marketing of goods and services to actors of B2B marketing:

– Companies that consume

– Government Agencies

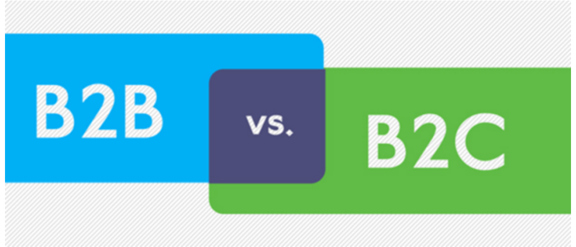
– Resellers (i.e. wholesalers)

– Institutions (i.e. hospitals)

– Non – Profit Organizations (i.e. Red Cross)

THEY USE IN PRODUCING THEIR PRODUCTS AND/OR TO FACILITATE OPERATIONS

IS



2. Similarities between business and consumer purchases

1. History matters

2. Advice

3. Issue importance

4. Repetitive purchases

5. Time involved (urgent need)

6. Both marketers benefit by employing a market orientation

7. They need to understand and satisfy customer needs

2. Features of business marketing

2.1 Similarities between business market and consumer market

1 SMALL INTRODUCTION OF BUSINESS MARKETING

THE MARKETING OF GOODS AND SERVICES TO:

- Companies that consume
- Government Agencies
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FOR USE IN PRODUCING THEIR PRODUCTS AND/ OR TO FACILITATE OPERATIONS

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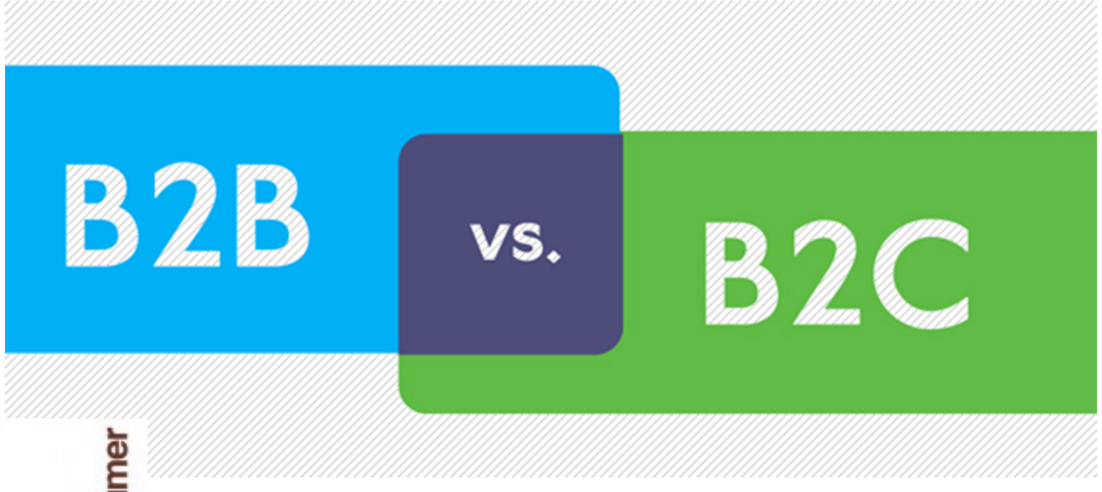

B2B
vs.
B2C


Consumer
Business
Business-to-Business
B2B
B2C
Business-to-Consumer

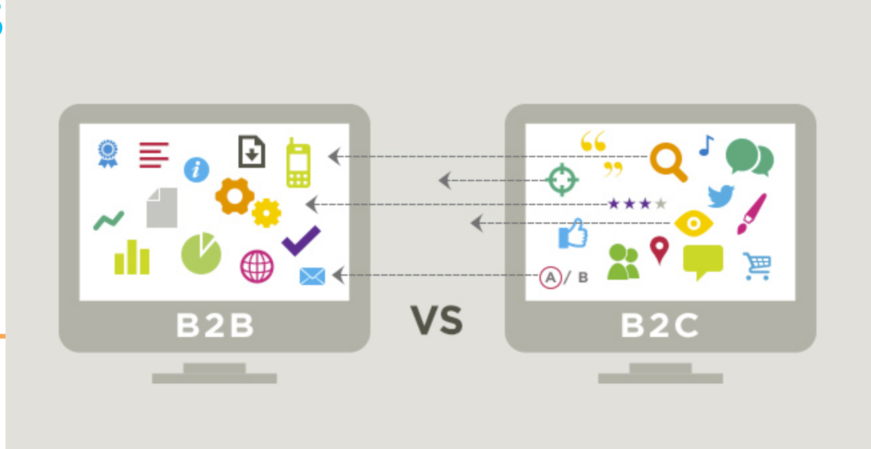
3

2 Similarities between business and consumer purchases - 1

1. History matters
2. Advice
3. Issue importance
4. Repetitive purchases
5. Time involved (urgent need)

2 Similarities between business and consumer purchases - 2

6. Both marketers benefit by employing a **market orientation**
7. They need to understand and **satisfy customer** needs



2.2 Differences between business market and consumer market

1. What Distinguishes B2B from B2C markets?

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

– Products to be incorporated into other products, used, consumed, or resold

– The nature of the customer and how the product is used distinguishes business and consumer goods marketing

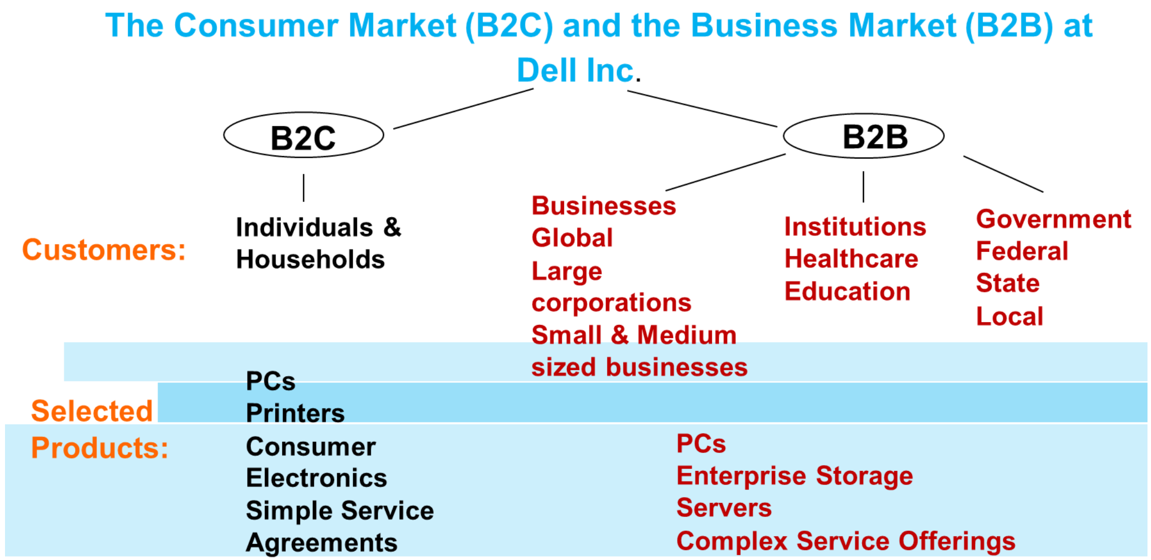
– Business marketers serve the largest markets of all. Dollar volume of the business market greatly exceeds the consumer market.

– A single customer can account for enormous levels of purchasing activity.

(For example, GM's 1,350 business buyers each purchase more than $50 million annually.) **Business to Business (B2B) Marketing is Huge**

2. A samples for B2C and B2B

The figure below summarizes through the sample of Dell Company the differences among buyers and their products in consumer and business markets.



3. Some characteristics and typical samples of B2B (or business) marketing

This is another sample below which illustrates the nature and situations in business markets. The aim of business marketing is to handle and solve such cases successfully in longer term as well.

Characteristic	Example
A single purchase by a business customer is far larger than that of an individual consumer.	Among Dell's customers are Boeing, Arizona State University, and numerous state and local overnment units
Business market customers are comprised of commercial enterprises, institutions, and governments.	An individual may buy one unit of a software package upgrade from Microsoft while Citigroup purchases 10,000.
Relationships between business marketers tend to be close and enduring	New home purchases stimulate the demand for carpeting, appliances, cabinets, lumber, and a wealth of other products.
The demand for industrial products is derived from the ultimate demand from consumer products	IBM's relationship with some key customers spans decades.
Buying decisions by business customers often involve multiple buying influences rather than a single decision maker	A cross-functional team at Procter & Gamble (P&G) evaluates alternative laptop PCs and selects Hewlett-Packard.
While serving different types of customers, business marketers and consumer-goods marketers share the same job titles	Job titles include marketing manager, product manager, sales manager, account manager.

4 B2B versus B2C Marketing

The table on the next page compares B2B (business) market with B2C (consumer) markets from various aspects.

Characteristic	B2B Market	B2C Market
Sales volume	Greater	Smaller
Purchase volume	Greater	Smaller
Number of buyers	Fewer	Many
Size of individual buyers	Larger	Smaller
Location of buyers	Concentrated	Diffuse
Buyer-seller relationship	Closer	More Impersonal
Nature of channel	More direct	Less direct
Buying influences	Multiple	Single/Multiple
Type of negotiations	More complex	Simpler
Use of reciprocity	Yes	No
Use of leasing	Greater	Less
Key promotion method	Personal Selling	Advertising

B2B versus B2C: An Online Community Taxonomy [1] (details and summary) -Recommended learning material

Online communities are not a new phenomenon, but they are now capturing the hearts and minds of social media users around the globe. There seems to be an online community for every walk of life or group. But the underlying operations of a given community can vary drastically, depending on whether it is consumer-focused or a business – to – business community. If you are building or running an online community, or a member of one or more, it is important to understand the differences to maximize the value of your online home. Some organizations do not realize there are a variety of different online community models to explore each with its own set of benefits and challenges. Below is a brief overview of the different types of community models:

[1] Vanessa DiMauro: *B2B versus B2C: An Online Community Taxonomy.* http://www.leadernetworks.com/2013/08/the – art – of – building – b2b – and – b2c – communities.html 30. 08. 2014.

How do you define a Business to Consumer (B2C) Community?

B2C online communities are brand – to – consumer and consumer – to – consumer focused networks, providing a platform for engagement with the brand, or support amongst customers in using the brands' products and other points of interest for the brands' customers. Some communities can also be focused on lifestyle or topical discussions not directly related to a brand's products, but for which the brand benefits from brand exposure in maintaining the community.

How do you define a Business to Business (B2B) Community?

B2B online communities are professional networks that contain a blend of content and collaboration opportunities around a shared business – based experience. They are commonly established between a business and its business customers (e.g. Cisco and Cisco customers), professional associations (e.g. the Institute of Food Technologists) or like – minded professionals (e.g. Palladium Group Execution Premium Community for strategy practitioners within larger organizations.) Many examples of B2B communities are not visible to the public because serve a specific, qualified audience and offer a private, gated experience for members. B2B communities tend to be smaller than their B2C counterparts, anywhere from a hundred members upward, but rarely into the millions of users found on some B2C communities.

Why are B2C online communities formed? What is their purpose?

B2C communities are predominantly formed to provide a platform for a brand to promote their products.

In the first instance, their purpose is generally to encourage a direct communication between the brand and the customer, either through broadcasting messages to elicit responses, or monitoring mentions of products and engaging directly with the customer. In the second instance, their purpose is more focused on providing a platform for customers to interact amongst themselves, whether to achieve a goal, improve a skill or facilitate better use of the brand's products. Membership in both cases tend to be fleeting, with a brief period of collaboration followed by passive observance of other's activity or complete withdrawal from the community until the next need for engagement.

Why are B2B communities formed? What is their purpose?

The purpose of a B2B community is driven by a topic focus or strong connections between members and the community's sponsor. Companies often build online communities to bring clients and prospects together in a private space where they can discuss the business at hand.

Unlike the "collaborate and evaporate" model often found in B2C communities, members of a B2B community often develop long – term working relationships and on – going collaboration activities. Many B2B communities have a vertical focus, with members from the same industry, specialty or job role. Often they already know each other through prior face – to – face encounters and are therefore more likely to share information and provide peer – peer support among fellow colleagues.

Are there differences in facilitating and managing the different community types?

Because of the focused nature of B2B communities, they are often more "high-touch" than B2C communities. In B2B communities, where the goal is to better understand customer or partner needs from a product or service offering, the value of the community resides in detailed exchanges between members, and between members and the firm. These exchanges inform departments such as R&D and product development with better data on which to base product updates, new service lines or even new business initiatives to meet customer needs.

The professional focus of B2B communities means members are much less likely to behave inappropriately than in a wide – open, public community of anonymous users. Most contributions to a B2B community — such as message posts and content contributions like blog entries or paper submissions — can go live on the site instantly.

The social design of a B2B community requires the facilitator to be skilled at crafting social dynamics that offer protection from exposure for members professionals are (generally) better at solving problems for others than asking for help. Cultivating a give – and – take relationship around sharing knowledge is a necessary activity through outreach and respectful but persistent engagement tactics.

On the other hand B2C communities can also focus on R&D and product development, so similar techniques can be utilized. However in terms of the more common communities of interest or circumstance, as participants are more often than not anonymous so contributions require a higher level of oversight.

Do B2B and B2C online communities require a different editorial or content plan?

Whether it is a B2B or B2C online community, it is no secret that members come for content and stay for community. However, the nature and tenor of the content that succeeds in each kind of community varies widely. While seemingly counter – intuitive, B2B communities require less information to be displayed on the site.

Effective B2B communities need to offer a managed selection of interactions and information for members. Each piece of content or interaction needs to be present for a reason. Even user generated content (UGC) is well served by putting it through a voluntary (user option) editing process to help a member's writing be as powerful as possible.

B2C communities on the other hand are often best served with a larger volume of content. This could either be long – tail content such as informational articles or how – to guides, or disposable topical content designed to engage in the moment. Often, the most successful broadcast content is that which succeeds in riding meme waves early enough in the virility curve, thus achieving both reach and brand recognition as the meme progresses. Successful on – site content is usually SEO friendly guides written by the community, or articles written by the Community Manager focusing on community interests or topics in need of new community participants.

What always holds true, however, is that well – written, clearly targeted content will succeed, regardless of whether you're talking to a B2B or a B2C audience. And while the approaches of B2B and B2C communities may vary, brands operating in both sectors can learn some tips and tricks from their counterparts.

2. Features of business marketing

2.2 Differences between business market and consumer market

1 What Distinguishes B2B from B2C? -1

- **B2B**: goods or services are sold for any use other than personal consumption
- Products to be incorporated into other products, **used, consumed, or resold**
- **The nature of the customer and how the product is used distinguishes business and consumer goods marketing**

1 What Distinguishes B2B from B2C? - 2

- Business marketers serve the **largest markets** of all.
- Dollar volume of the business market greatly exceeds the consumer market.
- A single customer can account for enormous levels of purchasing activity.

Business to Business (B2B) Marketing is Huge

3

2 A sample for B2C and B2B

The Consumer Market (B2C) and the Business Market (B2B) at Dell Inc.

	B2C	B2B		
Customers:	Individuals & Households	Businesses Global Large corporations Small & Medium sized businesses	Institutions Healthcare Education	Government Federal State Local
Selected Products:	PCs Printers Consumer Electronics Simple Service Agreements	PCs Enterprise Storage Servers Complex Service Offerings		

3 B2B versus B2C Marketing

Characteristic	B2B Market	B2C Market
Purchase volume	Greater	Smaller
Number of buyers	Fewer	Many
Size of individual buyers	Larger	Smaller
Location of buyers	Concentrated	Diffuse
Buyer-seller relationship	Closer	More Impersonal
Nature of channel	More direct	Less direct
Buying influences	Multiple	Single/Multiple
Type of negotiations	More complex	Simpler
Use of reciprocity	Yes	No
Key promotion method	Personal Selling	Advertising

2.3 How can we make difference business market and consumer market?

1. What Are Business Products?

– Used to manufacture other products

– Become part of another product

– Aid in the normal operations of an organization

– Are acquired for resale without change in form

– A product purchased for personal use is considered a consumer good

2. Consumer Product or Business Product?

– If Mr. Clean is used by the ultimate consumer to clean his/her house, it is a consumer product

– If Mr. Clean is being used to clean a hospital or a university, it is a business product

3. Is it a B2C or a B2B Transaction?

– You buy a gear to fix your mountain bike. – B2C

– Ford buys the same gear to fix a machine. – B2B

– Xerox buys soft drinks for its cafeterias. – B2B

– You start a landscaping business and purchase a lawnmower. – B2B

– The U.S. government buys…anything. – B2B (B2G)

4. Some consumer products become industrial products

– J.M. Smucker Company sells their jellies and jams to ultimate consumers as household food products but also markets them as fillings and yogurt additives for other company's products.

– Many companies successfully sell to both consumer and business markets.

How to Use Facebook for Business [1] – (details and summary) – Recommended learning material

[1] based on www.facebook.com

Your business is for your customers. Build relationships with them; reach new people and drive sales using Facebook.

Over one billion people like and comment an average of 3.2 billion times every day. When you have a strong presence on Facebook, your business is part of these conversations and has access to the most powerful kind of word – of – mouth marketing — recommendations between friends.

Step 1 Build Your Page – Create a Facebook Page

It's free to set up a Page and it only takes a few minutes to get started. Choose a cover photo that represents your brand and showcases your product or service. It's the first thing people will see when they visit your Page. Your Page is the central place to grow your business, build your brand and develop relationships with your customers.

You're ready to create your first post

You can create different kinds of posts on your Page including updates, photos, videos and questions. The people who like your Page will see some of your posts in their news feed. News feed is where people spend their time on Facebook – in fact, 40% of their time. It's where people share the most important parts of their lives and where businesses can engage them in conversation

Invite people you know to like your Page

You've probably got a community of friends, family, customers and employees who care about your business. Invite them to like your Page.

Step 2 Connect With People

Now that you have a Page, it's time to reach your current and potential customers. Connect with people who are the right fit for your business using Facebook Ads. Facebook Ads are paid messages coming from businesses and they can include social context about friends. People who like your Page spend an average of 2 times more as your customers than people who aren't connected to you on Facebook.

Reach the right audience

Have an idea of the ideal customer you want to target. After choosing your ads and sponsored stories, you will be able to choose the specific audience for your ad. Location, Age and Gender allow you to choose the basic demographics of the audience you want to reach

Test Multiple Ads

Running multiple versions of ads can help determine what your target audience will respond the best to. For example, different graphics are being tested for the same customer group to see which version works better.

Step 3 – Engage Your Audience

When you post content and have conversations on your Page, you're building loyalty and creating opportunities to generate sales. Learn how to create content that will keep your audience interested.

Post quality content regularly. When people like your Page, they're saying that they care about your business and want to know what's going on. Posting relevant content is the most important thing you can do to keep them interested.

Step 4 – Influence Friends of Fans

Encourage people to interact with your business. Word of mouth is the strongest form of advertising. When someone interacts with your business on Facebook it creates a story. People can see when their friends endorse your business by liking your Page or connecting with it, and it can influence their own purchasing decisions.

2. Features of business marketing

2.3 How can we make difference business market and consumer market?

1 What Are Business Products?

- Used **to manufacture** other products
- Become **part of another** product
- **Aid** in the normal operations of an organization
- Are **acquired for resale** without change in form
- **A product purchased for personal use is considered a consumer good**

2 Consumer Product or Business Product?

- If **Mr. Clean** is used by the final consumer to clean his/ her house,
- it is a consumer product
- If **Mr. Clean** is being used to clean a hospital or a university,
- it is a business product

3

3 Is it a B2C or a B2B Transaction?

- You buy a gear to fix your mountain bike.
- **B2C**
- Ford buys the same gear to fix a machine.
- **B2B**
- Xerox buys soft drinks for its cafeterias.
- **B2B**
- You start a landscaping business and purchase a lawnmower.
- **B2B**
- The U.S. government buys…anything.
- **B2B (B2G)**

4

4 Some consumer products become industrial products

- J.M. Smucker Company sells their jellies and **jams to final consumers as household** food products
  - but also markets them as **fillings** and yogurt additives **for other company's products.**
- Many companies successfully sell to both consumer and business markets.

5

3. Fejezet

3.1 Why is there difference between business buyers?

1. Professional marketer

– Focus on Profitability
- – Understand forces that affect profitability
- – Align resource allocation to revenues and profits that will be secured by future business

– Partner with Customers
- – Marketers don't just sell to customers; they develop a form of partnership for the purpose of serving and adding value for their consumer
- – This strategy can result in becoming a preferred vendor

2. Marketing's cross – functional relationships

– Professional business marketers act as an integrator between various functional areas within the company

– Functional areas include:
- – Manufacturing
- – Research & Development (R&D)
- – Customer Service
- – Accounting
- – Logistics
- – Procurement

3. Basic aspects to distinguish business buyers

– What is the aim of their buying?

– As raw material, semi – finished goods, manufacturing equipment, facilities for the offices, land, prestige etc.

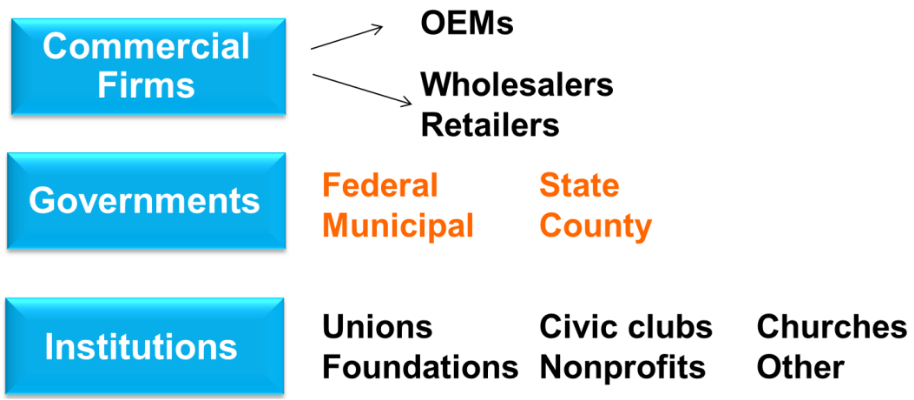
– How structured is their buying?

– Aim and limit of laws, role of company – rules

– Who can be supplier for them?

4. Categories of business market customers

The following figure summarizes the different categories of business market customers which will be discussed detailed in the next subchapters (3.2 and 3.3 and 3.4).



3. Types of business buyers

3.1 Why is there difference between business buyers?

1 Professional Marketers

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  - Understand forces that affect profitability
  - Align resource allocation to revenues and profits that will be secured by future business
- **Partner with Customers**
  - Marketers don’t just sell to customers; they **develop a form of partnership** for the purpose of serving and adding value for their consumer
  - This strategy can result in becoming a preferred vendor

2

2 Marketing's Cross-Functional Relationships

- Professional business marketers **act as an integrator** between various functional areas within the company
- Functional areas include:
  – Manufacturing - Research & Development (R&D)
  – Customer Service - Accounting
  – Logistics - Procurement

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- How structured is their buying?
  - Aim and limit of laws, role of company-rules
- Who can be supplier for them?

4

4 Categories of Business Market Customers

Commercial Firms
- OEMs
- Wholesalers
- Retailers

Governments
- Federal
- State
- Municipal
- County

Institutions
- Unions
- Civic clubs
- Churches
- Foundations
- Nonprofits
- Other

3.2 Profit – oriented companies

1. Three categories of commercial customers:

a) Users

b) OEMs

c) Dealers and distributors

2. Profit – oriented companies – Users

Users purchase industrial products or services to produce other goods or services that are, in turn, sold in the business or consumer markets.

Example: Toyota buys machines to produce cars that are sold to consumers and businesses. Toyota is a user in this context.

3. Profit – oriented companies – OEMs

An original equipment manufacturer (OEM) manufactures products or components that are purchased by a company and retailed under that purchasing company's brand name.

For example when you buy an LG computer you do not know the brand names of

spare part
producers

4. Profit – oriented companies – Dealers and distributors

The Dealer [1]

A dealership is sometimes called a **retail distributor**. It is similar to a distributorship, except that a dealer usually sells only to the public. Unlike other types of franchisees, including some distributors, a dealer rarely carries a single product line. Even in the auto industry, a major dealer will carry competing products, often on the same site, but these will be differentiated by being each in its own building.

By operating as a dealer for a branded product, the dealership in effect participates, but at second hand, in the producer's total marketing schemeenjoying national advertising support, receiving training, and taking advantage of incentive programs.

The Distributor

The distributor is a wholesaler or middleman engaged in the distribution of a category of goods especially to retailers.

The distributor is an independent selling agent who has a contract to sell the products of a manufacturer. The distributor cannot represent him – or herself as the producer but may display the producer's trade name in signage and in the sales situation. Depending on the relative power of the producer, the distributor may be limited to selling only one brand of a product; in practice the strong distributors will have much more freedom. The distributor usually has an exclusive territory which may be part of a metro area or, depending on the product, may be a large territory including more than one state.

[1] http://www.inc.com/encyclopedia/distributorships – and – dealerships.html#ixzz3DmR5xQ5W 25. 06. 2014.

Distributors pay wholesale prices for the product and then distribute to dealers who pay dealer price.

Variants to this general pattern exist. One such is the contract distributor who purchases a product from a producer, consolidates it with other products thus adding value, and resells the product. A contract distributor differs from a wholesaler in that a wholesaler merely purchases a product, along with other products from different manufacturers, and resells the product with little if any changes.

Being an independent entity, the distributor's operations are not under the direct managerial control of a producer. Producers, however, influence the distributor by providing common methods for display, for inventory management, producing national advertising and symbolism, and offering incentives. Some of these internal matters may be governed by the general contract under which distributors and producers operate

3. Types of business buyers

3.2 Profit-oriented companies

1 Categories of Business Market Customers

Commercial Firms
- OEMs
- Wholesalers
- Retailers

Governments
- Federal
- State
- Municipal
- County

Institutions
- Unions
- Civic clubs
- Churches
- Foundations
- Nonprofits
- Other

2 Profit-oriented companies

Three categories of Commercial Customers:

1. Users
2. OEMs
3. Dealers and distributors

2 Profit-oriented companies - Users

- Users purchase industrial products or services to produce other goods or services that are, in turn, sold in the business or consumer markets.
- **Example**: Toyota buys machines to produce cars that are sold to consumers and businesses.
  Toyota is a user in this context

2 Profit-oriented companies - OEMs

- **Original Equipment Manufacturers**
- An original equipment manufacturer (OEM) manufactures products or components that are purchased by a company and retailed under that purchasing company's brand name.
- For example when you buy an LG computer you do not know the brand names of spare part producers

2 Profit-oriented companies - Dealers and distributors

- **A dealership** is sometimes called a **retail distributor**,
- dealer usually **sells to the public**
- **The distributor is** a **wholesaler or middleman** engaged in the distribution of a category of goods especially to retailers
- The distributor cannot represent him- or herself as the producer
- **The distributor usually has an exclusive territory**

6

3.3 Governments and administrative organisations

1. Government Organizations

– Include domestic units of federal, state, local and foreign governments

– These organizations are state, – or federal owned and have administrative, control or legal roles and functions

– Public laws play the dominant role which specify contractual arrangements

– Knowledge of both government requirement and actual legal regulations needed for effective negotiation

– Generally use the bidding approach to purchase goods and services (in most cases) during public procurement

– Purchase up to 1/3 Gross Domestic Product (GDP)

– The suppliers of government organizations should understand the contractual and legal side of government purchasing federal buying process

2. Government Markets

– **Government Markets** where governmental units – federal, state, and local – that purchase or rent goods and services for carrying out the main functions of government.

– Government markets tend to favour domestic suppliers and require suppliers to submit bids and normally award to the lowest bidder. This means that so called non – economic factors can play important and desivie roles.

– Extensive paperwork is required from suppliers

– Actual government markets priorities also directly impact the final choice

– Firms which follow non – discriminatory practices have real chances for winning and their good credit is also important

– Most firms that sell to government buyers are not marketing – oriented (they have different focus)

– Some companies have separate government marketing departments

– Much of government buying has migrated online

– Due to strict regulations of public procurement each relevant purchase carefully monitored

3. Types of business buyers

3.3 Governments and administrative organizations

1 Categories of Business Market Customers

- **Commercial Firms** → OEMs; Wholesalers, Retailers
- **Governments**: Federal, State, Municipal, County
- **Institutions**: Unions, Civic clubs, Churches, Foundations, Nonprofits, Other

2 Government Organizations -1

- Include domestic units of federal, state, local and foreign governments
- Understand the **contractual and legal side** of government purchasing federal buying process
- **Public laws** which specify contractual arrangements
- Vendors must carefully understand government laws

3

2 Government Organizations - 2

- Knowledge of both **government requirement** and **actual legal regulations** needed for effective negotiation
- Generally use the **bidding approach** to purchase goods and services (in most cases) during public procurement
- Purchase up to 1/3 Gross Domestic Product (GDP)

3 Government Markets - 1

- Government markets **tend to favour domestic** suppliers and require suppliers to submit bids and normally award to the lowest bidder
- *Extensive* **paperwork** is required from suppliers

3 Government Markets - 2

- Actual government markets **priorities**
- Firms which follow **non-discriminatory** practices
- Most firms that sell to government buyers are not marketing-oriented (have different focus)
- Some companies **have separate government marketing departments**

3 Government Markets - 3

- Much of government buying has migrated **online**
- Carefully **monitored**
- Affected by similar **environmental factors**
- **Good credit**
- **Non-economic factors**

7

3.4 Institutions

1. Institution

– **Institution** includes a wide variety of organizations, both public and private, such as hospitals, churches, universities, museums, and not – for-profit agencies. Their main general task is
to take care of special persons who are in the institution

– **Institution** are more concretely e.g.:
- churches,
- schools,
- prisons,
- hospitals, nursing homes and
- other institutions that provide goods and services to people in their care

– Institution is a middle ground between business and government organisation

– Institution requires the marketer to respond to the needs of the product users (professional staff) and the buyers (purchasing personnel)

2. Institutional Markets

– Often characterized by low budgets and captive patrons

– Marketers may develop separate divisions and marketing mixes to service institutional markets

– **"Captive" audience [1]:** a group of people who listen to or watch someone or something because they cannot leave 1 (See illustration for captive audience below.)

[1] http://dictionary.cambridge.org/dictionary/british/captive – audience 25. 06. 2014

BERNARD COVA, ROBERT SALLE, RENE´ VINCENT: To Bid or Not to Bid: Screening the Whorcop Project [2] (details and summary) – Recommended learning material

This case study illustrates the special features of purchasing methods in case of an institute. As you will see both very rational economic and administrative and personal elements can be identified in this buying process.

1. Introduction of the environment

In the 1990s the French Atlantic coast was a flourishing centre for tuna, has seen activity decline rapidly in the wake of E.U. directives on fishing quotas and global agreements on the number of fishing vessels. Fishermen, as elsewhere, always buy their boats from a local yard. But the shipyard market is dominated by state orders.

[1] BERNARD COVA–ROBERT SALLE–RENE´ VINCENT (2000): To Bid or Not to Bid: Screening the Whorcop Project. *European Management Journal.* 18., (5.), Pp. 551–560.

2. Introduction of the Catalu Shipyard, as one of the main actors of story

It is located on the French Atlantic coast and employs 40 people. Ever since its creation Catalu had been the subject of animated discussion concerning diversification, due to the depressed state of the market for fishing boats. With the support of the Ministry for Industry, Catalu was able to carry out a series of six trials on new catamaran hulls that substantially improved performance Catalu gained an enviable reputation as a market leader in catamaran service vessels from 10 to 50 m in length.

3. Challenges of the Catalu Shipyard

They need to develop the yard's potential in other activities. Catalu's target market: business in service vessels operating within 200 miles of the coast is far from easy.

Catalu has a significant advantage, based on its expertise with aluminium. While aluminium requires technical expertise for production, it also has the significant advantage of being much lighter than steel, a key element in boat – building.

Know – how on the different shapes of vessels and the ability to make the necessary calculations were an obvious advantage for Catalu.

Catalu was able to obtain information to:

a) Measure future trends in the fishing boat market.
b) Analyse potential threats to this market.
c) Carry out an initial segmentation of target markets to help clarify the yard's strategic objectives, and the positioning Catalu wished to achieve

4. The Atrima Conference and the Ircho Contract

Each ATRIMA (Association for International Maritime Aeronautic Research and Technology) conference offers opportunities to research centres and firms to make their expertise better known and understood. In co – operation with its technical partner In the Conference Catalu presented a paper on the advantages of solutions linked to professional catamarans

Oceanographic survey vessels are special. Whereas these are floating laboratories they must also provide working conditions that are favourable for scientists involved in complex experiments. Previous vessels have frequently been unseaworthy. The success of an oceanographic survey depends directly on the scientists' ability to carry out experiments on board.

During this conference M. Martinez, a leading scientist from Ircho, a research organisation that had taken the decision to have an oceanographic survey vessel built, expressed interest in this new technology (Ircho is attached both to the Ministry of Research and the Ministry of Cooperation). The first offer flopped as all the replies came in over budget. Catalu did not take part in the first offer for tender.

Early 1992, Ircho launched a second offer for tender that insisted on a catamaran solution. Catalu responded to this second offer for tender with a catamaran survey vessel for Ircho, and won the contract. The Neptune project was due to be launched in spring 1993.

5. The Whorcop, as another important actor

It is a state organisation with industrial and commercial activities. They are responsible for research on subjects as 'the variability and evolution of the natural environment', 'geodynamics and natural risks' and 'living marine resources and their environment'. 200 researchers and 80 engineers and technicians represent a wide range of scientific competencies to conduct missions for the State or Foreign States or private firms. On many of these missions they enter in competition with Foreign State Agencies or private firms. Whorcop is attached both to the Ministry of Research and to the Ministry of Maritime Affairs.

6. The Whorcop Call for Tender

In March 1992 Whorcop launched an offer for tender for an even larger survey vessel, with a steel monohull. Whorcop refused a catamaran solution. In this tender all the responses were over budget. Therefore a second tender was launched: a catamaran solution only as a variant

6.1 The Whorcop Call for Tender – Some details

When purchasing a new scientific vessel, Whorcop establishes a Buying Committee. The Buying Committee is formed of three sub – committees: Technical, Economic and Legal. Who is missing from the Committee? The future users, the researchers are not represented directly. Whorcop requested the help of an engineering agency, Bating that worked out most of the specifications.

Alan Martin, the Programme Manager, heads the Buying Committee and has always been the main decision – maker in previous operations. He knows all the yards able to correspond to specification and shows a lot of authority when it comes to sailing and shipping. But he is not known by Catalu.

6.2 Socrato and Steelship, as another actors

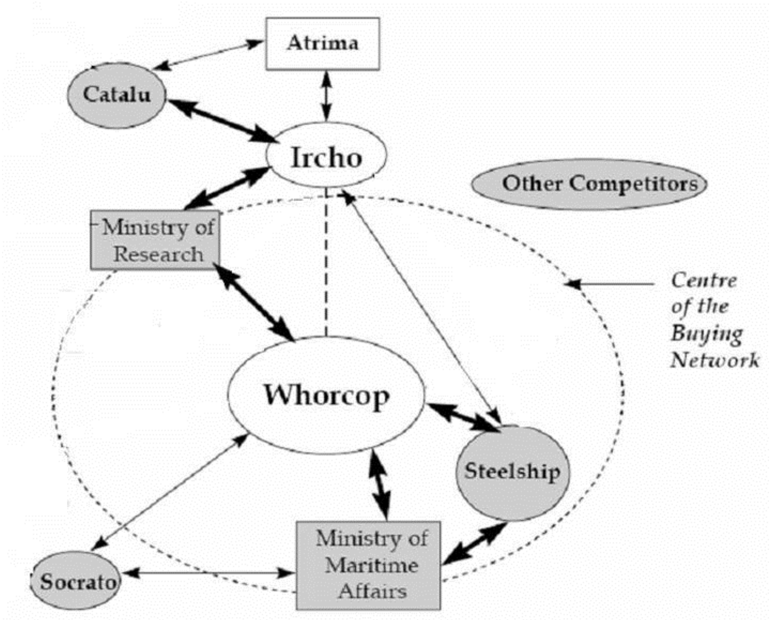
Eight to twelve European shipyards are bound to call for this new tender. It is generally thought that Steelship, and Socrato would be shortlisted. Steelship is a yard with a long experience of ships for survey and surveillance missions. Their expertise is mono – hull steel ships. They also benefit from strong support from the Ministry of Maritime Affairs at a very high level. They have strong links with Martin at Whorcop.

Socrato also have a strong knowledge and expertise in survey and surveillance vessels. One of their top management is said to have good contacts with the Ministry of Maritime Affairs and the Ministry of Finance. They presently have excess capacity and they threaten lay offs if they are not successful.

At this stage of the process, the issue is to decide whether or not it is worthwhile for Catalu to go on investing on Whorcop's tender and what should the ways be if the answer is positive.

6.3 What are the chances of Catalu?

As you can see the figure below the chances of Catalu is quite bad because it is not in the close relationship circles of the main influencers and decision makers. Catalu also have contacts and existing project with some actors – for example the Neptune project with Ircho but in this case Whorcop is the buyer – although researchers will be the users – and its main decision maker is Mr Martin.



7. The Whorcop project's screening for Catalu

– Assessment of the 'relational position' or 'network position' (weak, peripheral).

– Assessment of the 'functional position' of Catalu on the Whorcop project: the users of the vessel (sailors and scientists) hold only a limited role in the decision – making process

– Assessment of the 'competitive strengths' of Catalu, combining its relational and its functional positions

8. How did Catalu finally manage to win the bid?

Catalu evaluate the buying centre and the project, according to its strengths. They were successful on the Ircho's Neptune project. So Catalu organize visits to their catamaran for colleagues (sailors and scientists) from Whorcop. Here visitors recognize Catalu solution creates more value for Whorcop. But they unfortunately do not really participate in the final decision. Catalu has to empower them in order to change the rules of the game (buying centre, expected value and decision criteria). Sailors and scientists need the problem to be expressed in a certain manner in order to convince the buying committee. In supporting this action, Catalu reconstructs the buying centre and consequently restructures the set of decision criteria according to its competencies

Catalu gains the contract and Martin quits Whorcop.

9. Conclusions

– Importance of the pre – bid analysis, or screening procedure

– Catalu understand interaction between the parties influenced

– The bidder must be to build a comprehensive solution which reduces the combined risks

– Great care must be taken as to the timing

3. Types of business buyers

3.4 Institutions

1 Categories of Business Market Customers

Commercial Firms	OEMs Wholesalers Retailers		
Governments	Federal Municipal	State County	
Institutions	Unions Foundations	Civic clubs Nonprofits	Churches Other

2 Institutions

- includes a wide variety of organizations, both public and private
- A middle ground between business and government
- Requires the marketer to respond to the needs of the product users (professional staff) and the buyers (purchasing personnel)

3 Institutional Markets - 1

- churches,
- schools,
- prisons,
- hospitals, nursing homes and
- other institutions that provide **goods and services to people in their care**

4

3 Institutional Markets - 2

- Often characterized by low budgets and captive patrons
- Marketers may develop separate divisions and marketing mixes to service institutional markets
- “Captive” audience →

4. Fejezet

4.1 Different types of distances in business marketing

Distances between buyer and supplier

1) Social

2) Cultural

3) Technological

4) Time

5) Geographic

1) Social distance is the unfamiliarity with the way the other works – > Life/ work style

2) Cultural distance is the result of diverse national characteristics

3) **Time distance** is the elapsed time between establishing contact and the final transfer of the good or service

4) **Technological distance** is a gap in product or process technologies

5) **Geographic distance** is the extent to which firms are physically separated

4 Definition of market, relationship with competitors

4.1 Different types of distances in business marketing

This is our starting point!

The customer is always an organization!!

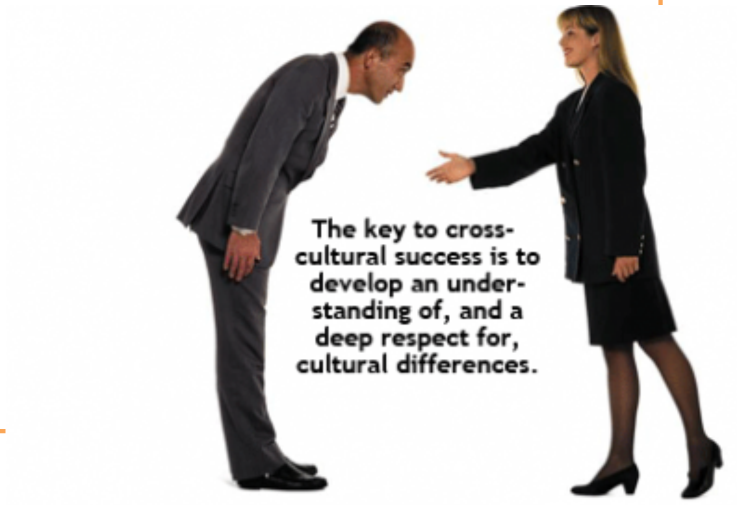
1 Distances between buyer and supplier - 1

1. Social
2. Cultural
3. Technological
4. Time
5. Geographic

3

1 Distances between buyer and supplier - 2

- **Social distance** is the unfamiliarity with the way the other works -> **Life/ work style**
- **Cultural distance** is the result of diverse national characteristics



1 Distances between buyer and supplier - 3

- **Time distance** is the elapsed time between establishing contact and the final transfer of the good or service
- **Technological distance** is a gap in product or process technologies

5

1 Distances between buyer and supplier - 4

- **Geographic distance** is the extent to which firms are physically separated

6

4.2 An example for distances in business marketing: Case Study on the Gedeon Richter Plc. [1]

[1] based on www.richter.hu 10. 11. 2013.

1. At a glance

– Richter's distribution network is unparalleled in central and eastern Europe, extending to cover almost 100 countries in 5 continents around the world

– The Company maintains a direct presence in 30 countries, with a total of four manufacturing sites, 30 representative offices and 14 commercial subsidiaries and wholesalers

– Today the Company has evolved into the Central – Eastern European region's most important centre for pharmaceutical research.

2. Until 1914

– It was established by pharmacist Gedeon Richter in 1901 (See portrait of Gedeon Richter and logo of the Richter company below)

– Initially, small – scale pharmaceutical production took place in the „Sas” (Eagle) Pharmacy, which still operates

– However, pharmaceutical production at an industrial scale necessitated heavy investments and large – scale pharmaceutical manufacturing activities which were extremely capital – intensive operations

– The plant was built in 1907 in Budapest’s suburb

3. Between 1914 and 1945

– Between the two World Wars, the plant became an internationally recognized major factory

– When the First World War was over, the Company was one of the largest pharmaceutical factories in the Austro – Hungarian Monarchy

– In 1923, the Company was transformed into a company limited by shares and manufactured approximately 100 special pharmaceutical products

– Founder Gedeon Richter realized that the expansion of Richter's international commercial network comprised a prerequisite condition for fast growth and development

– Consequently they established 10 subsidiary companies abroad, opened 40 representation offices *–> Decrease of geographic distance*

– Between 1906 and 1948, the Company obtained 86 patents *– > Decrease of technological distance*

– In 1936 the factory had 9 plant divisions and 5 scientific departments *– > Decrease of technological and geographic distance*

4. Between 1945 and 1991

– The plant suffered heavy damages during World War II

– In 1948 the plant was nationalized under the new name „Kőbánya Pharmaceutical Factory„ (See the entrance of Kőbánya Pharmaceutical Factory below)

– After the war the Company lost its Western European export markets and its subsidiaries

– When COMECON (Council for Mutual Economic Assistance among socialist countries) was formed, the Company focused its export activities on Eastern European countries (In the picture on the next page you can see a truck waiting for delivery in the Kőbánya Pharmaceutical Factory to the former Soviet Union with Cyrill letters the company name of Gedeon Richter on the truck.)

– Massive research efforts relating to original drugs were launched in the early 1950s

– In the 1960 the Company became the largest supplier of pharmaceutical products to COMECON member countries and the Soviet Union *– > Handling social and cultural distances*

– The factory benefited from the fact that the Company still used the Gedeon Richter Ltd. name in foreign (Western) markets
– > in the 1970s the Company significantly increased its exports *– > Handling social distance*

– The Company made very good use of its skills and expertise in pharmaceutical production

– Developed a range of cosmetics that were marketed under the „Fabulon" brand name as well as the new „Richtofit" product range which used herbal extracts (See an advertisement of Fabulon cosmetics and a photo of Richtofit sport cream below.)

5. Between 1991–2003

– Economic and political changes in this region – The collapse of COMECON, where sales were highly predictable and exports were profitable for Richter

– The liberalization of imports to Hungary resulted in the influx of imported pharmaceutical products via aggressive marketing methods

– The Company was burdened by debts and interest payment liabilities relating to a huge quantity of frozen stocks

– The high inflation in Hungary precipitated in increasing production costs

– The Company's situation became quite critical

– The Company phased out the production of herbicides, veterinary medicines and cosmetics and launched a project to update and upgrade its portfolio of human medicines

– The new management drew up a new strategy in 1992

6. The new strategy

– the introduction of a much stricter financial control and audit scheme
– the elimination of products that were manufactured in small quantities, or at low profit margins
– focus on Richter's core business
– the development of a marketing network to regain recently lost Eastern European markets
– the concentration of research and development efforts
– gradual reduction of total workforce while hiring new staff in principal corporate growth areas
– the adoption of a market-oriented approach to replace the out-dated production-oriented policies

7. From 2004

– 1996: the World Intellectual Property Organisation (WIPO) awarded the Company a Gold Medal for registering the highest number of patents.

– Privatization offerings in 1994, 1995 and 1997 led to a reduction in the state's shareholding in the Company

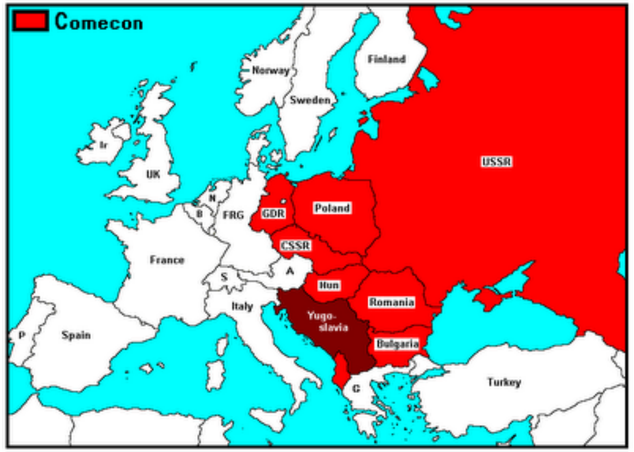
– The market and distribution network branches into various countries in the European Union, the United States, Japan and the Eastern region

– Their intention: to further enhance the Company's multinational role in the region and constant renewal of their product portfolio

Some words about COMECON [2] – Recommended learning material

Comecon, byname of Council for Mutual Economic Assistance (CMEA), also called (from 1991) Organization for International Economic Cooperation, organization established in January 1949 to facilitate and coordinate the economic development of the eastern European countries belonging to the Soviet bloc. Comecon's original members were the Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. Albania joined in February 1949 but ceased taking an active part at the end of 1961. The German Democratic Republic became a member in September 1950 and the Mongolian People's Republic in June 1962. In 1964 an agreement was concluded enabling Yugoslavia to participate on equal terms with Comecon members in the areas of trade, finance, currency, and industry. Cuba, in 1972, became the 9th full member and Vietnam, in 1978, became the 10th. Headquarters were established in Moscow. After the democratic revolutions in Eastern Europe in 1989, the organization largely lost its purpose and power, and changes in policies and name in 1990–91 reflected the disintegration. 2 (See European COMECON countries in the map, the logo of COMECON and flags of member states below.)

[2] http://www.britannica.com/ 10. 06. 2014.



Its goal was initially to bind the East European satellite states closer economically to the Soviet Union. It was also a response to the U.S. – initiated Marshall Plan. Comecon's timing was critical, as some East European states had shown interest in participating in the Marshall Plan. Overcoming the West's trade restrictions toward the Soviet bloc had been a major goal of Comecon integration since its inception. Among the other stated goals of Comecon were increased trade, extension of technical aid to member states, and the rendering of mutual assistance with respect to raw materials, foodstuffs, machines, equipment, and the like.

Comecon was united by a common ideological and economic basis, namely a socialist monoparty system based on Marxism – Leninism, and by an economic system based on state – run central planning. It was not homogenous in terms of geography or a common stage of economic development. The most important institution of Comecon was the Session of the Council for Mutual Economic Assistance, which decided the broad guidelines of Comecon policies. Adoption of the phrase „socialist economic integration" pointed to the possible supranational nature of Comecon activities. The early 1980s brought a number of difficulties to the Comecon states, including the Polish and Hungarian debt crisis, the oil price shocks, and the decline of growth rates in centrally planned economies. In 1985, Soviet leader Mikhail Gorbachev tried to revive the Comecon process with the Comprehensive Program for Scientific and Technical Progress, which for the first time included supranational approaches in science and technology policy. However, the decline of Soviet power led to a rapid loss of interest among its member states, and in 1991, when East European states began to redirect their interest toward Western Europe, Comecon was formally disbanded.

Despite its shortcomings, Comecon was a cornerstone in the Soviet Union's strategy to achieve domination of the European continent. Comecon was from the beginning a response to the nascent European integration process. The international socialist division of labour did not, however, bring the same advantages as the division of labour of capitalist states due to the non-convertibility of currencies and the resulting necessity of balancing bilateral trade. Because of the limited number of participants and the limited depth of socialist integration, Comecon's efficacy, compared to the West European integration process, was limited. [3]

[2] Bernhard Johannes Seliger: *Sputnik Escalates the Cold War – Comecon (1949–1991)* http://www.historyandtheheadlines.abc – clio.com 22. 06. 2014.

4 Definition of market, relationship with competitors

4.2 An exsample for distances in business marketing

1 Distances between buyer and supplier

1. Social
2. Cultural
3. Technological
4. Time
5. Geographic

2

Representative offices in the C.I.S.
Representative offices in other countries
Subsidiaries and joint ventures in production
Commercial subsidiaries
Other subsidiaries

2 Case Study:
The Gedeon Richter Plc.

2 Case Study – Between the two World Wars

- Founder Gedeon Richter -> expansion of Richter's **international commercial network** is a prerequisite condition for fast growth and development
- Established 10 subsidiary companies abroad, opened 40 representation offices –> **Decrease of geographic distance**
- 1906 and 1948, the Company obtained 86 patents - **Decrease of technological distance**
- In 1936 the factory had 9 plant divisions and 5 scientific departments -> **Decrease of technological and geographic distance**

4

2 Case Study – Between 1945 and 1991

- After the war the Company lost its Western European export markets and its subsidiaries
- In the 1960 the Company became the largest supplier of pharmaceutical products to COMECON member countries and the Soviet Union -> **Handling social and cultural distances**
- The factory benefited from the fact that the Company still used the Gedeon Richter Ltd. name in foreign (Western) markets -> in the 1970s the Company significantly increased its exports -> **Handling social distance**

5

4.3 Competitors are not always enemies!

1. Competitors in business markets

– Despite less actors competition is as intensive as in B2C markets

– Focus of competition (in most cases) in B2C market: price

– Focus of competition in B2B market:

  – Functional benefits,
  – after-sale services

– Besides prices functionality and reliability

2. Forms of competition

– Classic competition – competitive price
  – e.g. standard goods

– Competition through alternative, substitute products

– Competition through different segment or market
  – e.g. country

3. Competitors are enemies?

– Much less actors in a concrete market!

– High R&D costs + global competition

– Ad hoc cooperation – e.g. projects, big tender

– Cross mergers and acquisitions

– Alliances

– Conclusion: Competitors frequently are NOT enemies because in some projects and some situations it is more successful to cooperate than compete!

4 Definition of market, relationship with competitors

4.3 Competitors are not always enemies!

1 Competitors in business markets

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- Competition through **alternative, substitute products**
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3 Competitors are enemies?

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- Ad hoc cooperation – e.g. projects, big tender
- Cross mergers and acquisitions
- Alliances

5. Fejezet

5.1 Types of concentrated markets: fairs and exhibitions

1. Concentrated markets in B2B marketing in our approach

– **Concentrated markets** --> supply side can be found in a concentrated form

– **Types of Concentrated markets:** o fairs and exhibitions o stock exchanges o auctions o competitive bidding

The left picture below illustrates the today stock exchange and the right picture is a professional fair.

2. Characteristics of professional fairs and exhibitions

– It concentrates demand and supply both in time and place

– Can be local, national and international

– Usually focus on one specific sector of economy or topic/ activity

– Target audience: relevant business persons and companies

– There are more and more

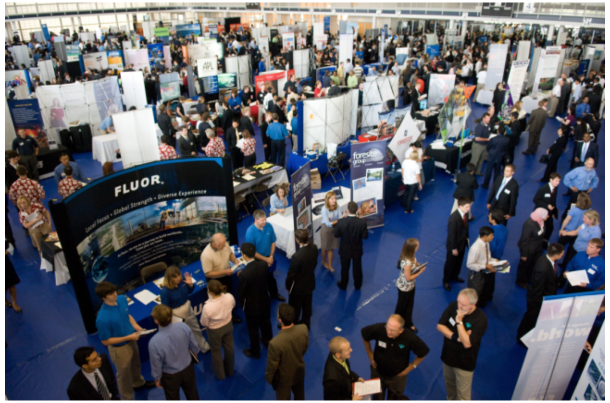
– Not open for (individual) consumers (sometimes only in the last day)

3. Aims of fairs and exhibitions

– Introduction and demonstration of
  – firm
  – firm's products and/or service
  – latest product, innovation

– Some concrete business aims

– Presence: prestige



A new sample for professional fair and exhibition [1] – Recommended learning material

Connecting your business – EXPO21XX is the place where your customers are! This is the slogan of a new on-line entrepreneurship focusing on fairs.

The EXPO21XX online exhibition platform reaches an extensive worldwide audience of buyers, engineers and business professionals and therefore offers unique b2b marketing prospects. EXPO21XX offers an extensive business network connecting the leading technological companies from industrial manufacturing, services, consumer goods and research. EXPO21XX connects industry and sciences through collaboration with international top universities and research labs. It offers 20 online exhibitions for industrial b2b promotion covering industry, energy, agricultural and consumer goods giving you a transparent and quick market overview including major manufacturers and suppliers.

See the concept of EXPO21XX 9 on next page.

[1]http://www.epo21xx.com 28. 06. 2014.

5. Concentrated markets

5.1 Types of concentrated markets: fairs and exhibitions

1 Concentrated markets in B2B marketing in our approach

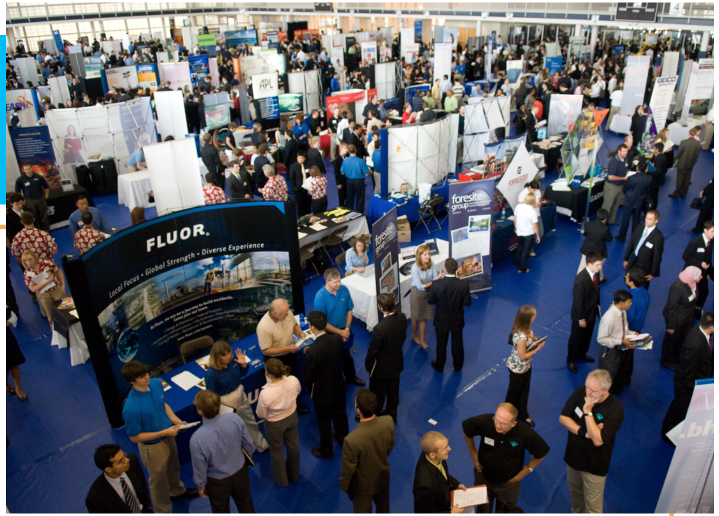
- Concentrated markets -> can be found supply side in a concentrated form


2 Characteristics of professional fairs and exhibitions

- It **concentrates** demand and supply both in **time and place**
- Can be local, national and international
- Usually **focus on one specific sector** of economy or **topic**/ activity
- Target audience: relevant business persons and companies
- There are more and more fairs
- Not open for consumers (sometimes only in the last day)

3

3 Aims of fairs and exhibitions



- Introduction and demonstration of
  - firm
  - firm's products and/or service
  - latest product, innovation
- Some concrete business aims
- Presence: prestige

4

5.2 Types of concentrated markets: stock exchanges and auctions

1. Definition of stock exchanges

- **The stock exchanges** are organized and regulated financial market which are divided into 2 types:
  - **stock market:** securities (bonds, notes, shares); and
  - **produce exchange:** some homogenous products are bought and sold, at prices governed by the forces of demand and supply, the product is not there physically

- Stock exchanges impose stringent rules, requirements

Stock exchanges basically serve as (1) primary markets where corporations, governments, municipalities, and other incorporated bodies can raise capital by channelling savings of the investors into productive ventures; and (2) secondary markets where investors can sell their securities to other investors for cash, thus reducing the risk of investment and maintaining liquidity in the system. Stock exchanges impose stringent rules, listing requirements, and statutory requirements that are binding on all listed and trading parties. Trades in the older exchanges are conducted on the floor (called the ‚trading floor') of the exchange itself, by shouting orders and instructions (called open outcry system). On modern exchanges, trades are conducted over telephone or online. (See the first black--and--white picture below.) Almost all exchanges are ‚auction exchanges' where buyers enter competitive bids and sellers enter competitive orders through a trading day. Some European exchanges, however, use ‚periodic auction' method in which round--robin calls are made once a trading day. The first stock exchange was opened in Amsterdam in 1602; the three largest exchanges in the world are (in the descending order) New York Stock Exchange (NYSE), London Stock Exchange (LSE), and the Tokyo Stock Exchange (TSE). Called also stock market. [1]

[1] http://www.business-dictionary.com/definition/stock--exchange.html#ixzz3DTd6Sjsm 20. 06. 2014.

2. Stock exchanges in the past and now

All early stock exchanges used trading systems that were based upon an „open outcry" method of buying and selling. Open outcry trading occurs between people who wish to buy or sell shares. Each trader openly negotiates with each other to gain the best price for the shares they wish to buy or sell. This results in an extremely chaotic atmosphere that you will remember from movies like Wall Street and various news articles. The picture above shows the trading floor of the Chicago Board of Trade (CBOT) where Futures contracts were traded. The CBOT was the largest open outcry exchange in the world.

As technology developed, most stock exchanges began to use computers to replace floor traders. The NYSE (New York Stock Exchange) is one of the only stock exchanges in the world that still functions on an open--outcry trading system. Floor traders take phone and computer orders from brokers, and negotiate a trade with stock specialists at trading stations on the trading floor. The NYSE is currently implementing a completely automated computer system, until then the NYSE will remain an exciting and stressful place. 2 (See illustration of modern stock exchange on the previous page.)

3. Definition of auction

Auction: a public sale in which property or items of merchandise are sold to the highest bidder

In most cases, sellers will pay a listing fee to the auctioneer, regardless of whether the item actually sells for the desired price3

Sotheby's is the world's fourth oldest auction house in continuous operation, with 90 locations in 40 countries. (See picture below.) It is one of the world's largest brokers of fine and decorative art, jewellery, real estate, and collectibles, Sotheby's operation is divided into three segments: Auction, Finance, and Dealer.

For example, Google used a modified form of auctioning called the Dutch auction when it issued its IPO. In this form of auction, prospective buyers submitted bids that included the number of shares desired and what the bidder was willing to pay for them. After the auction ended, the underwriters sorted through bids in order to determine the minimum priced bid they would accept from buyers. The IPO was priced at $85. [2, 3]

The internet has increased the amount of exposure that auctions now have, and bidders no longer have to be physically present to participate. Online marketplaces such as eBay connect buyers and sellers worldwide by allowing individuals to submit their bids (or list their products) online and send payment electronically. [4]

[2] Nick McCaw: *First Steps: Step Two – History of the Modern Day Stock Market.* http://www.sharechat.co.nz/first--steps--02.html 10. 06. 2014.

[3] http://www.thefreedictionary.com/auction 20. 06. 2014.

[4] http://www.investopedia.com 20. 06. 2014.

5. Concentrated markets

5.2 Types of concentrated markets: stock exchanges and auctions

1 Definition of stock exchanges

- Organized and regulated financial market where
  - **securities** (bonds, notes, shares) (**stock market**) and
  - some **homogenous products** (**produce exchange**) are bought and sold,
- at **prices** governed by the forces of demand and supply, the product is **not there physically**
- Stock exchanges impose stringent rules, requirements

2

2 Stock exchanges in the past and now

3 Definition of auction

- Auction: a public sale in which property or items of merchandise are sold to the highest bidder
- In most cases, **sellers will pay a listing fee** to the auctioneer, regardless of whether the item actually sells for the desired price

4

5.3 Types of concentrated markets: bids and tendering

1. What is difference between bid and tender?

– **A tender** is the package of documents (drawings and Specifications) the owner has prepared for the Request for Quotation.

– **A bid** is a quotation or price that you submit to the owner or general contractor

– The potential supplier receive a tender package with all the information for the project and you submit your bid (price) for the tender (Request for Quotation)

– Tender is the act of giving the bid. A correct use would be that a firm tenders a bid on the contract. It's a formal way of saying offer.

2. What is tendering?

Tendering: a formalised process of bidding for work or contracts in response to an invitation or request for tender

3. Process of tendering [1]

1. **Tender process is determined:** the organisation requesting the tender will determine the type of tender that will be used, as well as what will be involved in the tender process.

2. **Request for tender is prepared:** the request for tender outlines what is required, the contractual requirements and how you should respond.

3. **Tenders are invited:** the value, complexity and business category determine how tenders are invited.

4. **Suppliers respond:** you should first obtain all relevant documentation. Then:

    a. Attend any pre tender briefing sessions being conducted

    b. Clarify any uncertainties

    c. Plan your response

    d. Prepare your response

    e. Submit your response in the right format, on time and at the right location

5. **Evaluation and selection:** each tender will be checked for compliance, and if compliant, then evaluated against the criteria specified in the tender documentation. The tender that offers best value for money will win the business.

6. **Notification and debriefing:** when a contract has been awarded, the successful tenderer will be advised in writing of the outcome. Unsuccessful tenderers are also advised and offered a debriefing interview.

7. **Contracts established and managed:** generally a formal agreement will be required between the successful tenderer and the relevant agency. Tenders are evaluated with regard to defined criteria

[1] http://toolkit.smallbiz.nsw.gov.au/part/26/134/627 20. 06. 2014

4. In which fields are the most tenders?

The tendering process is generally utilised for procurements or contracts involving substantial amounts of money

Tendering is frequent:

– Government departments, offices and agencies

– Private sector companies and businesses

– Overseas markets and businesses

5. Concentrated markets

5.3 Types of concentrated markets:
competitive bidding

1 Definition of competitive bidding

- Transparent' procurement method, in which
- bids from competing suppliers are invited by openly advertising the scope,
- specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated.
- Competitive bidding **aims at obtaining goods and services at the lowest prices by stimulating competition**, and by preventing favouritism.

2

2 Types of competitive bidding

1. **In open competitive bidding** (also called open bidding), the sealed bids are opened in full view of all who may wish to witness the bid opening
2. **in closed competitive bidding** (also called closed bidding), the sealed bids are opened in presence only of authorized personnel.

3

3 Definition of competitive negotiation

- **Tendering method** (**used as an alternative to competitive bidding**): a request for proposals (RFP) is sent only to qualified contractors or suppliers.
- The RFP details the specifications, and terms and conditions of the proposed contract and the criteria for evaluating the bids.
- Then separate negotiations are carried out with each bidder whose bid falls within the present competitive range.
- The process concludes with the award of contract to the bidder who offers most advantageous price, quality, and service combination.

4

6. Fejezet

6.1 Definition of customer value

"Everything is worth what its purchaser will pay for it." Publilius Syrus, first century B.C.

Comprehensive "Deliciousness" (below) illustrates the various expectations toward a simple food. [1] So the situation is even more complicated e.g. in case of a machine for a factory!

[1] http://www.ajino-moto.com 20. 06. 2014.

1. The economic value [2]

– **The economic value: The worth of a good or service as determined by people's preferences and the trade--offs they choose to make given their scarce resources, or the value the market places on an item.**

– Economic value is represented by the maximum amount a consumer is willing to pay for an item in a free market economy, or the amount of time an individual will sacrifice waiting to obtain a government--rationed good in a socialist economy.

– In contrast, **market value** represents the minimum amount a consumer will pay. Economic value thus often exceeds market value

2. Customer value

– **Customer value: Value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering.** [3]

– The customer's subjective opinion how much the product/ service suits his/ her expectations

3. Features of customer value

– Customer specific

– Changeable during time

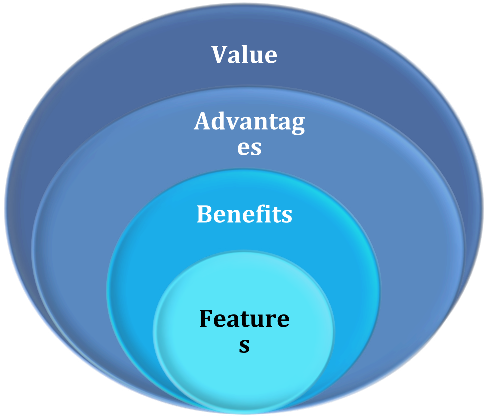
– Under continuous control

– Affect future purchasing

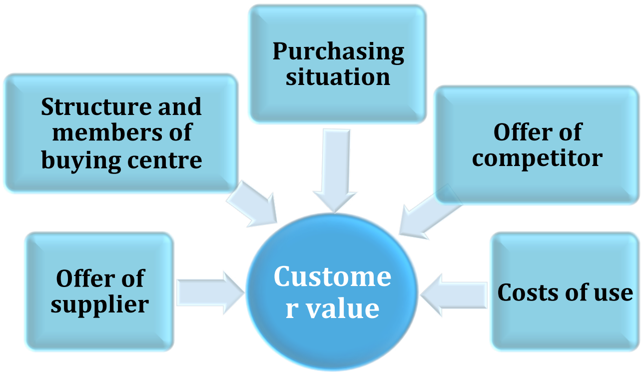
[2] http://www.investopedia.com/terms/e/economic--value.asp 20. 06. 2014.

[3] James C. Anderson –James A. Narus (1998): Business marketing: understand what customers value. *Harvard Business Review* . 1998 Nov--Dec. 76., (6.), Pp. 53–65.

The logical relationship between value, advantages, benefits and features:



4. Impacts on customer value



Ray Sheen, Linda Sharp: Value Creation – Map What the Customer Experiences [4] (details and summary) – Recommended learning material

The most intriguing leadership opportunity and the most pressing management challenge of our time is measuring and managing the intangibles inherent in value creation through innovation and growth. After a long, long stretch of cost-cutting, executives are now interested in innovation and growth—growing the top line as well as the bottom line. But in this cycle of growth, the customer is in the driver's seat. And the power of the Internet in customers' hands has the potential of making every product or service a commodity.

There is hope here. Marketing guru Theodore Levitt of Harvard was ahead of his time when he said there was no such thing as a commodity. Even commodities could be differentiated by the relationship between the buyer and seller.

Now companies that avoid commoditization and excel at value creation no matter what the economic conditions will be those who are customer relationship--driven and optimize the customer experience while paying attention to profit. But first they have to know what customers experience, what customer's value, and what it costs the company to deliver it.

The Need for a Common Understanding of Value.

Value is a concept often discussed in business, but value has been as hard to define as the intangibles inherent in creating it have been hard to measure and manage. Oscar Wilde saw value as a matter of perspective: "A cynic is a man who knows the price of everything and the value of nothing." and "A sentimentalist is a man who sees an absurd value in everything, and doesn't know the market price of any single thing."

We agree that value is a matter of perspective—not just from the customer perspective that Wilde described, but from the company perspective as well. To complicate matters further, just as there are differences in customer perspectives, each part of the company has a different take on value. Yet each part has something important to contribute to a cross--functional solution. That solution finds a balance between 1) the value provided to the customer and 2) the value received—for the cost expended by the company and the price paid by the customer.

[4] http://www.religence.com 19.06.2014.

Company Perspective Overall

As important as the methods different parts of the company use to understand value are, companies often do not know the true sources of value from the customer perspective and, therefore, do not manage their companies to achieve optimum value for the cost expended. In order to align the business, the attributes of value must be understood from the customer perspective. Internally--focused business improvement methodologies are inadequate. Instead companies need to innovate within customer relationship processes to grow value.

What is needed is a methodology that allows a business to quickly and accurately assess value creation and value destruction within the day--to--day business processes from the customer's perspective. We are talking about a dynamic method to measure the value of intangibles in growth and innovation as they are created in real time and then correlating the value to profit. That is what is needed to enlist the cooperation of marketing and operations for the financial organization's efforts in non--financial performance management to be successful.

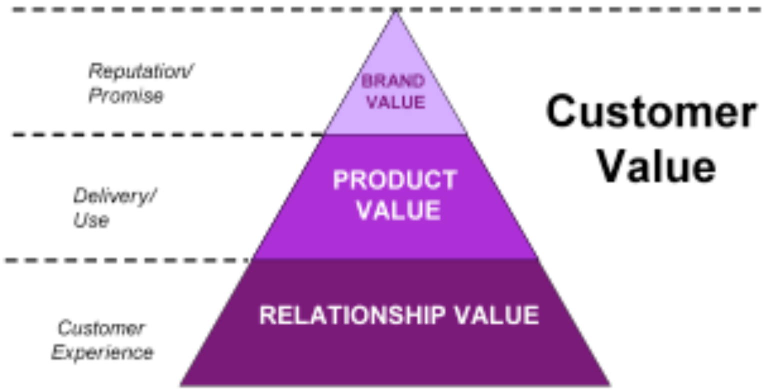
Customers Determine Value, not the Company

Customers purchase products and services only when they perceive a value is to be gained by acquiring those products or services. Yet in many companies there are both individuals and whole departments who don't know what their customers consider to be the elements of value. This leads to an inability to create and deliver value to the customer. The gap in knowledge and understanding of customer value often leads to poorly positioned products/services, sub--optimized processes, and dissatisfied customers—or to no customers at all.

Customers Perceive Value in Several Dimensions:

a) Brand Value

There is the value the customer associates with owning or using a product or service from the company. It is what the company promises to the customer, what the brand stands for, and its reputation. Particularly for high--ticket items, people buy from people or brands they identify with, are comfortable with, and can trust. They buy where they are familiar with the brand and have positive associations with the company and its offerings. (From the company perspective, when a brand has a high perceived value to the customer, the company can demand higher margins in good times and achieve greater market share in a tight economy as customers buy what they perceive to have a good reputation for value. Similarly, a strong brand name makes it easier for a company to break into new markets.)



b) Product Value

There is the value of a product's quality and features for the price that the company delivers to the customer, making good on the promise. There is the value the customer receives through the physical use of the product or service. Depending upon how the product or service is designed, the use of the product or service can add value or not.

c) Relationship Value

This aspect of value is even more important because it can be measured and managed and by measuring and managing it, Brand Value and Product Value are measured and managed. We call this aspect of value Relationship Value. Relationship Value is the value of the customer's experience and relationships with the company and the people in the company who make and deliver on the promise of the product or service—from the person who answers the phone, to the sales process, to fulfilment, to technical support to the executive who thanks them for the referral. People buy from people they know or know of—even in the age of the Internet, outsourcing, and automation. That's why it is easier to sell products and services from an established, trusted brand than from a new company.

6. How can we understand customer value?

6.1 Definition of customer value

"Everything is worth what its purchaser will pay for it." Publilius Syrus, first century B.C.

- Comprehensive "Deliciousness"

1 The economic value

- The worth of a good or service as determined by people's preferences and
- the trade offs they choose to make given their scarce resources, or the value the market places on an item.
- Economic value is represented by the maximum amount a consumer is willing to pay for an item in a free market economy

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2 Customer value

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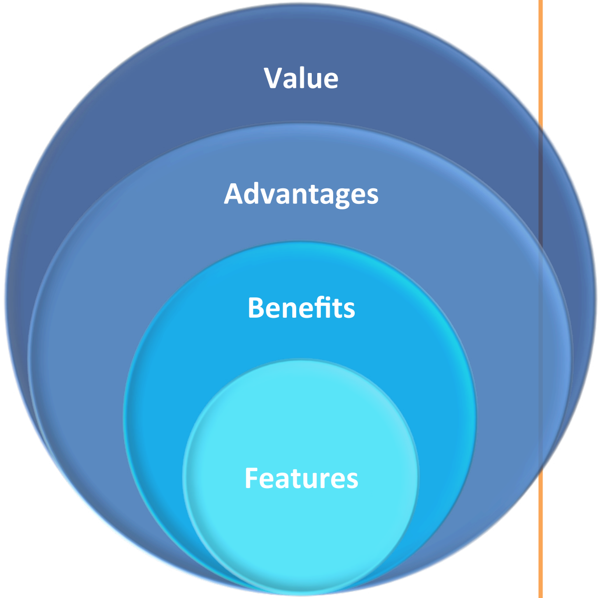

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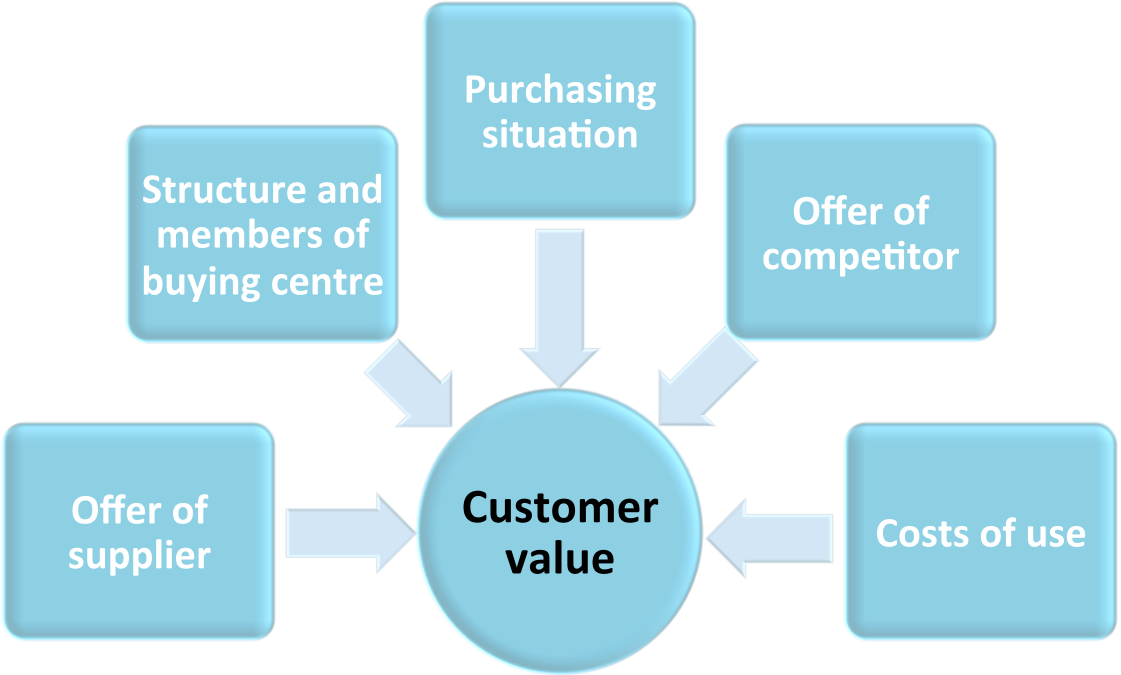
4 Impacts on customer value



6

6.2 Some possibilities for value creation

1. Introduction

– The customer value is the most important purchasing reason!

– Theoretically the buyer always can determine a make-or-buy decision!

2. How can a supplier contribute to its buyer's value creation?

A) To decrease buyer's production costs

– Better performance

– Decrease of waste (e.g. reuse)

– Decrease of direct work

– Decrease of energy costs

B) To decrease buyer's warehousing costs

– Fulfilling delivery to buyer

– Just-in-time delivery

C) To decrease buyer's administrative costs

– Simplifying invoicing structure and processes

– Electronic data interchange

D) To increase buyer's selling price!

– Replacement of certain spare parts

– Developing of certain supplier processes

6. How can we understand customer value?

6.2 Some possibilities for value creation

1 Introduction

- **The customer value is the most important purchasing reason!**
- Theoretically the buyer always can determine a make-or-buy decision!

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A) To decrease buyer's production costs

- Better performance
- Decrease of waste (e.g. reuse)
- Decrease of direct work
- Decrease of energy costs

3

2 How can a supplier contribute to its buyer's value creation? -2

B) To decrease buyer's warehousing costs

- Fulfilling delivery to buyer
- Just-in-time delivery

C) To decrease buyer's administrative costs

- Simpifying invoicing structure and processes
- Electronic data intechange

2 How can a supplier contribute to its buyer's value creation? -3

D) To increase buyer's selling price!

- Replacement of certain spare parts
- Developing of certain supplier processes

5

6.3 Key role of customer value

1. How to Deliver Value to a Customer

1. The first component of value is „utility”

Whatever you are delivering to your customer has to be fit for the purpose the customer will give to it

2. The next component is „warranty„

The goods or services that you deliver to your customer must be fit for use.

The car wash, for example, has to be open at the time the sign says the business will be open, and it must be able to handle the demand for its use

3. Try to identify and overcome the barriers of the customer's perceptions.

E.g. think back to the day you bought your last personal computer or lap top? Why did you buy that one?

Here are some possible values:

– Some customers will buy on the basis of the perception of reliability, created through personal experiences and/or word of mouth.
– Some will focus on price.
– Some will focus on the capacity, or memory or speed.
– Some will want nice out looking, and easy facility etc.

2. Summary of value [1]

– In business markets management of marketing processes means:

- – to understand,
- – to create and
- – to forward of customer value

[1] James C. Anderson –James A. Narus (2004): *Business Market Management: Understanding, Creating, and Delivering Value*. Pearson Prentice Hall.

6. How can we understand customer value?

6.3 Key role of customer value

1 How to Deliver Value to a Customer -1

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2

1 How to Deliver Value to a Customer -2

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The car wash, for example, has to be open at the time the sign says the business will be open, and it must be able to handle the demand for its use

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1 How to Deliver Value to a Customer -3

3. Try to identify and overcome the barriers of the customer's perceptions.

- E.g. Think back to the day you bought your last personal computer or lap top?
  Why did you buy that one?

1 How to Deliver Value to a Customer -4

- Some customers will buy on the basis of the perception of reliability, created through personal experiences and/or word of mouth.
- Some will focus on price.
- Some will focus on the capacity, or memory or speed.
- Some will want nice out looking, and easy facility. etc.

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2 Summary of value

- In business markets management of marketing processes means:
- to understand,
- to create and
- to forward of customer value

(Anderson and Narus 2004)

6

7. Fejezet

7.1 Importance of offer

1. What is an offer?

– An **offer** (unlike a solicitation) is a clear indication of the offeror's willingness to enter into an agreement under specified terms, and is made in a manner that a reasonable person would understand its acceptance will result in a binding contract. Offers normally include a closing date, otherwise a period of 30 days after the date of offer is commonly assumed.[1]

– The **solicitation:** request, call for offer

– Voluntary but conditional promise submitted by a buyer or seller (offeror) to another (offeree) for acceptance, and which becomes legally enforceable if accepted by the offeree.

– An offer (unlike a solicitation) is a clear indication of the offeror's willingness to enter into an agreement under specified terms, and is made in a manner that a reasonable person would understand its acceptance will result in a binding contract.

– Offers normally include a closing date, otherwise a period of 30 days after the date of offer is commonly assumed.

2. Role of offer in business

– The potential buyer identifies its problem

– The solution is provided through an offering

– This offering is based on the company's problem--solving ability

– Like any promise, the offering has no real value to the customer unless the supplier can fulfil its promise

[1] http://www.businessdictionary.com/definition/offer.html#ixzz3EJzTl9g5 15. 06. 2014.

3. Why the supplier's transfer ability is important [2]

– The customer has to integrate the offerings

– An offering may be supplied over a long period of time, so that development of the supplier's transfer ability is required

– Customers face complex problems that are not solved immediately upon an offering is delivered

[2] Ford, D.–Gadde, L. E.–Hakansson, H.–Snehota, I.(2007): *The Business Marketing Course – Managing in Complex Networks.* 2nd ed. Wiley.

7 The marketing offer in practice

7.1 Importance of offer

1 What is an offer? -1

- **Voluntary but conditional promise** submitted by a buyer or seller (offeror) to another (offeree) for acceptance, and which becomes **legally enforceable** if accepted by the offeree.

2

1 What is an offer? -2

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2 Role of offer in business

- The potential buyer **identifies its problem**
- The **solution** is provided through an offering
- This offering is **based on the company's problem-solving ability**
- Like any promise, the offering has no real value to the customer unless the supplier can fulfil its promise

4

3 Why the supplier's transfer ability is important

a) The customer has to **integrate** the offerings

b) Customers face complex problems that are not solved immediately upon an offering is delivered

c) An offering may be **supplied over a long period of time**, so that development of the supplier's transfer ability is required

5

7.2 Parts of offer

1. The aims of offer

a) Economic

– To make clear conditions and parts of offer

– How to organize deliveries

– To inform all details

b) Legal

– To show clear intention (of supplier)

– Base for future contract

The offer means: Terms and conditions under which an offer is made, such as quantity, price, discounts, delivery date, shipping costs, etc.

2. Parts of offer

– Exact quantity and quality
  – Mind of different measurement systems! (e.g. European, British, American)
  – What is obvious? One system may be obvious for you but for others it may absolutely not!

– Price: currency, terms of delivery (e.g. Incoterms), discounts
  – What kinds of costs – e.g. transportation cost, customs – risks or insurance is involved in price?

– Destination: either to office in the city centre or to warehouse in suburban area

– When the destination is open

– Time of delivery

– Any additional costs or activities
  – E.g. non-tariff barriers, shipping costs, notification

– Payment methods, deadline and other financial conditions

– Other tasks or responsibilities of potential partners

– Decisive body or country's legal regulation in case of dispute (in case of international trade or cooperation)
  – In the offer it is suggested to suggest such decisive body or that country's legal regulation which will be likely to be accepted in case of dispute by both side
  – It is also useful to suggest that third country's legal regulation (neither the buyer's nor the seller's country's legal rules) which is near to your country's system and nature

7 The marketing offer in practice

7.2 Parts of offer

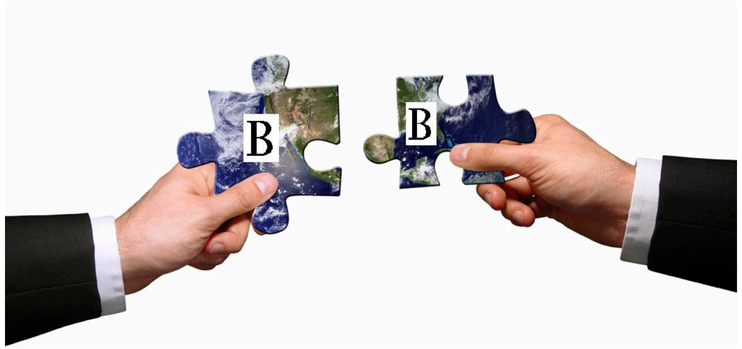
1 The aims of offer

Economic

- To make clear conditions and parts of offer
- How to organize deliveries
- To inform all details

Legal

- To show clear intention (of supplier)
- Base for future contract



2 Parts of offer -1

- **Exact quantity and quality**
- Mind of different measurement systems!
- *What is obvious?*
- **Price: currency, terms of delivery (Incoterms), discounts**
- What kinds of costs – e.g. transportation cost, customs – risks or insurance is involved in price?

3

2 Parts of offer -2

- **Destination**: to office in the city centre or to warehouse in suburb
- When it is open
- **Time of delivery**
- **Any additional costs or activities**
- E.g. non-tariff barriers, shipping costs, notification
- **Payment methods, deadline** and other financial conditions

4

2 Parts of offer -3

- **Decisive body or country's legal regulation in case of dispute**

5

7.3 What does happen after offer?

1. What does happen after offer?

– Let's think we win the business and move towards making a contract and receiving the first order

– Negotiation about details

– Signing contract

– Arranging the first order

2. The buyer's problem

– Which product?

– **need uncertainty:** customer finds difficult to define its problem, or it may not be the best solution for that problem

– Which supplier?

– **market uncertainty:** a customer faces a wide variety of potential solutions

– Can we trust them?

– **transaction uncertainty:** a customer may be uncertain whether the supplier will effectively implement its offering

3. The seller's problems

- **Rationalization:** the customer has to carry out its day-to-day operations as efficiently as economically as possible
    - Operating problems
    - Direct and indirect costs

- **Development:** need to develop its operations and its offerings
    - Early supplier involvement: suppliers as important resource

7 The marketing offer in practice

7.3 What does happen after offer?

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8. Fejezet

8.1 Members of procurement

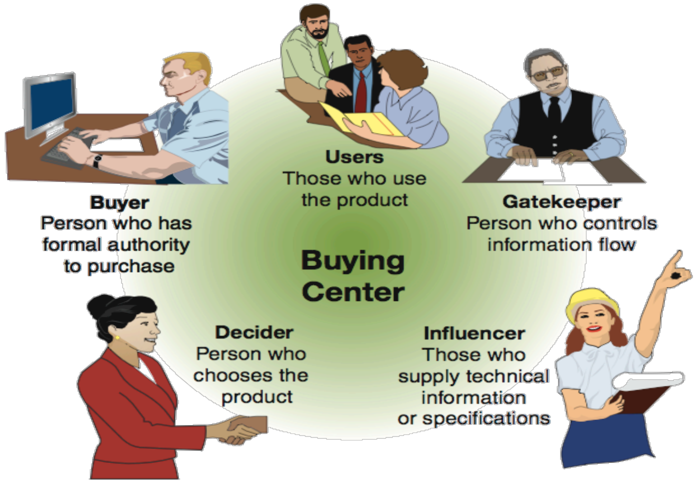
1. Who is involved in purchasing?

a) Buyers (and users)

b) Influencers

c) Gatekeepers

d) Deciders



Influencers

– Able to affect the choice between existing suppliers

– Can introduce new suppliers

– They can be found in almost every firm

– Buyers can also influence supplier's choice

Gatekeepers

– Control the flow of information into the customer

– (B2B) Buyers often act as gatekeepers because they are the customers' (users') primary interface

– Gatekeepers can often prevent a potential new supplier getting access

Deciders

– In more cases it is possible to identify one or more deciders

– These individuals specify an offering or a supplier in such way that choice is limited to only one firm (or offer)

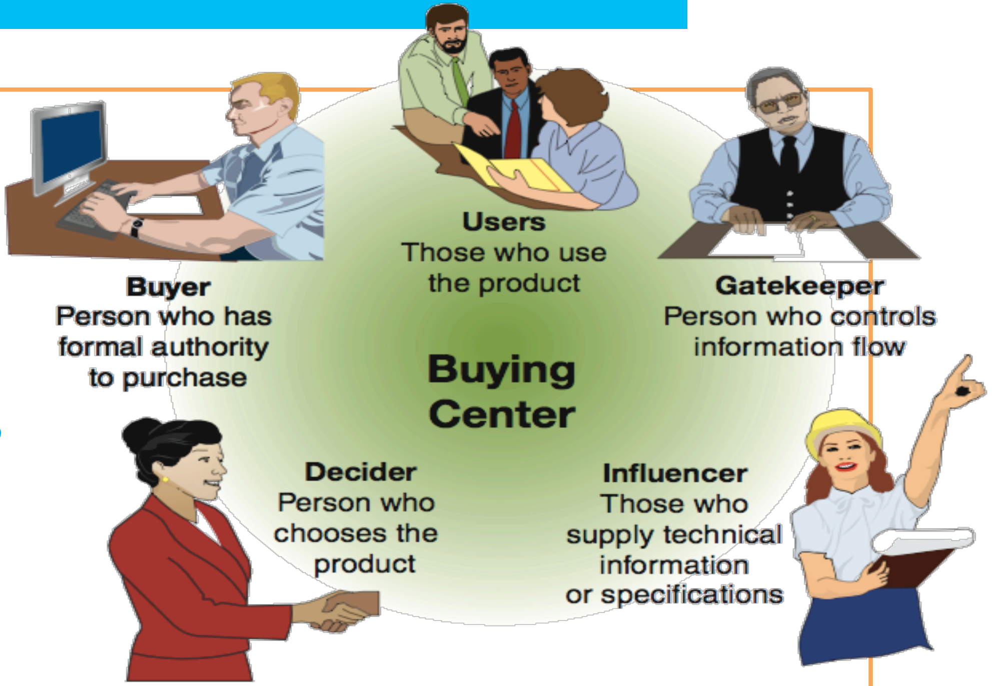
– Sometimes development of staff or senior managers take on this role

8 Process of procurement

8.1 Members of procurement

1 Who is involved in purchasing?

1. **Buyers (and users)**
2. Influencers
3. Gatekeepers
4. Deciders



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1 Who is involved in purchasing?
1.1 Influencers

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1 Who is involved in purchasing?
1.2 Gatekeepers

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3 Who is involved in purchasing?
3.3 Deciders

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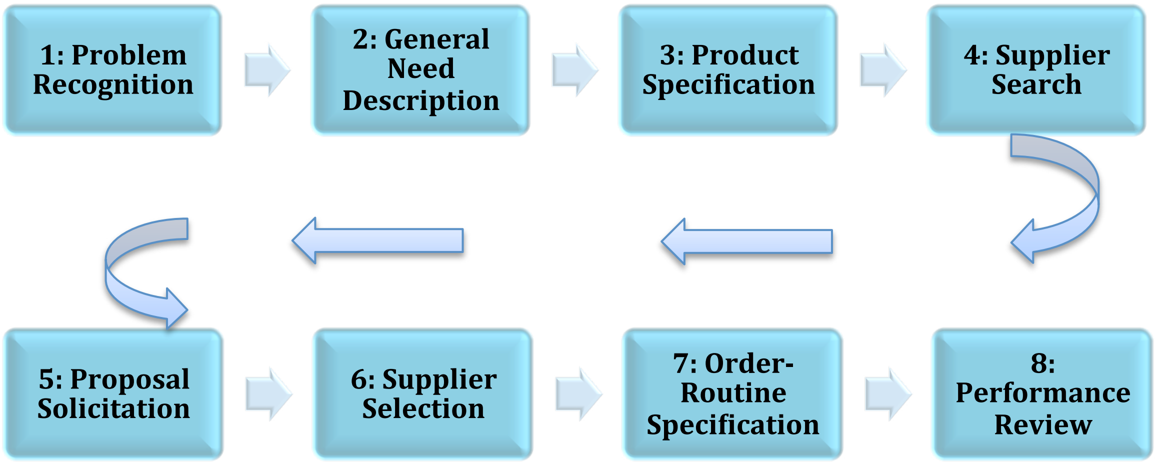
5

8.2 Process of procurement

1. Business Buying Process



1) Problem Recognition – Need recognition

2) General Need Description – Definition of the characteristics and quantity of item needed

3) Product Specification – Development of the specifications to guide the procurement
   a. Value analysis helps to reduce costs

4) Supplier Search – Search for and qualification of potential sources
   a. Supplier development

5) Proposal Solicitation – Acquisition and analysis of proposals

6) Supplier Selection – Evaluation of proposals and selection of suppliers

7) Order – Routine Specification – Selection of an order routine
   a. Blanket contracts are often used for maintenance, repair and operating items

8) Performance Review – Performance feedback and evaluation

2. Roles in the buying process

– Purchasing – handle relationships with suppliers.

– Production/operations – meeting targets for the end product in both quantity and quality terms.

– Engineering – the specification and design. – Research and development (R&D)

– Finance – devolve budgets to appropriate managers.

– Marketing -- outputs of the production process.

Darren Dahl: How to Build Better Business Relationships [1] – (details and summary) – Recommended learning material

Whether you realize or not, relationships are the fuel that feeds the success of your business. Here's how to make ones that last.

Whether you recognize it or not, all successful small businesses–regardless of what they do or sell–have one thing in common: their owners know how to build and maintain relationships. The truth is that it is critical to build relationships not just with your customers, but also with your vendors, employees and–gaspeven your competitors. „Without strong relationships, it is impossible to have success as a business owner," says Michael Denisoff, who is the founder and CEO of Denisoff Consulting Group in California.

„You need to have long--term customers and good vendor relationships that will carry you through challenging times or tight deadlines, as well as relationships with other business owners to share struggles, resources and best practices that can really give you an edge. The reality is that business relationships are just like any other relationship. They require some effort to maintain and they must be mutually beneficial. As in any relationship, you must be willing to give, share and support, not just take or receive."

That's a lesson Denisoff admits he had to relearn the hard way when, a while ago, he fell into the trap of neglecting some of his business relationships. It's just that he got so busy that he didn't realize how much time had gone by where he had not checked in with several of his contacts–an easy mistake for most small business owners who feel like every day is shorter than the last. What Denisoff found was that, in two cases in particular, his failure to put enough effort into nurturing his relationships.

The first instance was when he called up a supplier to ask for a favour–not realizing how much time had gone by from the last time he had touched base. Denisoff says his supplier seemed distant and not very willing to help him out, which was surprising. After asking him if anything was wrong, Denisoff's supplier answered that since Denisoff hadn't been around in a while, he felt like he was being taken advantage of. In another instance, he called up a customer who he could tell was not pleased with him because, in truth, he only called her when she had a project ready to go. She felt like Denisoff did not truly value her and was using her only for her business. It's like having a friend that only comes to see you when they want to borrow money or need help moving," he says.

The two eye--opening experiences caused Denisoff to take two major actions in response. First, he created a contact database where he not only stored information on his clients, but also with vendors and business peers. He now uses the database to document the details of the conversations–both personal and professional–that he has with each of his contacts. „This helps with continuity and helps me to remember key facts and information about each contact," he says. „It felt mechanical at first but it proved to be an efficient method to ensure that no one fell through the cracks." Secondly, Denisoff changed around his daily routine so that

[1] http://www.inc.com 25. 01. 2011

he now dedicates a portion of his day to doing nothing but reaching out and maintaining his professional and personal relationships. „Thankfully, I have strong long--term customers to keep the pipeline full and a good group of vendors and business peers dedicated to helping each other succeed," he says.

Here are some additional tips from Denisoff and other business owners on how to build stronger business relationships that will last.

1. Encourage Honest Feedback

„An open, honest relationship demands clear communications of how each party is performing," says Patrick Scullin of Ames Scullin O'Haire, an Atlanta--based marketing services company. „If you know where you stand, you can stand stronger."

2. Listen More Than You Talk

An executive coach. „I coach a financial planner and we did a little market research on what his clients evaluate the most in him. What sets him apart is that he takes the time to listen to them and really understand where his clients are coming from. They said most often that they value his role as a sounding board! That's the kind of behaviour that leads to referrals and long--term business success."

3. Make a Routine

Devise a system to ensure that not too much time passes before you connect with your contacts, such as the formal database Denisoff created. And with the proliferation of social media tools these days such as Facebook, LinkedIn and Twitter, it's never been easier to keep in touch.

4. Give More than You Receive

Be sure to contact people when you are NOT in need of something. Take time to learn about their business since it's as important to them as your business to you. „Take a minute to understand your client's dreams and provide opportunities for them to fulfil this whenever possible," says Rohan Hall of rSiteZ.com, a company which builds social networking sites. Clients really appreciate it when they realize that you're looking out for them."

5. Be Real

„Do not be afraid to be vulnerable," says Amy Ludwigson of Pure Citizen, an organic clothing retailer. „Let people see who you are. It builds trust and respect. Being too professional is a bore and well you are not going to enjoy yourself."

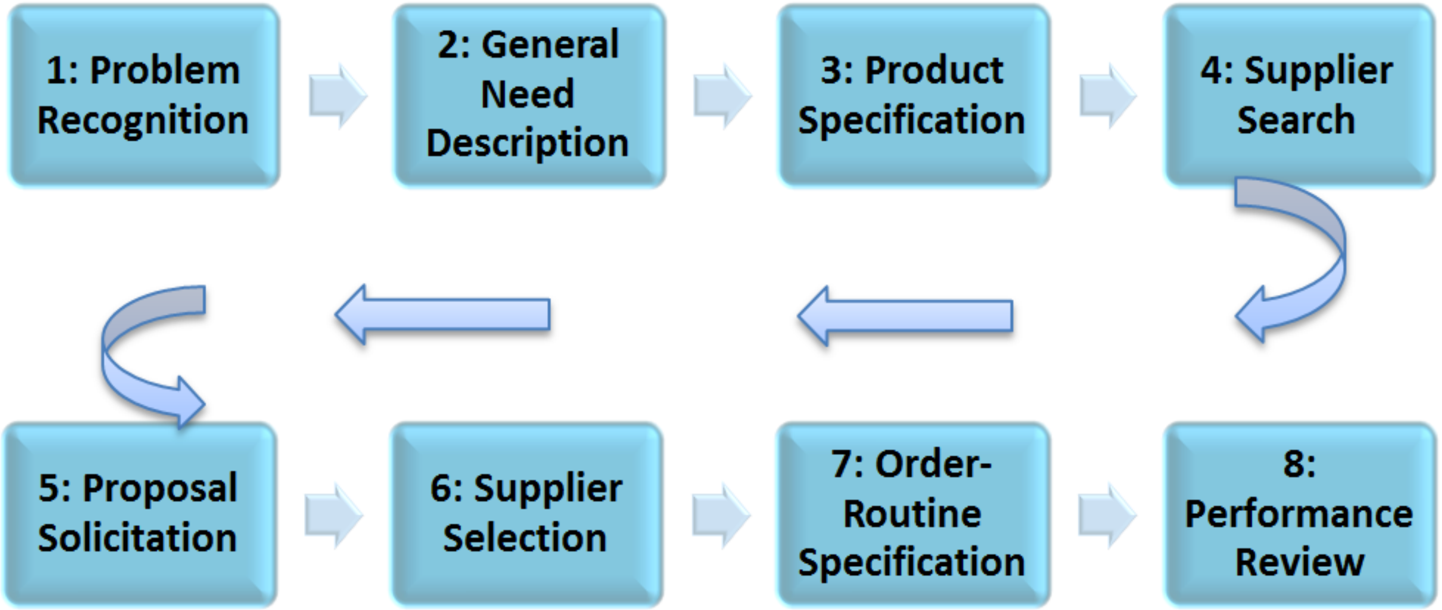
6. Turn Blunders into Opportunities

Admitting mistakes and correcting missteps will take you far when it comes to building relationships, says William Gregory, who is the co--founder of Lex Scripta, a law firm in Illinois. „When one of our service providers made a mistake, which resulted in our service being delayed for a week, the service provider responded immediately with an apology and a proposal for fixing the problem. Instead of looking for another service provider, we decided to work with this provider because we know that the provider is honest and diligent.

8 Process of procurement

8.2 Process of procurement

1 Business Buying Process -1



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1 Business Buying Process -2

1) Problem Recognition
2) General Need Description
3) Product Specification

   Value analysis helps to reduce costs

4) Supplier Search

   Supplier development

3

1 Business Buying Process -3

5) Proposal Solicitation
6) Supplier Selection
7) Order-Routine Specification

   Blanket contracts are often used for maintenance, repair and operating items

8) Performance Review

4

2 Aspects in the buying process

- **Purchasing** - handle relationships with suppliers.
- **Production/operations** - meeting targets for the end product in both quantity and quality terms
- **Engineering**
  - the specification and design.
  - Research and development (R&D)
- **Finance** - devolve budgets to appropriate managers.
- **Marketing** - outputs of the production process

5

3 BUYING DECISION PROCESS

- Buying centre is the collection of organisational actors involved in the purchase!
- Buying centres are different in function of buying situation!

8.3 Buying situations

1. Buying Situations

– **straight re-buy:** A purchasing situation where the buyer reorders the same products without researching or considering other suppliers

– **modified re-buy:** A purchasing situation where the buyer's revisions to the order require additional analysis or research

– **new buy:** A purchasing situation requiring the purchase of a product for the very first time.

2. New buy

– Complexity: high

– Time frame: long

– Number of possible suppliers: many

– Occurs frequently: in case of expensive, seldom-purchased products

– E.g. new production development

New tasks [1]

New tasks involve purchases which have not been experienced before. This means that the customer organization needs large amounts of information so that they can consider alternative ways of solving the supply problem. The uniqueness of the task can also lead to the company considering a number of potential suppliers. A new--task buying decision can be split into those in which a judgmental buying approach is used, whilst in others a strategic buying approach is more likely.

– Judgmental buying approach; typically associated with the highest degree of uncertainty. This might be due to lack of experience, the product's technical complexity, or general uncertainty on the specifications of the required product. In these cases the purchase decision will be based on the personal judgment of a small group of managers.

– Strategic buying approach; is associated with buying decisions that are strategically important to the business customer. This means that considerable effort is invested in obtaining and evaluating information regarding suppliers and their proposed solutions, and in negotiating with those suppliers

3. Modified re-buy

– Complexity: moderate

– Time frame: medium

– Number of possible suppliers: few

– Occurs frequently: routine purchase that has changed in some ways

– E.g. air travel – new fares or new destinations

[1] Brennan, R.–Canning, L.–McDowell, R. (2011): *Fundamentals of Business-to-Business Marketing*. SAGE.

Modified re-buy [2]

Modified re--buys are repeat purchases in which the customer deviates in some way from previous purchase decisions. Often, this is caused by the company's dissatisfaction with its existing supplier.

– **Simple modified re-buy;** involves the purchase of a product and involvement with a supply market with which the customer is already familiar, so the information search can be quite limited.

– **Complex modified re-buy;** purchase situations in which the customer is faced with little uncertainty and a large choice of possible suppliers, which in turn enhances the negotiating position of the buying organization.

4 Straight re-buy

– Complexity: low – simple

– Time frame: short

– Number of possible suppliers: one (in this case)

– Occurs: frequently-purchased routine products

– E.g. paper to printer

[2] SMITH, D.: *5 Reasons It Might Be Time to Find a New Business Partner.* 25th March 2011. http://www.inc.com/

When it might be time to find a new business partner [2] – (details and summary) – Recommended learning material

Picture an old--fashioned covered wagon. Now, imagine your job is to pull that wagon. The wagon carries all of the concerns and goals of your business; understandably, this is a pretty heavy wagon, so you consider finding someone to help you pull it. A partnership would be mutually advantageous: someone would join you, at no extra cost, and help you pull the wagon. It's more efficient, really. So you agree to a partner.

2 Now, weeks or maybe even months later, you look up to realize your partner is sitting in the wagon. You're the only one working. „The biggest horror show in the world is a partnership that doesn't work," Jennings says (Craig Jennings, a serial entrepreneur and business coach based out of Port Washington). „The whole business stops. The wagon stops. Everybody stops pulling and starts arguing."

Sometimes, if the partners can't adequately work out their problems, the partners may consider breaking up. There are some clear warning signs of a failing partnership; if these problems aren't addressed, you may want to consider finding a new business partner. Maybe even a new wagon, too.

[2] SMITH, D.: *5 Reasons It Might Be Time to Find a New Business Partner.* 25th March 2011. http://www.inc.com/

1. You don't communicate when problems arise

Communication: It's the cornerstone of every happy marriage, and the downfall for many failed partnerships. The fact is, problems are bound to arise with every new business venture, and proper communication at the earliest juncture is absolutely crucial to the on--going success of the partnership.

B. J. and Jennifer Kocen, the happily--married owners of the Glave Kocen Art Gallery in Richmond, Virginia, consciously make communication their priority. „If someone so much as raises an eyebrow funny, the other one says, ‚Hey, is everything OK?'" Jennifer says.

Especially in a new partnership, this constant checking--in is a straightforward way to provide consistency, so when even a small issue arises, both partners are aware.

„The reason we're successful is because even before we knew what the hell we were going to do, we wanted to build a strong foundation on our relationship, so that when conflict would come, instead of things festering for weeks, we'd have a solid way of dealing with conflict resolution," B.J. says. Many times, partners can't solve the problems on their own. Third partiestherapists, counsellors, social workers, anyone willing to listen and provide an objective advice—are typically helpful in teaching partners how to effectively communicate. They were happily married, but the Kocens still decided to see a counsellor when they were first starting out. It proved to be a difference maker for their business.

2. You don't trust each other with decision-making

Partnerships have the potential to make better business decisions than sole proprietors, but every partnership decides matters differently. There's no perfect, proven way for business partners to make decisions, and moreover, it doesn't actually matter what system you choose to make decisions. Just make sure that from the start it is consistent and agreed upon by both partners. As Jennings puts it, „Every business has to decide how they decide."

Some partners make every decision together, but that can be a slow and tedious process. If one partner pushes for this system more than the other; however, it might be because the partner doesn't trust the other to make solo decisions.

„If you and I are partners, and you deal with a certain area, I have good faith in you that you're going to make a decision based on our best interest," Rashap says. „In a good partnership, the decision should usually be differed to the person who has the expertise in that part of the business."

The Kocens have implemented this particular strategy to run their art gallery. „The major decisions we make together, but we each have our own responsibilities in the gallery," says Jennifer. „I'm more of the financial end. He brings them in, I close them."

3. You're not on the same page

In the early beginnings of every partnership, the partners typically convene to share their visions, hopes, and plans for the future of their company. In addition, it's also beneficial at this point that the partners decide on procedures for when specific obstacles come their way. Neglecting to lay out these details together can be costly to your relationship, as well as to your growing company.

„I think having long heartfelt discussions with your business partner about what it is you want is the best way to figure out what's going to happen [in the business]," Jennifer Kocen says. „Maybe you want to be doing this in five years but your partner wants to do it for 10 years. There are lots of these little questions you really need to get out and talk about. Just because you want something doesn't mean your partner does too." Before going into business together, the Kocens did something most new business partners ought to do: They found a log cabin outside of Ashland, Virginia, and together, the couple essentially locked themselves in, allowing them to work out the kinks of their relationship for their future business.

„There was nowhere to hide in there," B.J. says. „We worked out our communication skills; we worked out how to be with each other... It was important to us. We realized that it was of utmost importance that whatever was going on in our personal life didn't get dragged into the office."

Jennings recognizes why most new partnerships fail to plan ahead like the Kocens did.

„The irony or the tragedy of this is that in the ecstasy of a new partnership, [writing disagreement resolution procedures] is the last stuff you want to get into," Jennings said. „It seems absurd; a year later, it seems critical."

Without agreed--upon procedures to help guide the partners through obstacles, it's easy and likely for the partners to be on different pages. If the partners are consistently on different pages, the business will suffer and potentially collapse.

4. Both your egos are too big

Some partnerships are spectacular, because, as Jennings would indicate, two people pulling a wagon is much better than one. At this point in time, everything is very optimistic. The future looks bright.

But then as you start going down that path, you have to figure out if you're going to address issues the same ethically. You have to figure out so many things about the other person that suddenly, you're realizing that when they say ‚partnership,' they really mean it.

Problems occur when one or both partners want the title of „head honcho," even though „honchos" cannot happily exist in an equal partnership. Experts say both partners need similar—if not equal—billing for the company to run smoothly.

„A lot of people ask ‚Who wears the pants in the family?' says Jennifer Kocen." It alternates back and forth based on the decisions need to be made or whatever the issues are, but I never get the sense that one of us is striving to be a more important person than the other. Egos are left at the door, basically."

Egos are unnecessary distractions when you're starting a new business, but when you have a partner, they're borderline unacceptable.

„Whenever there are two partners, because it's one--on--one, each person has to be willing to put their ego aside," Brooks says. „You start getting into the details of ‚Who's name goes first? Is it the last name in alphabetical order? Or is it the title? Who's going to be the CEO? Who's going to be the president?' In a business partner, no one wants to be the vice president. It took us probably a good two years to really work through a lot of those challenges."

5. You lack clearly-defined roles

Maybe you do all the work. Maybe you do none of the work. In any partnership, regardless of role or capacity, both partners need to feel that there's equity in some fashion. This is why most business coaches will suggest that you and your potential partner have similar desires and goals, but are complementary in skill and role.

„One of the things about a good partnership is you really can define the roles of each partner, and at certain times, one partner knows when to zip it," Rashap says. „In other words, I have an area of expertise, my partner has an area of expertise, and I think the person with the area of expertise should be in charge of making those decisions."

Sometimes, when partners can't clearly define their roles, tensions rise and disputes flare up more often.

„We had trouble with the business cards," Brooks says. „Do we call ourselves co-owners, or co--founders? We didn't like ‚co--CEOs'... After about two years, our gifts and our strengths began to fully emerge: I have much more of a business background with a more sales and marketing bit, and Tonilee has much more of an operations background, so we were able to start allowing what we do best to come through."

While confusion over a title may seem trivial, a lack of clarity over roles may lead one partner to feel more incompetent than the other. This disparity may lead to jealousy and bad feelings between the partners.

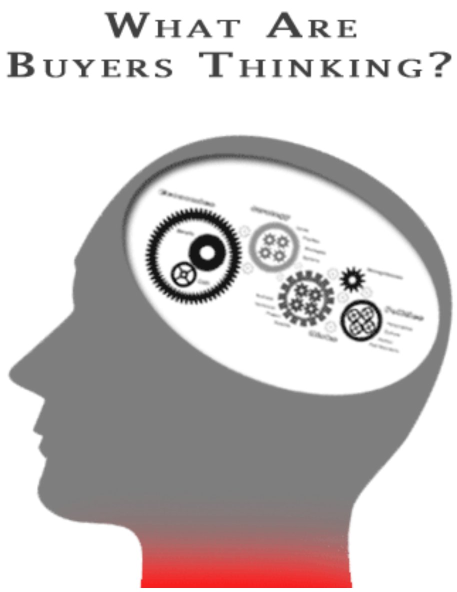
„What ends up happening is, compared to the person with the stronger skill set, the person with the weaker skill set feels badly about themselves," Adamson says. „So instead of realizing you're bringing strength to complement, you start thinking of all the ways you fall short. We've seen a lot of women—and mennot being able to go through with their partnership because these things became a major distraction in their mind."

8 Process of procurement

8.3 Buying situations

1 BUYING DECISION PROCESS

- Buying centre is the collection of organisational actors involved in the purchase!
- **Buying centres are different in function of buying situation!**



2 Buying Situations

1. **straight re-buy**

   A purchasing situation where the buyer reorders the same products without researching or considering other suppliers

2. **modified re-buy**

   A purchasing situation where the buyer's revisions to the order require additional analysis or research

3. **new buy**

   A purchasing situation requiring the purchase of a product for the very first time.

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3 New buy

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- Time frame: long
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- E.g. new production development

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5 Straight re-buy

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- Occurs: frequently-purchased routine products
- E.g. paper to printer

6

9. Fejezet

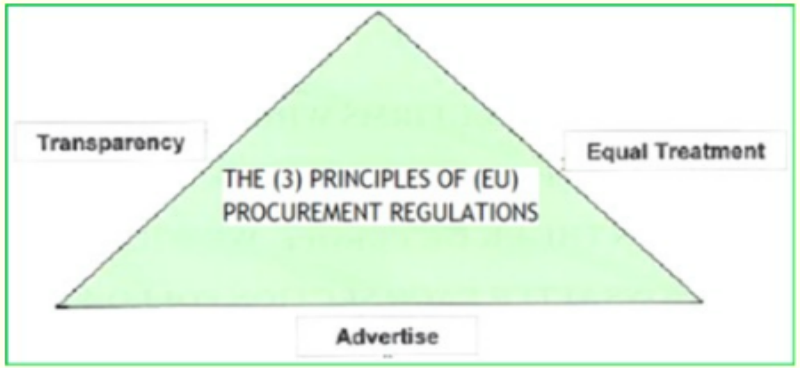
9.1 Special features of public procurement

1. Public procurement

– Public procurement is the process whereby public authorities -including all levels of government and public agencies -- buy goods and services or commission work

– These contracts make up a significant share of the EU market, accounting for about 16% of its gross domestic product (GDP) (see figures on the following page)

– The main pillars of public procurement: transparency, equal treatment, advertise (see figure below)



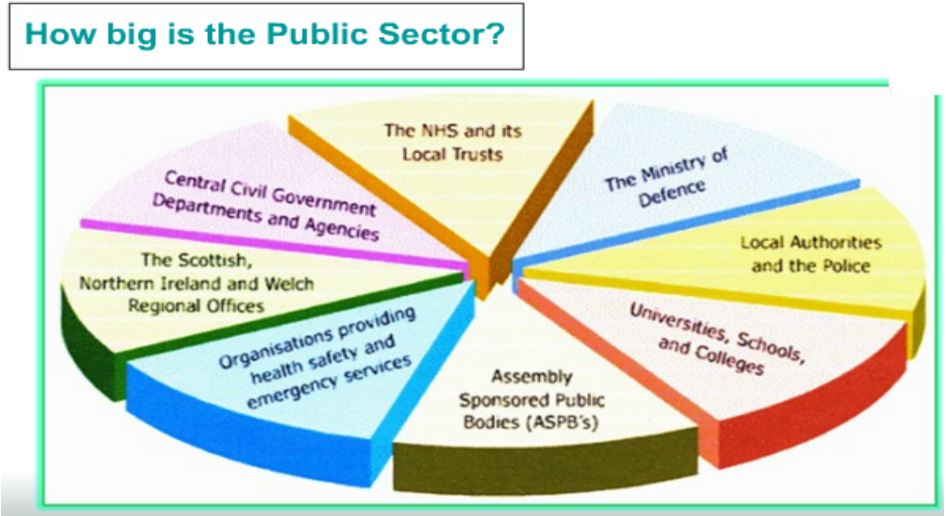
All public procurement activity is based on (EU / UK) directives as described in the diagram above.

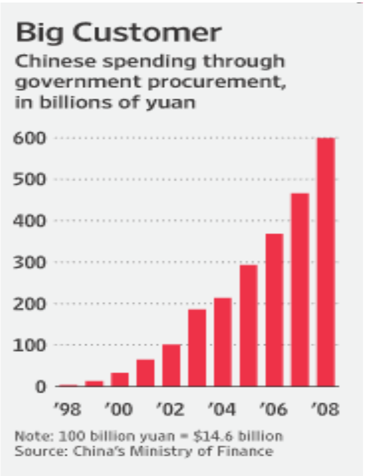
2. The aims of public procurement

– Ensure value for money for contracting authorities

– Ensure efficient use of taxpayers' money (Avoidance of corruption, protectionism)

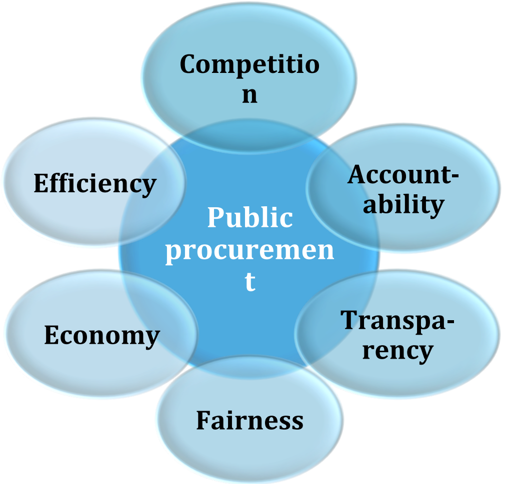
– Open, non-discriminatory, transparent procurement procedures also contribute to the competitiveness of companies active on these markets





3. The special expectations towards public procurement

The special expectations towards public procurement can be seen in the following figure (on next page). Each of these aspects is expected in a public procurement. A few components from this list are not relevant in private business such as transparency. Details of contracts between private organisations are confidential and involved partners do not have to declare them. But during public procurement organisations use taxpayers' contributions and therefore citizens and companies wish to see how their money is used.



9 The public procurement

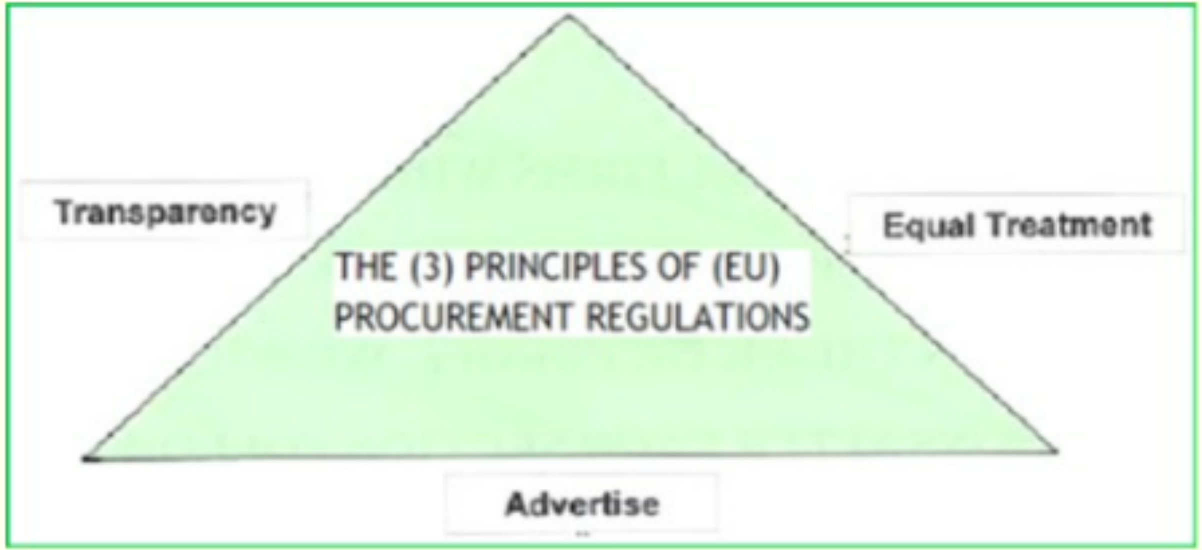
9.1 Special features of public procurement

1 Public procurement

- **Public procurement is the process whereby public authorities - including all levels of government and public agencies - buy goods and services or commission work**
- These contracts make up a significant share of the EU market, accounting for about 16% of its gross domestic product (GDP).

2

UNDERSTANDING PUBLIC PROCUREMENT



All public procurement activity is based on (EU / UK) directives as described in the diagram above.

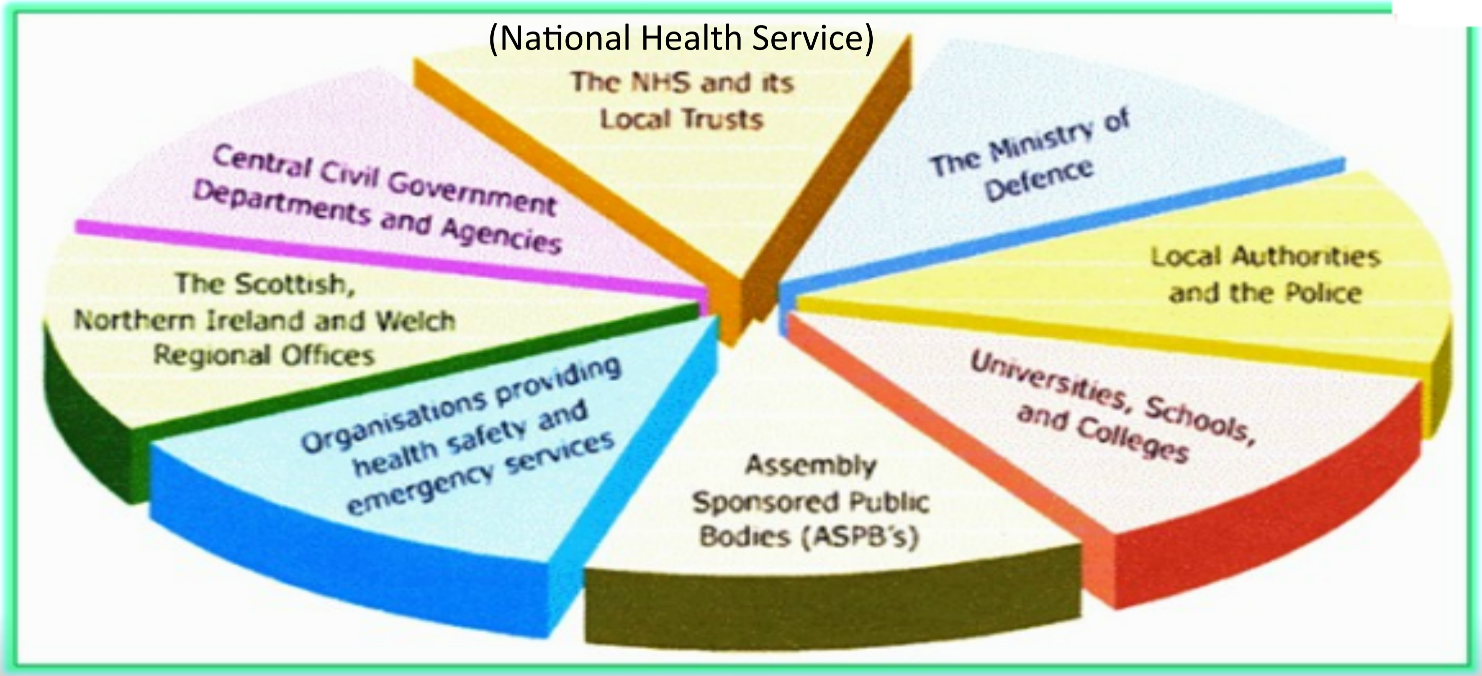
3

2 The aims of public procurement

1. Ensure **efficient use of taxpayers' money** (Corruption, protectionism).
2. Ensure **value for money** for contracting authorities
3. Open, non discriminatory, transparent procurement procedures also contribute to the **competitiveness of companies** active on these markets.

4

How big is the Public Sector?



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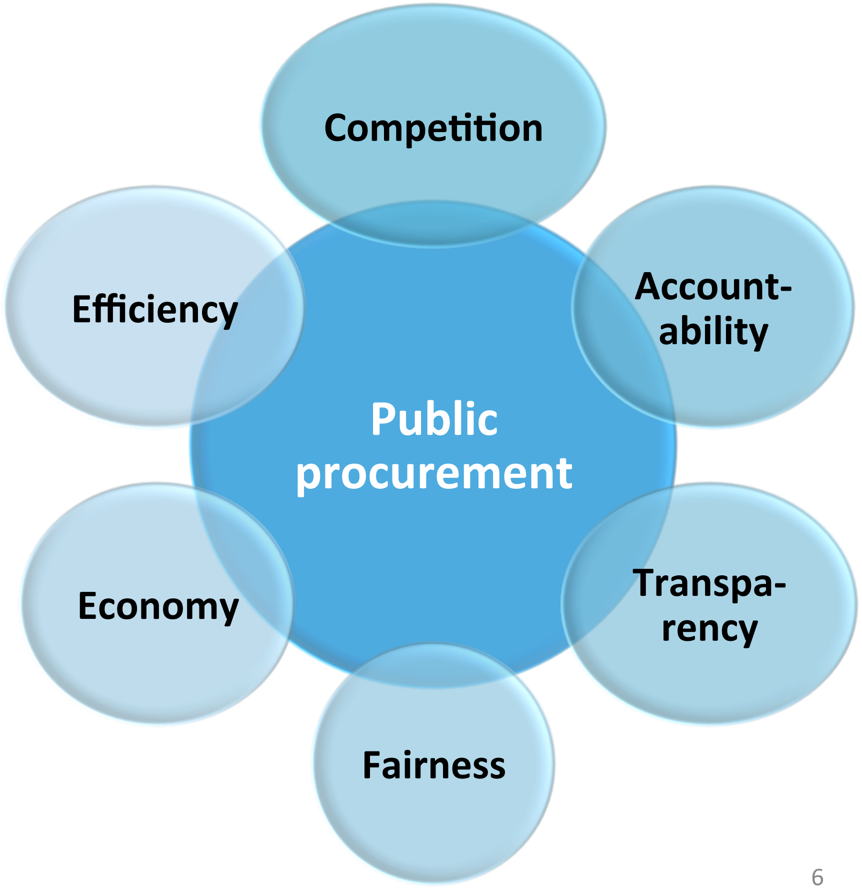
3 The special expectations towards public procurement



6

9.2 Process of public procurement

1. Basic principles of public procurement

a) Publication of Notices

b) Tendering Procedures (Open, Restricted etc.)

c) Time Limits

d) Selection & Award Criteria (Lowest Price or MEAT)

e) Advertising – Notice & Award

2. Selection & Award Criteria

– Contracting authorities must apply clear and objective criteria in selecting tenderers and awarding contracts

– Contracting authorities may choose to award contracts on the basis of:
 – Lowest priced tender
 – Most economically advantageous tender (MEAT)

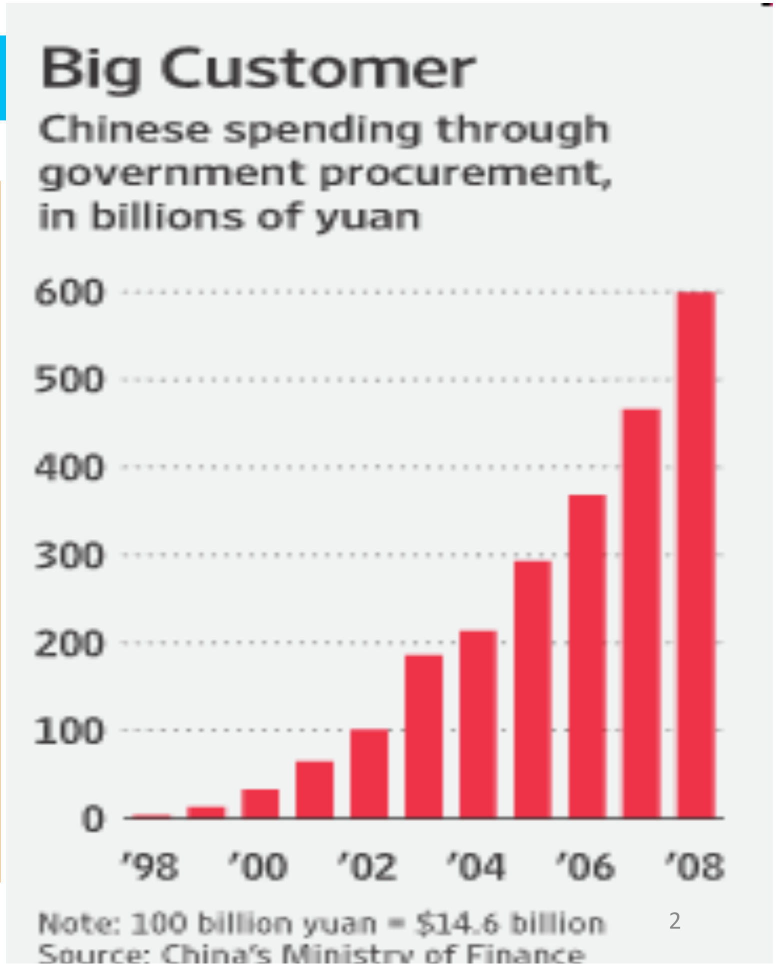
– Request for Tenders (RFT) must state all criteria being applied and their relative weightings

– New or amended criteria must not be introduced in the course of the procedure

– Evaluation process must be:
 – demonstrably objective and transparent
 – based solely on the published criteria

9 The public procurement

9.2 Process of public procurement


Big Customer
Chinese spending through government procurement, in billions of yuan
600
500
400
300
200
100
0
'98
'00
'02
'04
'06
'08
Note: 100 billion yuan = $14.6 billion
Source: China's Ministry of Finance
2

1 Basic principles of public procurement

1. Publication of Notices
2. Tendering Procedures (Open, Restricted etc.)
3. Time Limits
4. Selection & Award Criteria (Lowest Price or MEAT)
5. Advertising – Notice & Award

3

2 Selection & Award Criteria -1

- Contracting authorities must apply **clear and objective criteria** in selecting tenderers and awarding contracts
- Contracting authorities may choose **to award contracts** on the basis of:
  - – Lowest priced tender
  - – Most economically advantageous tender (**MEAT**)

4

2 Selection & Award Criteria -2

- **Request for Tenders** (RFT) must state all criteria being applied and their relative weightings
- **New or amended criteria must not** be introduced in the course of the procedure
- **Evaluation process** must be:
  - demonstrably **objective and transparent**
  - based solely on the **published criteria**

5

9.3 Case study on public procurement

1. Public Procurement –> costs we pay for corruption?

– Identifying and Reducing Corruption in Public Procurement in the EU

– Investigation in the EU in 2010: 8 Member States and 5 sectors to estimate the costs of corruption in public procurement (France, Hungary, Italy, Lithuania, the Netherlands, Poland, Romania and Spain, see the map of investigated countries below)

2. Types of encountered corruption

a) **Bid rigging:** the contract is 'promised' to one contractor, with or without the consent of the public official issuing the tender. Bid rigging takes the form of bid suppression, complementary offers, and subcontracting.

b) **Kickbacks:** the public official demands is open to a bribe which will be accounted for in the tendering process, including administrative processes.

c) **Conflict of interest:** the public official has personal interests in the winning company.

d) **Other – including deliberate mismanagement/ ignorance:** the public official has not properly carried out checks or followed procedures where this is required and/or tolerates/ignores over deliberate mismanagement by a contractor

3. Findings in brief

– The direct public loss encountered in corrupt and grey cases (cases with weaker indications of being corrupt) analysed amounts to 18% of the overall project budgets concerned, of which 13% can be attributed to corruption.

– The highest direct public losses are encountered in corrupt training projects (44% of budget volume lost in projects affected), followed by all other sectors (29% in urban/utility construction, 20% in road & rail, 16% in water & waste and 5% in Research & Development).

– Such direct public losses in corrupt/grey cases are typically a result of:
  – Cost overruns; o Delays of implementation and/or;
  – Loss of effectiveness (including inferior quality and questionable usefulness) 1

Public Procurement: costs we pay for corruption Identifying and Reducing Corruption in Public Procurement in the EU. 2010 www.pwc.com/euservices

Type of corruption by sector				
Sector	Bid rigging	Kickbacks	Conflict of interest	Deliberate mismanagement
Urban/utility construction	19	14	11	3
Road & Rail	10	8	4	1
Water & Waste	15	6	3	0
Training	1	3	2	1
Research & Development	12	4	2	0
Total*	57	35	22	5
Type of corruption by Member State				
France	6	3	5	1
Hungary	9	2	4	0
Italy	12	3	4	0
Lithuania	11	2	1	1
Netherlands	0	0	1	0
Poland	10	6	2	1
Romania	4	8	4	1
Spain	5	11	1	1
Total*	57	35	22	5

Types of corruption by sector and by Member States (number of cases, based on 96 sample cases). *Certain cases displayed multiple types of corruption, which explains why the number of observations (119) exceeds the total number of cases (96).

[1]

[1] Public Procurement (2010): *Costs we pay for corruption Identifying and Reducing Corruption in Public Procurement in the EU.* www.pwc.com/euservices

9 The public procurement

9.3 Case study on public procurement

1 Public Procurement in the EU

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2 Types of encountered corruption -1

- **Bid rigging**: **the contract is 'promised' to one contractor**, with or without the consent of the public official issuing the tender. Bid rigging takes the form of bid suppression, complementary offers, and subcontracting.
- **Kickbacks**: the **public official demands is open to a bribe** which will be accounted for in the tendering process, including administrative processes.

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2 Types of encountered corruption -2

- **Conflict of interest**: **the public official has personal interests** in the winning company.
- **Other – including deliberate mismanagement/ ignorance**: the public official has **not properly carried out checks** or followed procedures where this is required and/or tolerates/ignores over deliberate mismanagement by a contractor

4

3 Findings in brief -1

- The **direct public loss** encountered in corrupt and grey cases (cases with weaker indications of being corrupt) analysed amounts **to 18% of the overall project budgets** concerned
- The **highest direct public losses** are in
  - **corrupt training projects** -> 44% of budget volume lost in projects affected,
  - 29% in **urban/utility construction**,
  - 20% in **road & rail**, 16% in water & waste and 5% in Research & Development

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3 Findings in brief -2

- Direct public losses in corrupt/grey cases are typically **a result of**:
  - **Cost overruns**;
  - **Delays of implementation** and/or;
  - **Loss of effectiveness** (including inferior quality and questionable usefulness)

6

10. Fejezet

10.1 Importance of customer relationship management

1. What is Customer Relationship Management (CRM)?

– **CRM is a business strategy that aims to understand, anticipate and manage the needs of an organisation's current and potential customers**

– It is a comprehensive approach which provides seamless integration of every area of business that touches the customer-- namely marketing, sales, customer services and field support through the integration of people, process and technology

– CRM is a shift from traditional marketing as it focuses on the retention of customers in addition to the acquisition of new customers

– The expression Customer Relationship Management (CRM) is becoming standard terminology, replacing what is widely perceived to be a misleadingly narrow term, relationship marketing (RM)

2. Definition of CRM

– CRM is concerned with the creation, development and enhancement of individualised customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value

3. The purpose of CRM

– The focus [of CRM] is on creating value for the customer and the company over the longer term

– When customers value the service that they receive from suppliers, they are less likely to look to alternative suppliers for their needs

– CRM enables organisations to gain 'competitive advantage' over competitors that supply similar products or services

4. Why is CRM important?

Today's businesses compete with multi--product offerings created and delivered by networks, alliances and partnerships of many kinds. Both retaining customers and building relationships with other value--adding allies is critical to corporate performance

The adoption of C.R.M. is being fuelled by recognition, that long--term relationships with customers are one of the most important assets of an organisation.

5. Why did CRM develop?

– The 1980's onwards saw rapid shifts in business that changed customer power

– Supply exceeded demands for most products

– Sellers had little pricing power

– The only protection available to suppliers of goods and services was in their relationships with customers

10 Customer relationship management (CRM) I. – New relationship development

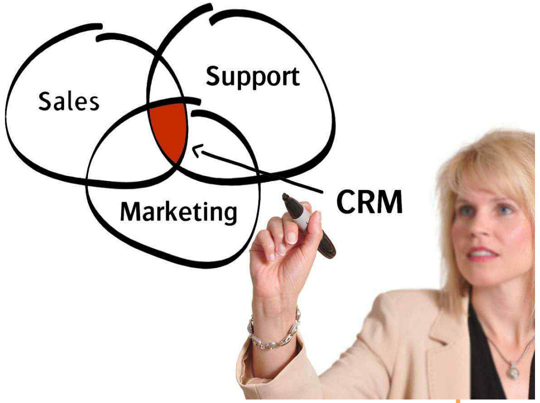
10.1 Importance of customer relationship management

1 What is CRM?

- **CRM "is a business strategy that aims to understand, anticipate and manage the needs of an organization's current and potential customers**
- It is a **comprehensive approach** which provides **seamless integration** of every area of business that touches the customer
- CRM is a **shift from traditional marketing** as it focuses on the retention of customers in addition to the acquisition of new customers

2

2 Definition of CRM



- **CRM is concerned with**
  - the creation,
  - development and
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a) The focus is on **creating value for the customer** and the company over the **longer term**

b) CRM enables organizations **to gain 'competitive advantage'** over competitors that supply similar products or services

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4 Why is CRM important?

- Today's **businesses compete** with multi-product offerings created and delivered by **networks, alliances** and partnerships of many kinds
- The adoption of C.R.M. is being fuelled by a recognition that **long-term relationships** with customers are one of the **most important assets** of an organization

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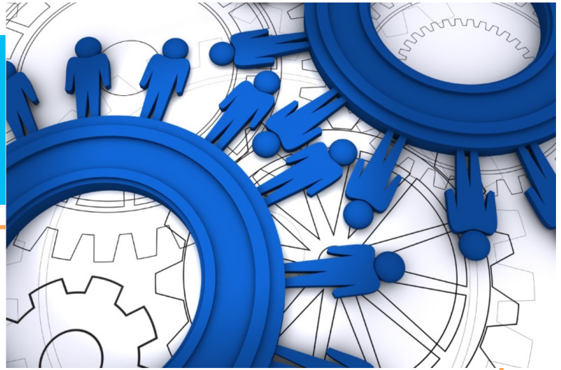
5 Why did CRM develop?



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6

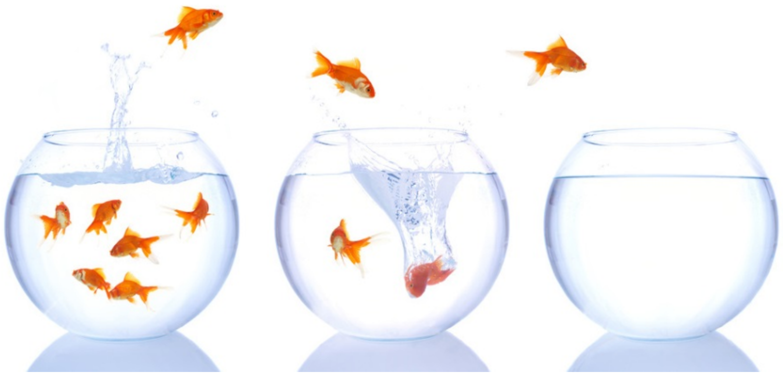
10.2 Special tasks in new customer relationship development

1. BUYING DECISION PROCESS

– Buying represent a complex set of activities engaged by many members of the buying organization and result in a commitment to purchase goods and services from a vendor

– Buying is not an event it is an organisational decision--making process, the result of which is a contractual obligation.

– Buying includes:
  – Buying decision phases
  – Buying situations
  – Types of buying relationships



2. Special features of new buying

– Much more time and information are needed

– Uncertainties about its needs and the appropriateness of the possible solutions

– Buyers are more concerned about finding a good solution than getting a low price or assured supply

– Buyers are more willing to entertain proposals from „out” suppliers and less willing to favour „in” suppliers

– Buyers are more influenced by technical personnel

– Buyers are less influenced by purchasing agents

– Slower decision process

– More review of suppliers

10 Customer relationship management (CRM) I. – New relationship development

10.2 Special tasks in new customer relationship development

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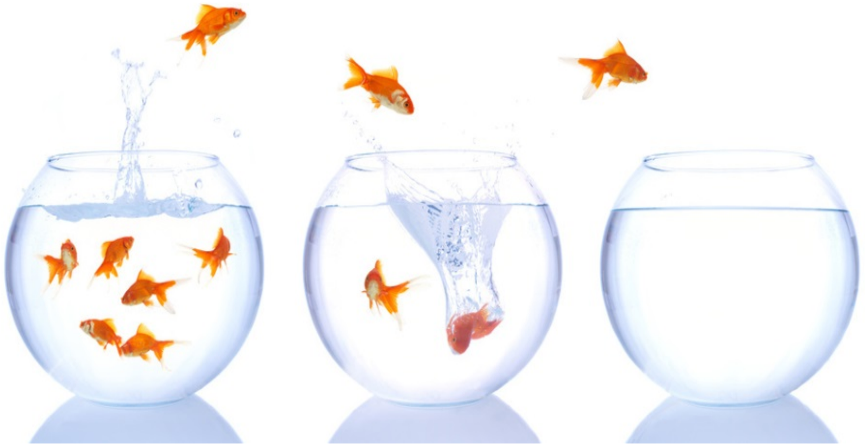

3

2 Special features of new buying -2

- Buyers are more concerned about **finding a good solution** than getting a low price or assured supply
- Buyers are more influenced by **technical persons**
- Buyers are more willing to entertain **proposals from "out"** suppliers and less willing to favour "in" suppliers

4

2 Special features of new buying

- Buyers are **less influenced by purchasing agents**
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5

10.3 How to build customer relationships

Importance of topic

– Money cannot buy one of the most important things you need to promote your business: relationships.

– How do customer relationships drive your business?

– You develop relationships with people who not just understand your particular expertise, product or service, but who are excited and buzzing about what you do.

– You stay connected with them and give them value, and they will touch other people who can benefit your business.

Tip 1: Build the firm's network – it is a sales lifeline

– Contacts are potential customers waiting for you to connect with their needs.

– Networking is a long--term investment.

– Do it right by adding value to the relationship.

Tip 2: Communication is a contact sport

– Relationships have a short shelf life.

– No one will likely remember you from a business card or a one--time meeting.

– One of the biggest mistakes people make is that they come home from networking events and fail to follow up.

– Take the time to turn your network of connections.

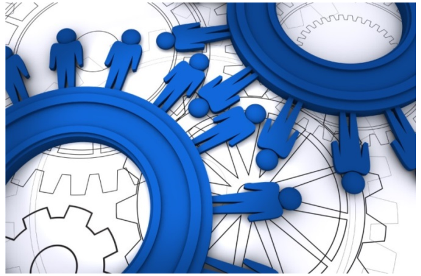
Tip 3: Reward loyal customers and they will reward you

– And on average, repeat customers spend 67 per cent more than new customers.

– So your most profitable customers are repeat customers.

– Stay in touch, and give them something of value in exchange for their time, attention and business.

– If you do not keep in touch with your customers, your competitors will.



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Tip 1: Build the firm's network - it's a sales lifeline

- **Contacts** are potential customers waiting for you to connect with their needs.
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Tip 2: Communication is a contact sport

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11. Fejezet

11.1 The ARA model

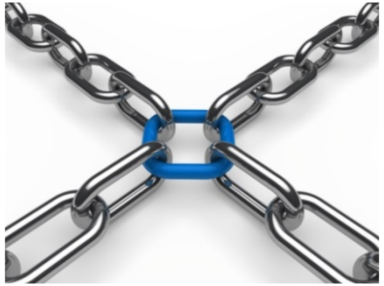
1. Analysing the content of a single relationship in a network: ARA model

– Activity Links: A business relationship systematically links together some of the activities that are performed in a supplier and a customer.

– Resource Ties: A business relationship can tie together resources from both companies,

– Actor Bonds: A business relationship is built by people and will always have a social dimension

2. Activity Links



– Thousands of different activities are performed and coordinated within a company.

– When two companies build up a relationship, certain of their different technical, administrative or commercial activities can become linked to each other.

– As business relationship grows, some activities are undertaken by either of the companies. These activities in a relationship link a number of other activities in the two companies.

3. Resource Ties

– A business enterprise consists of an assortment of different resources manpower, equipment, plant, knowledge, image and financial means – that sustain its activities. – In a relationship some of the resources of the two companies are brought together and combined.

– The process required to develop a business relationship has some characteristics that make it similar to an investment process.

– The availability of resources provides opportunities and constraints on the activities that can be undertaken by a company.

– The extent and type of resource ties in a relationship can vary, and because of the economic consequences on productivity and innovation are the second central dimension in a relationship analysis

4. Actor Bonds

– A relationship between two companies affects the two units similarly to that between two persons

– Bonds between two actors may alter their way of seeing and interpreting situations, as well as their identities in relation to each other

– The process of shaping identifies in a relationship is close to that of learning.

– There is always a margin for beliefs and trust that in the end become essential for the commitment

11 Customer relationship management (CRM) II. – Establishment and management of long-term business relationship

11.1 The ARA model

1 Analysing the content of a single relationship in a network: ARA model

Activity Links

- A business relationship systematically links together some of the activities that are performed in a supplier and a customer

Resource Ties

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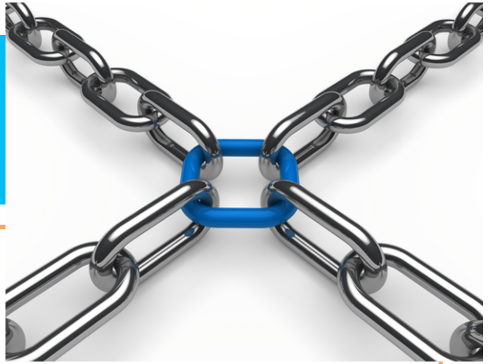
Actor Bonds

- A business relationship is built by people and will always have a social dimension

2

2 Activity Links



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- As business relationship grows, some activities are undertaken by either of the companies. **These activities in a relationship link a number of other activities in the two companies**

3

3 Resource Ties

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- There is always a margin for beliefs and trust that in the end become essential for the commitment

5

11.2 What are the characteristics of long--term business relationships?

1. The level of involvement with suppliers

A) Low--involvement relationships

– The parties to a transaction are independent, a relationship lacking friendliness

– Cheap to operate

– Help to overcome short--term problems

– Customer may avoid being „locked in” to that supplier for long term

B) High--involvement relationships

– Firms increasingly rely on resources of outside suppliers --> adaptation --> interdependences

– In this approach customer does not try to optimize the price in each single transaction

– Instead it aims to improve its operation in the long term

– This tie is always costly

2. The characteristics of long-term business relationships

– Usually these ties are based on mutual open commitment and trust.

– Involved partners do not agree in every small detail.

– So the contract gives a frame of cooperation.

– The partners are ready to do more than written in the contract.

– Quality and trustworthiness are more important than price.

– Continuous and detailed information flow.

– Usually few or only one potential supplier.

– Development and modernisation is common interest.

– Win-win situations
    – A win-win situation, also called a win-win game or non-zero-sum game in game theory, is a situation by which cooperation, compromise, or group participation leads to all participants benefiting. (Win-lose situations result when only one side perceives the outcome as positive. Thus, win-lose outcomes are less likely to be accepted voluntarily.)

3. The benefits of long-term business relationships

– Effective use of partners' resources, especially in case of common resources.

– Optimisation of relevant processes.

– Each partner can increase its profit.

– Possibility for constant development.

11 Customer relationship management (CRM) II. – Establishment and management of long-term business relationship

11.2 What are the characteristics of long-term business relationships?

1 The level of involvement with suppliers -1

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- **Cheap to operate**
- Help to **overcome short-term problems**
- Customer may **avoid being „locked in”** to that supplier for long term

2

1 The level of involvement with suppliers -2

B) High-involvement relationships

- Firms increasingly **rely on resources of outside suppliers -> adaptation -> interdependences**
- In this approach customer does **not try to optimize the price** in each single transaction
- Instead it aims to **improve its operation** in the long term
- This tie is **always costly**

3

2 The characteristics of long-term business relationships -1

- Usually these ties are based on **mutual open commitment and trust**
- Involved partners do **not agree in every small detail**
- So the **contract** gives a **frame of cooperation**
- The partners are ready to **do more than** written **in the contract**

4

2 The characteristics of long-term business relationships -2

- **Quality and trustworthiness** are more important than price
- Continuous and detailed **information flow**
- Usually **few or only one potential supplier**
- **Development and modernisation** is common interest
- **Win-win** situations

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3 The benefits of long-term business relationships

1. Each partner can **increase its profit**
2. Possibility for **constant development**
3. **Effective use** of partners' resources, especially in case of common resources
4. **Optimisation** of relevant processes

6

11.3 How to manage long-term business relationships?

1. Managing supplier relationships

Managing supplier relationships is about trying to use them effectively for the purposes the company is purchasing and within the context of a wider relationship portfolio

2. Managing an individual customer relationship:

1st task Managing learning and teaching with the customer

– The firm must constantly learn about customer and its operations, resources and technologies

– The way that a relationship develops and the interaction between individuals involved in it depends on what the two companies feel that they need to learn about each other

2nd task Managing distance between companies

– Social distance

– Cultural distance

– Technological distance

– Time distance: usually the greatest in the early stages of a relationship

– See more in chapters 4.1 and 4.2 above

3hd task Investing in the relationship between the companies

– Constantly should estimate current and planned benefits

– Especially in case of high--involvement relationships

– Motivation and investments

– Investments: in time, product and process

– Includes different elements of offerings etc.

4th task Managing interdependence and power

– More types of interdependences: technological, relationship--dependence, dependence due to the law etc.

– In some cases the interdependence is apparent

– The increase of interdependence has advantages and disadvantages too

– In most cases dependence is not symmetric

5th task Managing conflict in a relationship

– Business partners can argue about everything

– The arguing elements could threaten to undermine the whole relationship

– This could be due to many factors:
   - lack of trust between parties
   - poor performance or incompatibilities or
   - it could be related to multiple issues

NOW WE ALL NEED TO BECOME A LITTLE MORE OPEN WITH EACH OTHER

11 Customer relationship management (CRM) II. – Establishment and management of long-term business relationship

11.3 How to manage long-term business relationships?

1 Managing supplier relationships

- Managing supplier relationships is about trying to use them effectively for the purposes the company is purchasing and within the context of a wider relationship portfolio

2

2 Managing an individual customer relationship: 1st task Managing learning and teaching with the customer

- The firm must constantly learn about customer and its operations, resources and technologies
- The way that a relationship develops and the interaction between individuals involved in it depends on what the two companies feel that they need to learn about each other

2 Managing an individual customer relationship: 2nd task Managing distance between companies

- Social distance
- Cultural distance
- Technological distance
- Time distance: usually the greatest in the early stages of a relationship
- See more in chapters 4.1 and 4.2

4

2 Managing an individual customer relationship: 3hd task Investing in the relationship between the companies

- Constantly should estimate **current and planned benefits**
- Especially in case of **high-involvement** relationships
- **Motivation and investments**
- **Investments**: in time, product and process
- Includes different elements of offerings etc.

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2 Managing an individual customer relationship: 4th task Managing interdependence and power

- **Types of interdependences**: technological, relationship-dependence, dependence due to the law etc.
- The increase of **interdependence has advantages and disadvantages** too
- In most cases dependence is **not symmetric**

2 Managing an individual customer relationship: 5th task Managing conflict in a relationship

- Business partners can argue about everything
- The **arguing elements could threaten** to undermine the whole relationship
- This could be **due to many factors**:
  - lack of trust between parties
  - poor performance or incompatibilities or
  - it could be related to multiple issues

NOW WE ALL NEED TO BECOME A LITTLE MORE OPEN WITH EACH OTHER

12. Fejezet

12.1 Importance of business networks

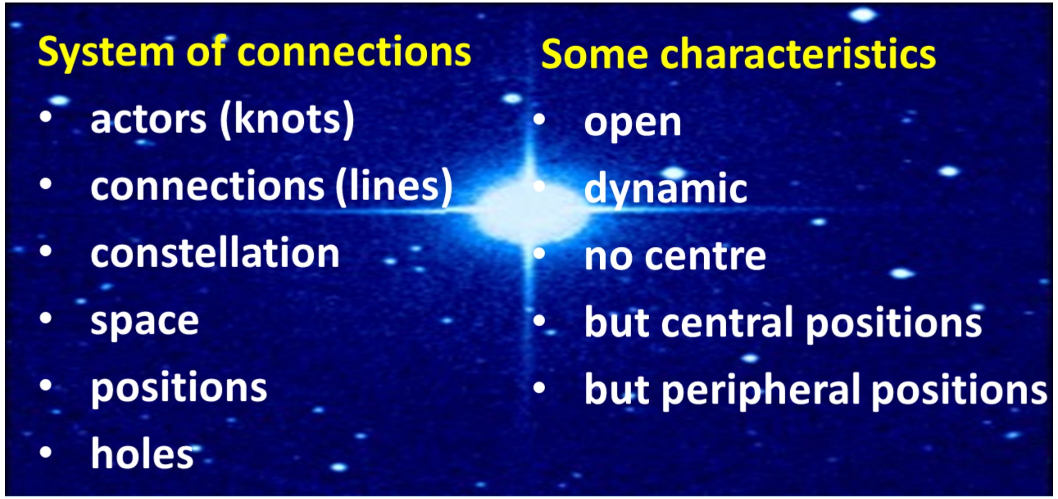
1. Business networks

– A network is a special organizational form that relates companies to each other in a particular structure based on their relationship with others

– Each company in a network has a unique position in relation to all others.

– A company's network position is defined by the characteristics of the company's relationship and the benefits and obligations that arise from them.

2. What is a network?



Perhaps like Universe

3. What is a business network?

Business network = constellation of business relationships

Network positions (spaces occupied)

+

Network holes (spaces not yet occupied)

4. Investigating networks – Problems with single perspectives

– the picture of the network is depending on our starting point – the network is not owned and completely controlled by one company

– the network is not the linear supply chain of any company

Networks and partnerships can be a source of dynamic capabilities and learning for firms and for managers 1 – (details and summary) -Recommended learning material

HMD Clinical is an Edinburgh--based clinical technological new venture that seeks to make large scale clinical trials more efficient for drug development companies. HMD initially provided bespoke services using telephony technology (for example, interactive voice recognition) to monitor clinical trials. However, this was problematic, principally due to human error. HMD therefore sought to develop a product based on another technology – radiofrequency identification. HMD felt this would also offer the prospect of market diversification, especially through international expansion. However, making changes to the company's product market domain called for capabilities to expand or modify HMD's current configuration of resources and capabilities – in other words, for dynamic capabilities.

HMD decided to partner with a large established firm, which HMD saw as a potential source of legitimacy, resources and opportunities: Sun Microsystems, a multinational corporation with a significant presence in Scotland. Co--founder Ian Davison commented, 'There's a certain cache in being associated with a big company.' Sun was interested in HMD's product idea and within months there was progress in establishing the alliance. Davison believes that considerable benefit was derived by HMD: 'We got what we wanted out of the relationship because we managed to build a prototype using the Sun technology.' HMD's experience also illustrates the building of dynamic capabilities at various levels.

Opportunities arose for mutual learning. From HMD's perspective, the venture benefited from exposure to new technological ideas. Of particular advantage was Sun's ability to tap into its widespread resources and capabilities elsewhere in the UK and beyond (for example, Western Europe). Also, Sun's reputation opened doors for HMD. When the prototype was built, HMD made a joint sales call with Sun to a prospective international customer and a demonstration was subsequently held on Sun's Scottish premises. Such activities facilitated experiential learning about processes such as product development and sales.

There were also further benefits for HMD:

Product development

In developing a prototype with Sun, HMD engaged in integrating resources and capabilities to achieve synergies; for example, its own customer--centric technological knowledge in the clinical trials domain was combined with Sun's hardware technology architecture.

[1] based on Johnson–Scholes–Whittington (2008): *EXPLORING CORPORATE STRATEGY.* 8th Edition. Prentice Hall. P. 160.

Alliancing

Through inputs from a public sector intermediary, HMD gained vital knowledge about formal aspects of alliancing, such as the legalities of sharing intellectual property; equally, HMD came to appreciate the utility of informal social networking in ensuring the smooth progress of joint activity.

Strategic decision making

HMD was able to build new thinking within the firm in terms of, for example, the identification of external knowledge sources as evident from subsequent decisions to expand the alliance to include a third partner.

At the individual level within HMD managers also learned 'new tricks' by engaging in informal routines such as brainstorming sessions and everyday activities such as negotiating. Managers claimed that such learning would help HMD approach its next alliance by replicating certain aspects while modifying others. Davison commented: 'In future we would approach this sort of relationship in a broadly similar manner [but] I think we would attempt to set some clearer company goals and boundaries at the outset.'

12 Business networks among companies

12.1 Importance of business networks

1 Business networks

- **A network** is a special organizational form that relates companies to each other in a particular structure based on their relationship with others
- Each company in a network has a **unique position** in relation to all others.
- A company's network position is defined by the characteristics of the **company's relationship and the benefits and obligations** that arise from them.

2

2 What is a network?

System of connections

- actors (knots)
- connections (lines)
- constellation
- space
- positions
- holes

Some characteristics

- open
- dynamic
- no centre
- but central positions
- but peripheral positions

Perhaps like Universe

3

3 What is a business network?

Business network = constellation of business relationships

Network positions (spaces occupied)

+

Network holes (spaces not yet occupied)

4 Investigating networks – Problems with single perspectives

- the picture of the network **depends on our starting point**
- the network is **not owned and completely controlled by one company**
- the network is not the linear supply chain of any company

12.2 Types of business networks

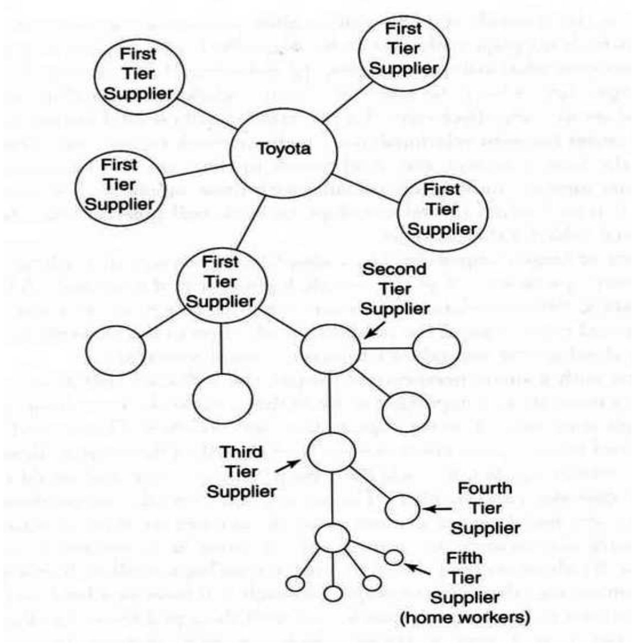
Our starting point:

„No business is an island”

If we want to understand the situation of a business marketing company and its opportunities, then we have to examine how it is related to other companies.

– Range of networks
- – Supplier networks
- – Distribution network
- – Product development network

1. Supplier network



[1]

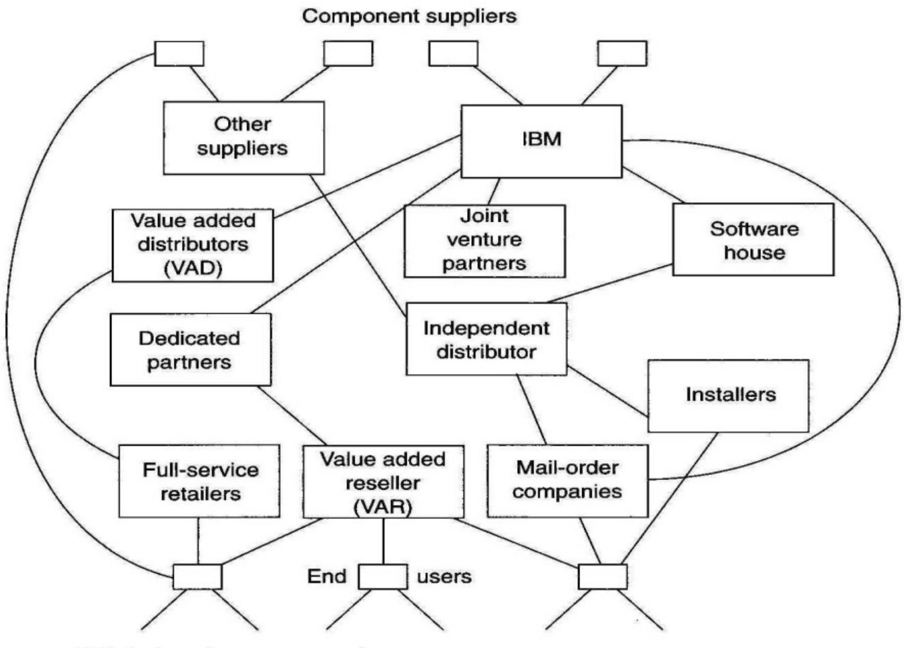
[1] Ford, D. L.–Gadde, E.–Hakansson, H.–Snehota, I. (2007): *The Business Marketing Course – Managing in Complex Networks.* 2nd (Ed.) Wiley. P. 19

– Effective indirect relationships instead of more than 50000 direct contacts with large number of suppliers.

– Coordination between relationships and different ties.

– Influence of large companies: usually the producer in central position has dominant role.

2. Distribution network



[2]

[2] Ford, D. L.–Gadde, E.–Hakansson, H.–Snehota, I. (2007): *The Business Marketing Course – Managing in Complex Networks.* 2nd (Ed.) Wiley. P. 23.

- Variety of companies (see figure above)
  - these firms participate in the activity of selling computers to customers
  - these firms are quite various and vary in size, technological background and capabilities, and competencies in general
  - these involved firms provide different solutions to customers' problems

- Variety of relationships
  - e.g. distributors are different

- Difficulties of control
  - it is difficult to control this kind of network even for a very large company such as IBM
  - it can be problematic to reach each member of this network

3. Product development network [3]

[3] Ford, D. L.–Gadde, E.–Hakansson, H.–Snehota, I. (2007): *The Business Marketing Course – Managing in Complex Networks.* 2nd (Ed.) Wiley. P. 23.

- Range of companies
    - this network is larger and more complex than the two previous ones
    - this figure illustrates a wider perspective which is wider than producing (network of Toyota) and distributing (network of IBM)

- Complex offerings
    - business buyers do not buy a simple product or a service either
    - they require a complex set of products and services in a complex offering

- Non-business members of the network
    - e.g. standard bodies, regulating authorities and government departments are also involved

- Innovation
    - innovation involves more companies
    - innovation needs usually more technologies, for example new technology is based on or somehow combined with older technology
    - sources and financing of innovations generally originate both from internal and external units

- Coordination
    - here is more obvious the problem of the single company approach
    - no company can entirely perform the process of innovation
    - so it need certain cooperation which may bring conflicts, question of leadership or coercion

- E.g.: Mobile-phone service-provider (see figure part of Product development network on previous page)

12 Business networks among companies

12.2 Types of business networks

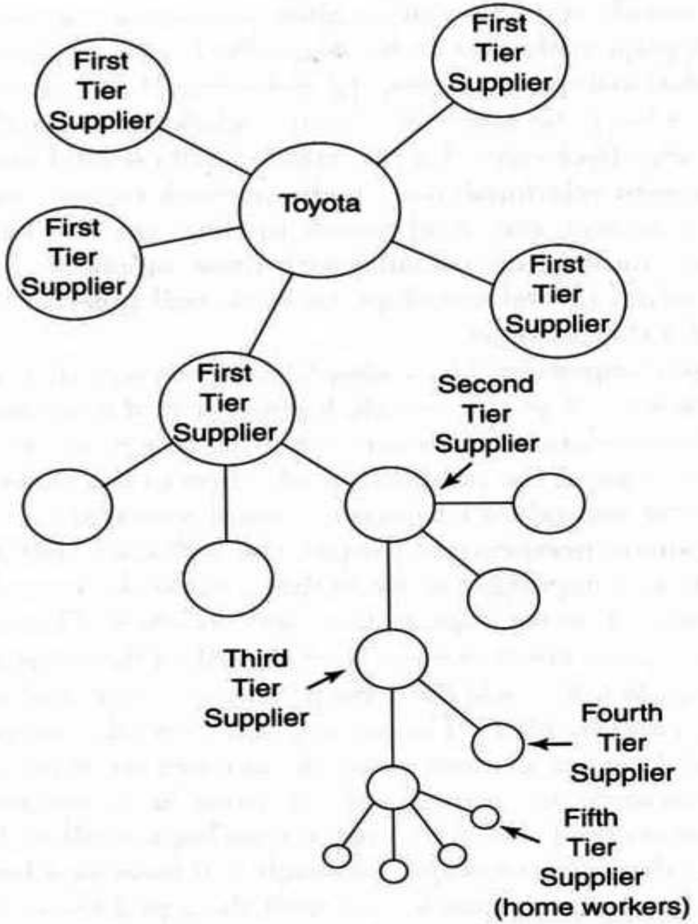
„no business is an island”

- **Our starting point:**
- If we want to understand the situation of a business marketing company and its opportunities the we have to examine how it is related to other companies.
- Range of networks
  - Supplier networks
  - Distribution network
  - Product development network

2

1 Supplier network

- 50000 suppliers
- Small number of system-suppliers
- Several decades to organise
- Indirect relationships
- Coordination between relationships
- Influence of large companies



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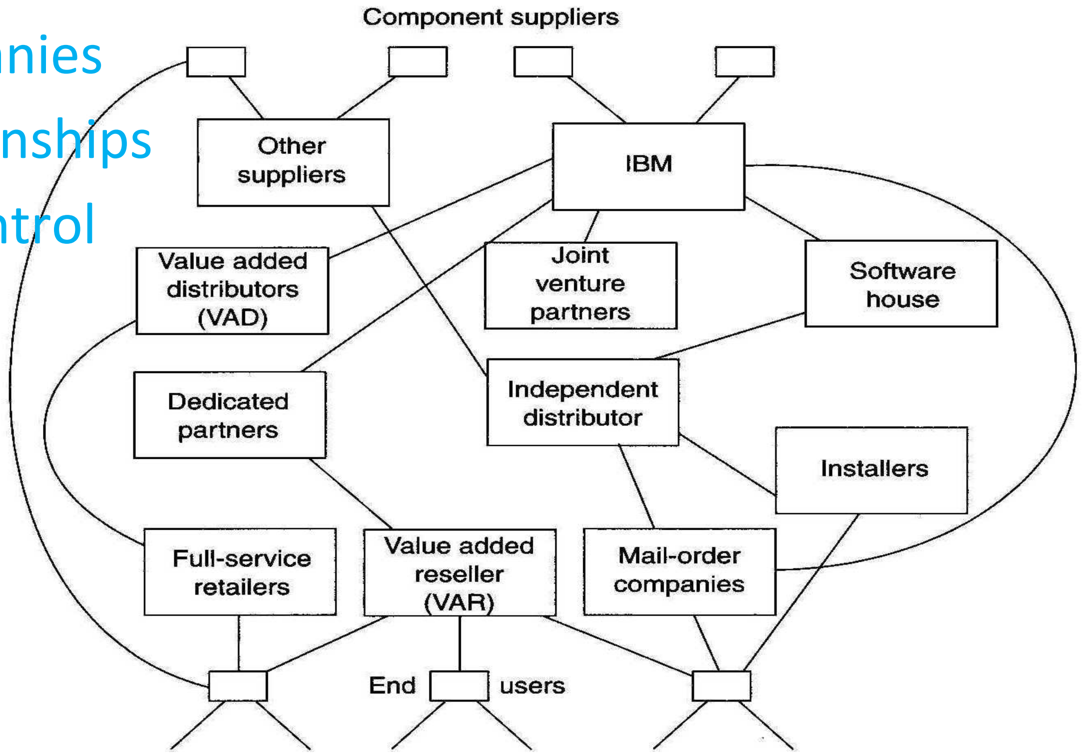
2 Distribution network

- Variety of companies
- Variety of relationships
- Difficulties of control



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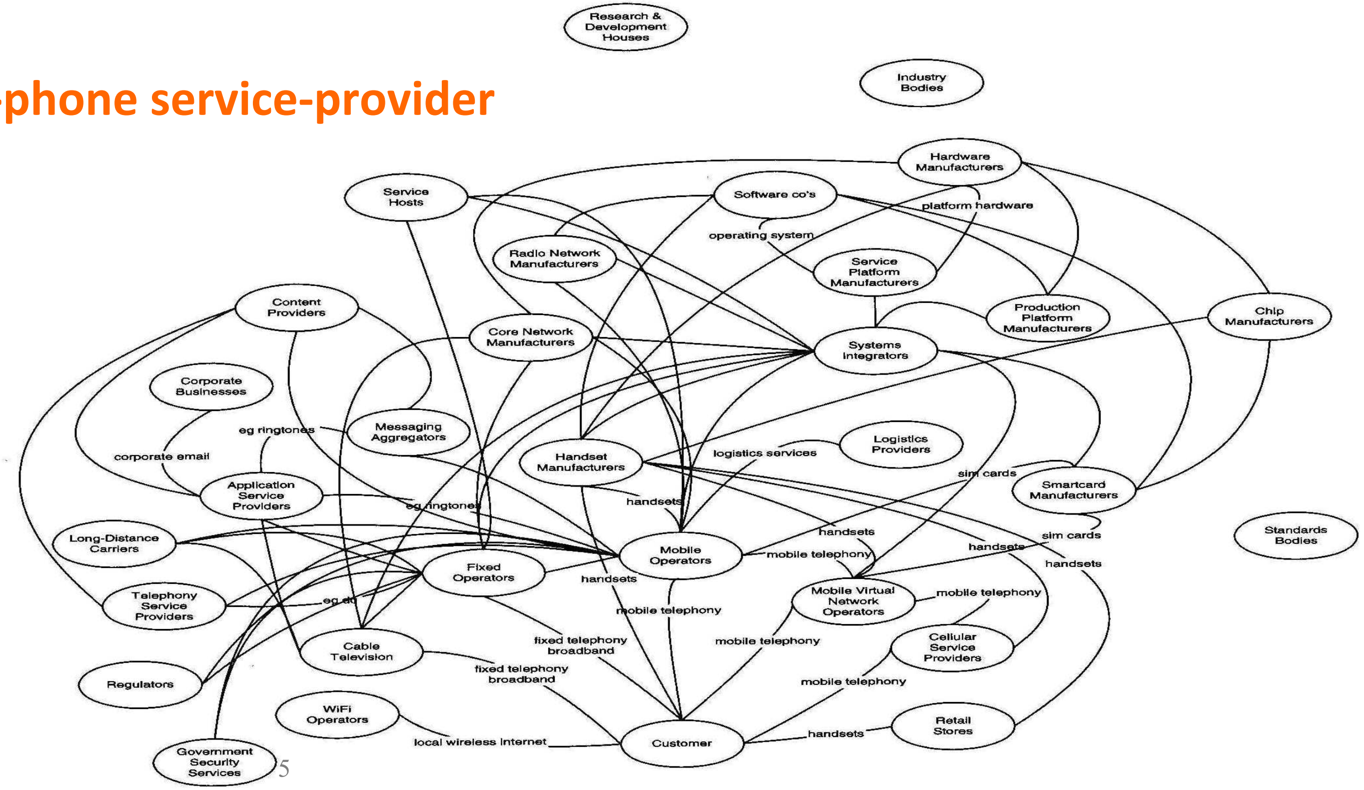
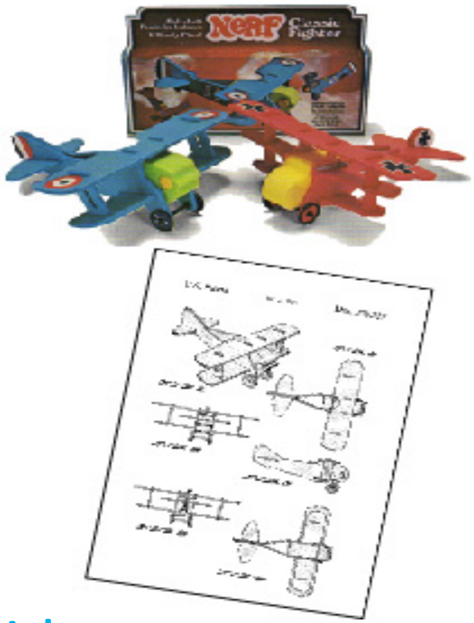
3 Product development network -1

Cell-phone service-provider



3 Product development network -2

- Range of companies
- Complex offerings
- Non-business members of the network
- Innovation
- Coordination
- E.g.: Mobile-phone service-provider



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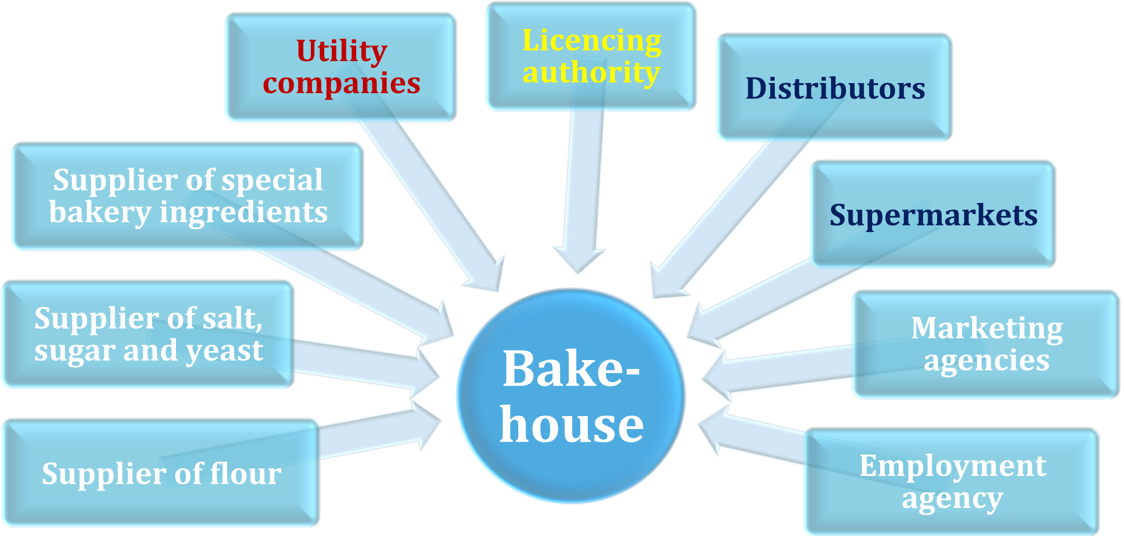
4 Summary of the three examples

- To examine a network we need to **choose a focal point**
- As it changes the picture of the network **network is changing**
- A **network** provides both **opportunities and restrictions** for any company.
- **No one company controls** the network.
- The existence of a network does not alter the fact that the key task of business marketing is to **manage each single relationship** of their company

7

12.3 Sample for business network

1. The simplified network of a bake house



In the illustration above we can identify the following groups of organizations:

- profit-oriented companies
  - suppliers
  - traders of final products, e.g. supermarkets and distributors
  - service provider, e.g. marketing agency

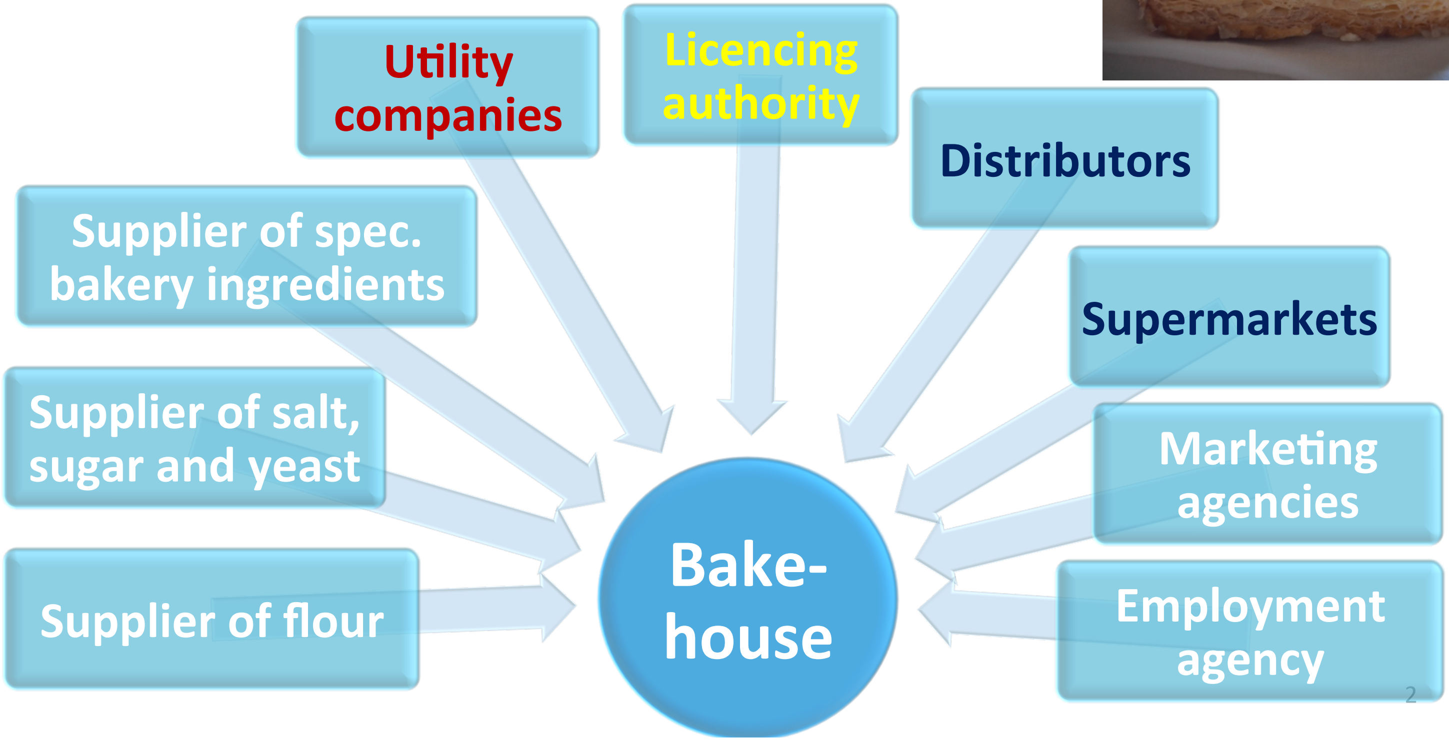
- institutions, e.g. employment agency

- governmental authority, e.g. licensing authority

12 Business networks among companies

12.3 Sample for business network

1 The simplified network of a bakehouse



13. Fejezet

13.1 Some cultural models

1. SOME THEORIES OF CULTURE

– **Culture is a complex and interrelated set of elements, comprising knowledge, beliefs, values, arts, law, manners and morals etc.**

– Hofstede: **Culture: as how people think and behave as a society, „mental programmes", „software of the mind"**

– An important element in culture is language, especially for international business.

– But not only verbal communication is of importance

– At least 75% of all communication is non--verbal.

2. SUMMARIZING WHAT CULTURE IS

See the basic building elements of culture below

A cultural framework [1]

[1] Terpstra, V.–Sarathy, R. (2000): *'International Marketing'*. Dryden Press. 8th Edn.

3. Herskovits's propositions on the theory of culture

a) Culture is learned.

b) Culture derives from the biological, environmental, psychological, and historical components of human existence.

c) Culture is structured.

d) Culture is divided into aspects.

e) Culture is dynamic.

f) Culture is variable.

g) Culture exhibits regularities that permit its analysis by scientific methods.

h) Culture is the instrument whereby the individual adjusts to his total setting, and gains the means for creative expression

4. Hofstede's cultural dimensions

1) Power/Distance (PD)

This refers to the degree of inequality that exists – and is accepted among people with and without power. **A high PD score indicates that society accepts an unequal distribution of power, and that people understand „their place" in the system.** Low PD means that power is shared and well dispersed. It also means that society members view themselves as equals. Application: According to Hofstede's model, in a high PD country such as Malaysia (104), you would probably send reports only to top management and have closed--door meetings where only select powerful leaders were in attendance.

2) Individualism (IDV)

This refers to the strength of the ties people have to others within the community. A high IDV score indicates loose connections. In countries with **a high IDV score there is a lack of interpersonal connection, and little sharing of responsibility beyond family and perhaps a few close friends.** A society with a low IDV score would have strong group cohesion, and there would be a large amount of loyalty and respect for members of the group. The group itself is also larger and people take more responsibility for each other's well--being.

Application: Hofstede's analysis suggests that in the Central American countries of Panama and Guatemala where the IDV scores are very low (11 and 6, respectively); a marketing campaign that emphasized benefits to the community or that tied into a popular political movement would likely be understood and well received.

3) Masculinity/ Feminity (MAS)

This refers to how many a society sticks with, and **values, traditional male and female roles.** High MAS scores are found in countries where men are expected to be „tough," to be the provider, and to be assertive. If women work outside the home, they tend to have separate professions from men. Low MAS scores do not reverse the gender roles. **In a low MAS society, the roles are simply blurred.** You see women and men working together equally across many professions. **Men are allowed to be sensitive, and women can work hard for professional success.**

Application: Japan is highly masculine with a score of 95, whereas Sweden has the lowest measured value (5). According to Hofstede's analysis, if you were to open an office in Japan, you might have greater success if you appointed a male employee to lead the team and had a strong male contingent on the team. In Sweden, on the other hand, you would aim for a team that was balanced in terms of skill rather than gender.

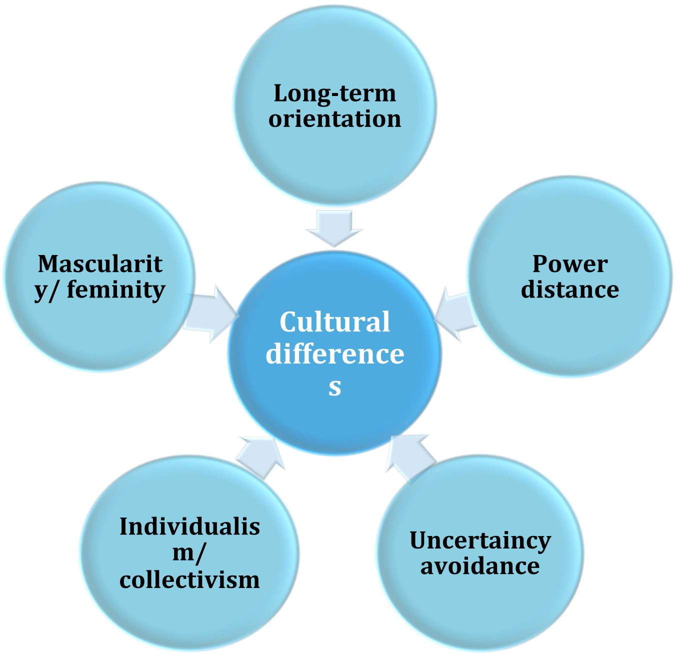
4) Uncertainty/Avoidance Index (UAI)

This relates to the degree of anxiety that society members feel when in uncertain or unknown situations. **High UAI--scoring nations try to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective „truth."** Low UAI scores indicate that the society enjoys novel events and values differences. There are very few rules, and people are encouraged to discover their own truth.

Application: Hofstede's Cultural Dimensions imply that when discussing a project with people in Belgium, whose country scored a 94 on the UAI scale, you should investigate the various options and then present a limited number of choices, but have very detailed information available on your contingency and risk plans. (Note that there will be cultural differences between French and Dutch speakers in Belgium.)

5) Long Term Orientation (LTO)

This refers to how much **society values long-standing – as opposed to short-term – traditions and values.** This is the fifth dimension that Hofstede added in the 1990s, after finding that Asian countries with a strong link to Confucian philosophy acted differently from Western cultures. In countries with a high LTO score, delivering on social obligations and avoiding „loss of face" are considered very important. Application: According to Hofstede's analysis, people in the United States and United Kingdom have low LTO scores. This suggests that you can pretty much expect anything in this culture in terms of creative expression and novel ideas. The model implies that people in the U.S. and U.K. don't value tradition as much as many others, and are therefore likely to be willing to help you execute the most innovative plans as long as they get to participate fully. (This may be surprising to people in the U.K., with its associations of tradition.) Long--term orientation



5. Hofstede's issues

– Relation to authority

– The relation between individual and society

– The individuals' concept of masculinity and feminity

– Ways of dealing with conflicts

Balázs Heidrich: Business as Unusual – The Role of National Cultural background in Corporate Life [2] – (details) – Recommended learning material

Even in the cruel, cruel world of business such a soft, intangible element as culture plays an important role. Like it or not, all business organisations have their distinctive ways of solving problems, treating employees, passing on the traditions, etc. This is called organisational culture by organisational and management sciences.

Moreover, corporations of any kind cannot escape the social environment that surrounds all their activities. With the ever--increasing internationalisation of companies the role of national culture in business is argued. Multinationals experience serious culture shocks because of their cultural blindness. However, the most efficient ones are all well prepared to make good use of the cultural differences within the organisation. Cultural clashes may occur when two (or more) corporations merge or one acquires the other. The process of acculturation requires very a fine tuning of management methods from both parties.

Culture can be defined from many perspectives, according to the social science one is involved with. Naturally almost all studies in the related fields of social sciences tried to define culture in one way or another. One of the best known and probably the most used is the study by Kluckhohn. He clearly distinguishes culture from the limited concepts of ordinary language, history and literature. The anthropological term designates those aspects of the total human environment, tangible and intangible, which have been created by men.

A 'culture' refers to the distinctive way of life of a group of people, their complete 'design for a living'. Culture seems to be the master concept of American anthropologists. For ethnologists, folklorists, anthropological linguists, archaeologists and social anthropologists, culture is always a point of departure or a point of reference if not invariably the point of emphasis. [3]

„Culture consists of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements in a future action." [4]

No individual thinks, feels, or acts exactly as the blueprints constituting a culture indicate he/she will or should. These blueprints of culture, created by society, are meant to apply to each individual. There are still generation, sex, occupational and other differences within culture.

[2]Balázs Heidrich (2002): *Business as Unusal – The Role of National Cultural background in Corporate Life.* Miskolc: European Integration Studies. 1., (2.), Pp. 25–36.

[3] Kluckhohn, F. (1951): *The Study of Culture.* Stanford University Press.

[4] Kroeber, A. L.–Kluckhohn, F. (1952): Culture: A Critical View of Concepts and Definitions. *Peabody Museum Papers* . 47., (1.) Cambridge–Mass.: Harvard University.

The anthropologists' definition of culture is like a map. If a map is accurate and one can read it, then one does not get lost. If a culture is portrayed correctly, one will realise the existence of the distinctive features of a way of life and their interrelationships.

Theories of cultural differences: Cross-cultural vs. cross-national

The differences between cultures have never been a question, only the methods and dimension for measuring them. Very few attempts succeeded in defining a comparison structure for cultural differences. Before introducing the most significant ones, which can be applied for organisations as well, three problems of research in cross--cultural studies must be considered:

1. The term 'culture' has been used in so many ways that academics fail to arrive at a consensual definition;

2. The distinction between cultural and national boundaries is problematic with the consequence that 'nation' has been used as a synonym for 'culture';

3. The measurement of the impact of cultural attributes on organisational functioning is problematic due to the lack of definition clarity. [5]

Thus the other problem apart from the different aspects of cultural definitions is that 'culture' is often substituted for 'nation'. The two terms are often used interchangeably. 'Nation' is invariably used as a synonym for 'culture' with the consequence that national distinctiveness is interpreted as cultural differences. Therefore, according to Bhagat and McQuaid "what are called cross--cultural differences are really only cross--national differences". [6]

Clark is correct in saying that it is an oversimplification to argue that cultural boundaries correspond to national (political) borders, since no nation is so pure that all its members share a common set of cultural factors. Any nation is a patchwork of different and unique subjective cultures. Thus, whereas two nations may share a common language, climate, political system and religion, differences in the mixture of their subjective cultures (subcultures?) will result in distinctive belief systems, norms, values and cognitive maps. A national culture therefore reflects the unique interaction between, and a combination of, a set of subjective cultures.

Questions regarding cultural aspects of M&As (Mergers and Acquisitions)

Though mergers and acquisitions are simultaneously dealt with by scholars, no one argues that it is indifferent from a cultural perspective whether a firm is acquired from a power position or firms of relatively equal market share or capital background are involved in the merger.

[5] Clark, T. (1994): *International Human Resource Management. Perspectives, Problems, Polycentrism.* (Paper presented to BUIRA Annual Conference, Worcester College, Oxford).

[6] Bhagat, R. S.–McQuaid, S. J. (1982): The Role of Subjective Culture in Organisations: A Review and Directions for Future Research. *Journal of Applied Psychology Monograph.* 67., (5.)

A merger is a statutory combination of two (or more) companies, either by the transfer of all assets to one surviving company or by joining together of the two firms into a single new enterprise. Therefore, mergers are -- at least in principle co--operative agreements between equal partners, especially, naturally, if an entirely new organisation is formed.

In contrast, acquisition takes place when one company buys enough shares to gain control over another. It may be defined as friendly or hostile, according to the way it is perceived by the shareholders and the management of the company being acquired. The formal distribution of power is clearer than in the merger case. [7]

M&As are a further management challenge. Therefore it is not only the organisational level of culture which has to be taken into account but the national as well.

A Possible Solution: Cultural Synergy?

An interesting phenomenon occurs when examining the results of cross-border corporate M&As. International transactions of this kind tend to be more successful synergy-wise.

Partners involved in such processes are more aware of the possible challenges and conflicts than in domestic M&As due to their cultural openness and sensibility. Merging of two organisational cultures of a similar kind in a domestic relation tends to be less successful than well-prepared cross-border transactions. [8]

A few studies (e.g. [9]) illustrated that cultural diversity can benefit top management decision making and M&As between culturally distant countries may outperform M&As of culturally closer countries.

This requires a strategic approach to the cultural side of mergers. The traditional cultural awareness approach can only lead to the recognition of differences. In spite of this, cultural synergy can be achieved when in M&As a third, new culture is emphasised by the managers, not the differences of the existing two. The creation of a new culture may lead to less conflict than the melting of two. However, this requires very a sensitive fine tuning from the managerial side, especially in case of international collaborations.

[7] Gertsen, M. C.–Soderberg, A. M.–Torp, J. E.(Eds.) (1998): *Cultural Dimensions of International Mergers and Acquisitions.* Walter de Gruyter.

[8] Vaara, E. (2001): Role-bound Actors in Corporate Combinations: a Socio-political Perspective on Post-Merger Change Processes. *Scandinavian Management Journal.* 17., Pp. 481–509.

[9] Morosini, P. (1998): *Managing Cultural Differences. Effective Strategy and Execution Across Cultures in Global Corporate Alliances. Pergamon.*

13 Role of culture in business ties

13.1 Some cultural models

1 SOME THEORIES OF CULTURE

- Culture is a complex and interrelated set of elements, comprising knowledge, beliefs, values, arts, law, manners and morals etc.
- **Hofstede**: **Culture: as how people think and behave as a society, „mental programmes", „software of the mind"**
- An important element in culture is **language**, especially for international business.
- But not only verbal communication is of importance
- At least 75% of all communication is **non-verbal**.

2

2 Summarizing what culture is

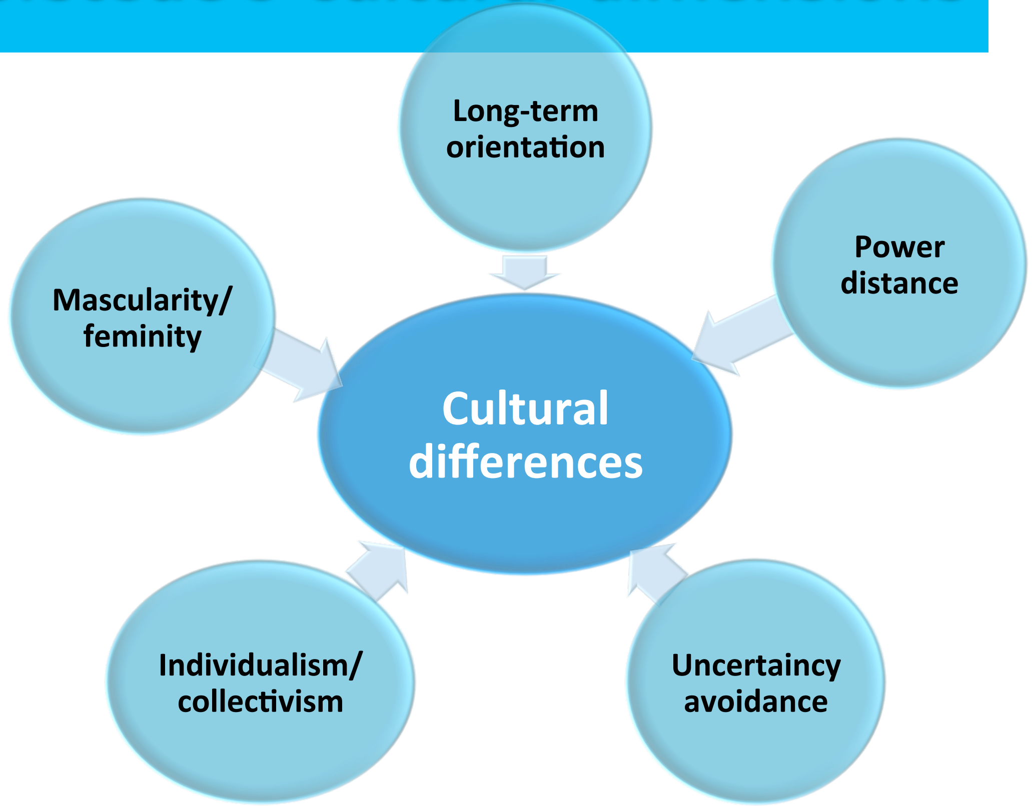
3

3 Herskovits's propositions on the theory of culture

1. Culture is learned.
2. Culture derives from the biological, environmental, psychological, and historical components of human existence.
3. Culture is structured.
4. Culture is dynamic and variable.
5. Culture exhibits regularities that permit its analysis by scientific methods.
6. Culture is the instrument whereby the individual adjusts to his total setting, and gains the means for creative expression

4

4 Hofstede's cultural dimensions



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5 Hofstede's issues

1. Relation to authority
2. The relation between individual and society
3. The individuals' concept of masculinity and feminity
4. Ways of dealing with conflicts

6

13.2 Role of culture in business ties

1. Cultures of time focus: past, present, future

– In the most past oriented cultures it is believed that new plans should be created in such a way that fit the traditions of the past

– Most of the European cultures are past oriented

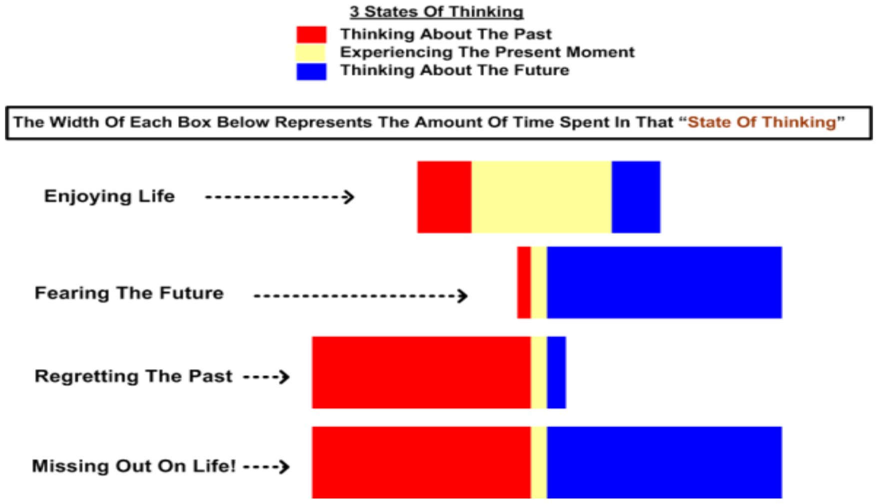
– North Americans give traditions much less importance -->

  – Americans employ their people for much shorter term

  – most of the plans are short term

– In Japan the practice is of life--time employment is still followed (or try to follow)

Time: past, present, future



2 High-context and Low-context Culture Styles (Hall) [1]

High-context cultures (including much of the Middle East, Asia, Africa, and South America) are relational, collectivist, intuitive, and contemplative. This means that people in these cultures emphasize interpersonal relationships. Developing trust is an important first step to any business transaction. According to Hall, these cultures are collectivist, preferring group harmony and consensus to individual achievement. And people in these cultures are less governed by reason than by intuition or feelings. Words are not so important as context, which might include the speaker's tone of voice, facial expression, gestures, posture—and even the person's family history and status.

A Japanese manager explained his culture's communication style to an American: "We are a homogeneous people and don't have to speak as much as you do here. When we say one word, we understand ten, but here you have to say ten to understand one." High--context communication tends to be more indirect and more formal. Flowery language, humility, and elaborate apologies are typical.

Low-context cultures (including North America and much of Western Europe) are logical, linear, individualistic, and action--oriented. People from low--context cultures value logic, facts, and directness. Solving a problem means lining up the facts and evaluating one after another. Decisions are based on fact rather than intuition. Discussions end with actions. And communicators are expected to be straightforward, concise, and efficient in telling what action is expected. To be absolutely clear, they strive to use precise words and intend them to be taken literally. Explicit contracts conclude negotiations. This is very different from communicators in high--context cultures who depend less on language precision and legal documents. High--context business people may even distrust contracts and be offended by the lack of trust they suggest.

3. Relationships and culture

– the establishment, development and maintenance of relationships will vary across cultures

– the greater the cultural differences the more likely there were to be misunderstandings, barriers to communication and problems with the relationship

– relationship involves trust which is the glue that binds networks of relationships together

See the levels of diversity below. The arrows do not mean strict hierarchical sequence but strong interconnetiveness.

[1] http://www.marin.edu/ 22. 06. 2014


national
cultural
organizational
occupational
personal

13 Role of culture in business ties

13.2 Role of culture in business ties

1 Cultures of time focus: past, present, future -1

- In the most past oriented cultures it is believed that new plans should be created in such a way that fit the traditions of the past
- Most of the **European cultures are past oriented**
- **North Americans give traditions much less importance** ->
  - Americans employ their people for much shorter term
  - most of the plans are short term
- In **Japan** the practice is of life-time employment is still followed (or try to follow)

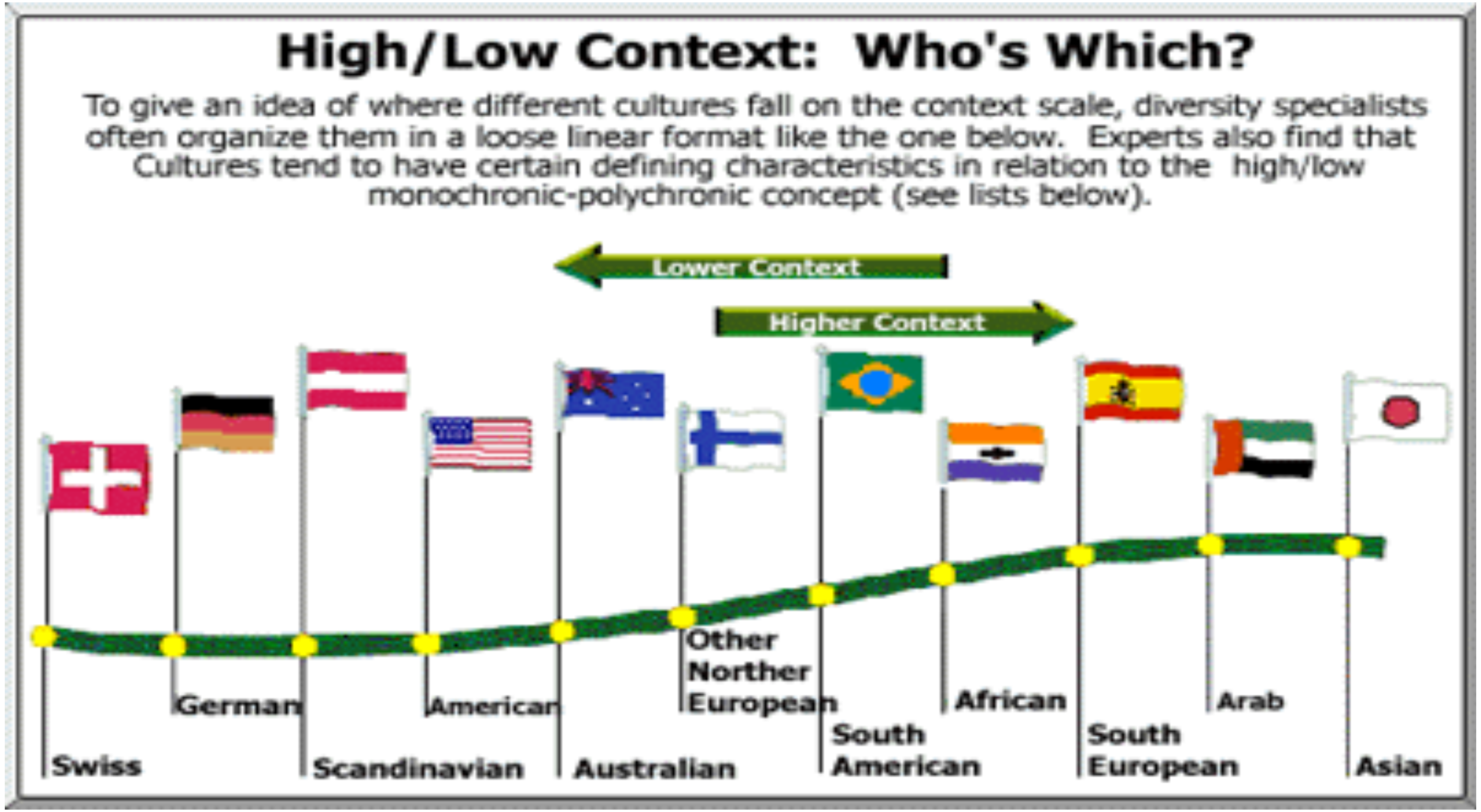
2 High-context and Low-context Culture Styles (Hall) -1

- **High-context cultures**: much of the Middle East, Asia, Africa, and South America
- people emphasize **interpersonal relationships**
- these cultures are **collectivist**, preferring group harmony and consensus
- communication tends to be more **indirect and more formal**

3

2 High-context and Low-context Culture Styles (Hall) -2

- **Low-context cultures**: North America and much of Western Europe
- **logical, linear, individualistic, and action-oriented**
- decisions are based on **fact** rather than intuition
- communicators are expected to be **straightforward, concise, and efficient** in telling what action is expected


High/Low Context: Who's Which?
To give an idea of where different cultures fall on the context scale, diversity specialists often organize them in a loose linear format like the one below. Experts also find that Cultures tend to have certain defining characteristics in relation to the high/low monochronic-polychronic concept (see lists below).
Lower Context
Higher Context
Swiss
German
Scandinavian
American
Australian
Other Norther European
South American
African
South European
Arab
Asian

5

3 Relationships and culture

- the establishment, development and maintenance of **relationships will vary across cultures**
- **the greater the cultural differences** the more likely there were to be misunderstandings, barriers to communication and problems with the relationship
- Relationship involves **trust** which is the glue that binds networks of relationships together

13.3 Intercultural problems [1]

1. Negotiating goal: Contract or relationship?

Negotiators from different cultures may tend to view the purpose of a negotiation differently. The goal of a business negotiation, first and foremost, is a signed contract between the parties. Other cultures tend to consider that the goal of a negotiation is not a signed contract but rather the creation of a relationship between the two sides. For example in a survey of over 400 persons from twelve nationalities, they found that whereas 74 per cent of the Spanish respondents claimed their goal in a negotiation was a contract, only 33 per cent of the Indian executives had a similar view. The difference in approach may explain why certain Asian negotiators, whose negotiating goal is often the creation of a relationship, tend to give more time and effort to negotiation preliminaries.

2. Negotiating attitude: Win-Lose or Win-Win?

Because of differences in culture, personality, or both, business persons appear to approach deal making with one of two basic attitudes: that a negotiation is either a process in which both can gain (win--win) or a struggle in which, of necessity, one side wins and the other side loses (win--lose). For example, whereas 100 per cent of the Japanese respondents claimed that they approached negotiations as a win--win process, only 33% of the Spanish executives took that view.

3. Personal style: Informal or formal?

Personal style concerns the way a negotiator talks to others, uses titles, dresses, speaks, and interacts with other persons. It has been observed, for example, that Germans have a more formal style than Americans. A negotiator with a formal style insists on addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life of members of the other negotiating team. For an American, calling someone by the first name is an act of friendship and therefore a good thing. For a Japanese, the use of the first name at a first meeting is an act of disrespect and therefore bad.

[1] Salacuse, J. W. (2004): *NEGOTIATING: THE TOP TEN WAYS THAT CULTURE CAN AFFECT YOUR NEGOTIATION.* http://iveybusinessjournal.com

4. Communication: Direct or indirect?

Methods of communication vary among cultures. Some emphasize direct and simple methods of communication; others rely heavily on indirect and complex methods. For example, the indirect ways Japanese negotiators express disapproval have often led foreign business executives to believe that their proposals were still under consideration when in fact the Japanese side had rejected them.

5. Sensitivity to time: High or low?

Discussions of national negotiating styles invariably treat a particular culture's attitudes toward time. It is said that Germans are always punctual, Latinos are habitually late, Japanese negotiate slowly, and Americans are quick to make a deal. For Americans, the deal is a signed contract and time is money, so they want to make a deal quickly. Americans therefore try to reduce formalities to a minimum and get down to business quickly. Japanese and other Asians, whose goal is to create a relationship rather than simply sign a contract, need to invest time in the negotiating process so that the parties can get to know one another well and determine whether they wish to embark on a long--term relationship.

6. Emotionalism: High or low?

Accounts of negotiating behaviour in other cultures almost always point to a particular group's tendency to act emotionally. According to the stereotype, Latin Americans show their emotions at the negotiating table, while the Japanese and many other Asians hide their feelings. Obviously, individual personality plays a role here.

7. Form of agreement: General or specific?

Generally, Americans prefer very detailed contracts that attempt to anticipate all possible circumstances and eventualities, no matter how unlikely. Because the deal is the contract itself, and one must refer to the contract to handle new situations that may arise. Other cultures, such as the Chinese, prefer a contract in the form of general principles rather than detailed rules. Because, it is claimed, that the essence of the deal is the relationship between the parties. However some experienced executives argue that differences over the form of an agreement are caused more by unequal bargaining power between the parties than by culture.

8. Team organization: One leader or group consensus?

Some cultures emphasize the individual while others stress the group. One extreme is the negotiating team with a supreme leader who has complete authority to decide all matters. Many American teams tend to follow this approach. Other cultures, notably the Japanese and the Chinese, stress team negotiation and consensus decision making. In their survey the group with the strongest preference for consensus organization was the French

Summary of 13 th chapter

In the globalised world as a result of increasing competition among firms there is growing necessary for knowledge and understanding of cultural diversity. In this way cultural conflicts for example with staff or local authorities, organizations can be handled or even avoided. It can be very useful when a firm wishes to establish a new factory abroad or develop its foreign affiliate. If a company is aware of cultural differences, it may result more effective marketing communication which may bring better and stronger brand name and more satisfied buyers in long term.

So intercultural knowledge can mean obvious competitive advantage for the firm both on supply and demand sides additionally within the company in human resource management.

Cultural Negotiation Styles by Country [2] – (details) – Recommended learning material

China: The Chinese value patience and negotiation. Chinese are very cautious in the decisions they make, and they consider all decisions up for negotiation and renegotiation (even if you thought the matter resolved and final). Be factual and accurate in information that you present, as Chinese people will often investigate any information that you share or present. Showing overt emotion is considered a sign of weakness, so remaining calm and factual is valued. Showing an interest in Chinese culture, language and history is much appreciated.

Costa Rica: There is a strong sense of personal honour and social equity in Costa Rican culture. Compromise and decisions made by consensus are therefore valued, and embarrassing another, or highlighting their weakness in front of others, should be avoided, especially in public places. Concerns should be discussed calmly and privately. Impatience is considered a sign of weakness, and lowers a person's credibility and puts them at a disadvantage. Costa Ricans are often frank and open in their opinions, however.

[2] Morrison, T.–Conoway, W. A.–Borden, G. A.: *Kiss, Bow or Shake Hands.*

Denmark: Danish culture values honesty and informality. When important topics are being discussed, however, expect a Danish person to get right down to business, with a minimum of small talk, and expect a lot of questions. Danes are often direct and frank in their manner of speaking, but statements made in such a manner are not meant to be unkind or insulting.

Egypt: Egyptians tend to operate according to their own slower pace. Egyptians usually take a lot of time to make decisions and trying to force them into making a decision often proves futile. Since Egyptians love language, conversations usually involve a lot of talking, with exaggerations, flowery language and emotion common. A „yes" answer often means „maybe" or „I'll think about it." When receiving a „yes" answer, be encouraged that the topic is open to discussion. Saving face and avoidance of shame are highly valued in Egyptian culture; therefore avoid embarrassing a person publicly by point out their weakness or mistakes. Instead, if a difficult subject needs to be broached, do so calmly and privately with the appropriate person. While Egyptians are fond of making jokes and poking fun at themselves, they tend to be very sensitive to others poking fun at them or Egypt.

Germany: Germans respect quality and honesty, believing that when there is a problem, the problem should be discussed in an open manner. Unless told otherwise, Germans will expect that everything is satisfactory. When a problem does arise, it's important to be prepared to explain the problem clearly, in detail and without emotion. Most Germans are uncomfortable with personal compliments, and they find it confusing when Americans use a habit whereby something positive is said before something negative; this compliment/complaint is perceived as being contradictory.

Japan: Japanese rarely answer a direct question with a „no." Instead, a typically negative response would be „I'll consider it", or „I'll think about it and get back to you." Similarly, negatively phrased questions will receive a „yes" if the Japanese listener agrees. For example, „don't you agree with my position?" will be answered „Yes", even if the Japanese person disagrees with the questioner.

Russia: In negotiating with most cultures, showing restraint and reigning in one's temper is required. With Russians, however, negotiations often involved temper tantrums, threats and walk outs. Losing one's temper is often expected. Negotiations with Russians often required strong patience, and endurance is respected. Similarly compromise is viewed as a sign of weakness and „morally incorrect". Most Russians will prefer to sit--out a negotiator, thereby gaining more concessions from the „other side." When walking into a discussion with a Russian, it is preferable to know in advance exactly what you intend to get out of the meeting, and write it down, as well as „nice to haves;" do not show a willingness to compromise on your needs or requirements. Be factual and include a lot of detail. Play hardball, and Russians will play hardball with you. Be prepared to walk away from a discussion without having the matter resolved; if you can hold out, you will most likely receive more concessions regarding what you want.

13 Role of culture in business ties

13.3 Intercultural problems

1 Negotiating goal: Contract or relationship?

- The goal of a business negotiation is a signed **contract** between the parties (e.g. Spain)
- Other cultures: the goal of a negotiation is rather the creation of a **relationship between the two sides** (e.g. India)
  Asian negotiators, whose negotiating goal is often the creation of a relationship, tend to **give more time and effort to negotiation** preliminaries

2

2 Personal style: Informal or formal?

- **Personal style concerns the way of talks to others, uses titles, dresses, speaks, and interacts with other persons**
- A negotiator with a **formal style insists** on **addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life** of members of the other negotiating team.
- For an **American, calling someone by the first name** is an act of friendship and therefore a good thing. <-> For a **Japanese**, the use of the first name at a first meeting is an act of **disrespect** and therefore bad

3

3 Communication: Direct or indirect?

- Some emphasize direct and simple methods of communication; others rely heavily on indirect and complex methods.
- For example, the **indirect ways Japanese negotiators** express disapproval have often led foreign business executives to believe that their proposals were still under consideration when in fact the Japanese side had rejected them

4

4 Emotionalism: High or low?

- Accounts of negotiating behaviour in other cultures almost always point to a particular group's tendency to act emotionally.
- According to the stereotype, Latin Americans show their emotions at the negotiating table, while the Japanese and many other Asians hide their feelings. Obviously, individual personality plays a role

5

5 Form of agreement: General or specific?

- **Americans prefer very detailed contracts:** attempt to anticipate all possible circumstances and eventualities, no matter how unlikely -> the **deal is the contract** itself
- Other cultures, e.g. **Chinese**, prefer a **contract in the form of general principles** rather than detailed rules -> the **deal is the relationship** between the parties
- However some experienced executives argue that differences over the form of an agreement are **caused more by unequal bargaining power between the parties** than by culture

6

Definitions of the chapters

Definitions of the 1st chapter

– **Business to Consumer (or BtoC or B2C) relationships or transactions:** The final customer is always an individual consumer (e.g. people, families, households). E.g. Housecleaning services, restaurants and retail stores are examples of B2C companies because they sell their product directly to final customer.

– **Business to Business (BtoB or B2B) relationships or transactions:** The products and services of the business are marketed to other businesses. Examples include advertising agencies, web hosting and graphic design services, office furniture manufacturers etc.

– **Business marketing** is a long term activity and that it involves working with the enterprise's customers, but it also with the enterprise's suppliers and sometimes even with the enterprise's competitors to solve their problems.

– **Business buyers:** less in numbers but larger in size than in the consumer buyers. Business buyers are professional and buy special products and/or services for their organizational purposes (operation, maintenance etc.) and for personal use.

– **Commercial market:** Individuals and firms that acquire products to support, directly or indirectly, production of other goods and services. Largest segment of the business market.

– **Trade industries:** Retailers or wholesalers that purchase products for resale to others. Also called resellers, marketing intermediaries that operate in the trade sector.

– **Derived demand:** Business demand is derived from demand for the final products of which they become a part.

– **Fluctuating demand:** The market interest for a product that shows variations over time.

– **Joint demand:** Two products are used together and demanded together Both products are consumed at the same time.

Definitions of the 2nd chapter

The aim of this chapter to practice the terms and learning materials of the first chapter, that's why we do not use new definitions.

Definitions of the 3rd chapter

– **Users** purchase industrial products or services to produce other goods or services that are, in turn, sold in the business or consumer markets. For example: Toyota buys machines to produce cars that are sold to consumers and businesses. Toyota is a user in this context.

– **An original equipment manufacturer (OEM)** manufactures products or components that are purchased by a company and retailed under that purchasing company's brand name. For example when you buy an LG computer you do not know the brand names of spare part producers.

– **The Dealer:** A dealership is sometimes called a retail distributor. It is similar to a distributorship, except that a dealer usually sells only to the public.

– **The distributor** is a wholesaler or middleman engaged in the distribution of a category of goods especially to retailers. The distributor is an independent selling agent who has a contract to sell the products of a manufacturer

– **Government Organizations** include domestic units of federal, state, local and foreign governments. These organizations are state,-- or federal owned and have administrative, control or legal roles and functions

– **Government Markets** where governmental units – federal, state, and local that purchase or rent goods and services for carrying out the main functions of government.

– **Institution** includes a wide variety of organizations, both public and private, such as hospitals, churches, universities, museums, and not--for--profit agencies. Their main general task is to take care of special persons who are in the institution. E.g. churches, schools, prisons, hospitals, nursing homes etc.

– **"Captive" audience:** a group of people who listen to or watch someone or something because they cannot leave.

Definitions of the 4th chapter

– **Social distance** is the unfamiliarity with the way the other works --> Life/ work style

– **Cultural distance** is the result of diverse national characteristics

– **Time distance** is the elapsed time between establishing contact and the final transfer of the good or service

– **Technological distance** is a gap in product or process technologies

– **Geographic distance** is the extent to which firms are physically separated

Definitions of the 5th chapter

– **Concentrated markets** are special places where supply side can be found in a concentrated form. Types of concentrated markets are fairs and exhibitions, stock exchanges, auctions, competitive bidding.

– **The professional fairs and exhibitions:** It concentrates demand and supply both in time and place; Can be local, national and international; Usually focus on one specific sector of economy or topic/ activity; Target audience: relevant business persons and companies

– **The stock exchanges are organized and regulated financial market which are divided into 2 types:** stock market: securities (bonds, notes, shares); and produce exchange: some homogenous products are bought and sold, at prices governed by the forces of demand and supply, the product is not there physically

– **Auction:** a public sale in which property or items of merchandise are sold to the highest bidder

– **A tender** is the package of documents (drawings and Specifications) the owner has prepared for the Request for Quotation.

– **A bid** is a quotation or price that you submit to the owner or general contractor

– **Tendering:** a formalised process of bidding for work or contracts in response to an invitation or request for tender

Definitions of the 6th chapter

– **The economic value:** The worth of a good or service as determined by people's preferences and the trade--offs they choose to make given their scarce resources, or the value the market places on an item. Economic value is represented by the maximum amount a consumer is willing to pay for an item in a free market economy, or the amount of time an individual will sacrifice waiting to obtain a government--rationed good in a socialist economy.

– **The market value** represents the minimum amount a consumer will pay.
Economic value thus often exceeds market value

Customer value: Value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering

Definitions of the 7th chapter

– An **offer** is a clear indication of the offeror's willingness to enter into an agreement under specified terms, and is made in a manner that a reasonable person would understand its acceptance will result in a binding contract. Offers normally include a closing date, otherwise a period of 30 days after the date of offer is commonly assumed.

– The **solicitation:** is different from offer because it is the request, call for offer

– **Need uncertainty**: customer finds difficult to define its problem, or it may not be the best solution for that problem

– **Market uncertainty:** a customer faces a wide variety of potential solutions

– **Transaction uncertainty:** a customer may be uncertain whether the supplier will effectively implement its offering

– **Rationalization:** this is one of the seller's problems when supplier is uncertain if the customer carries out its day--to--day operations as efficiently as economically as possible. It can appear in form of operating problems

– **Development:** this is the seller's other problem when supplier is uncertain if they need to develop its operations and its offerings. One possible solution for this: early supplier involvement and handle suppliers as important resource

Definitions of the 8th chapter

– **influencers** are able to affect the choice between existing suppliers and can introduce new suppliers

– **gatekeepers:** Control the flow of information into the customer. (B2B) Buyers often act as gatekeepers because they are the customers' (users') primary interface. Gatekeepers can often prevent a potential new supplier getting access

– **deciders:** In more cases it is possible to identify one or more deciders within a firm. These individuals specify an offering or a supplier in such way that choice is limited to only one firm (or offer)

– **straight re-buy:** A purchasing situation where the buyer reorders the same products without researching or considering other suppliers

– **modified re-buy:** A purchasing situation where the buyer's revisions to the order require additional analysis or research

– **new buy:** A purchasing situation requiring the purchase of a product for the very first time.

Definitions of the 9th chapter

– **Public procurement** is the process whereby public authorities -including all levels of government and public agencies -- buy goods and services or commission work

Types of corruption:

– **Bid rigging:** the contract is 'promised' to one contractor, with or without the consent of the public official issuing the tender. Bid rigging takes the form of bid suppression, complementary offers, and subcontracting.

– **Kickbacks:** the public official demands is open to a bribe which will be accounted for in the tendering process, including administrative processes.

– **Conflict of interest:** the public official has personal interests in the winning company.

Definitions of the 10th chapter

Customer Relationship Management (CRM): is a business strategy that aims to understand, anticipate and manage the needs of an organisation's current and potential customers. CRM is concerned with the creation, development and enhancement of individualised customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life--time.

Definitions of the 11th chapter

– **ARA model** explains the different dimensions of business relationships through 3 aspects: Activity Links: A business relationship systematically links together some of the activities that are performed in a supplier and a customer. Resource Ties: A business relationship can tie together resources from both companies. Actor Bonds: A business relationship is built by people and will always have a social dimension.

– **Low-involvement relationships:** The parties to a transaction are independent, a relationship lacking friendliness; Cheap to operate.

– **High-involvement relationships:** Firms increasingly rely on resources of outside suppliers -> adaptation -> interdependences; In this approach customer does not try to optimize the price in each single transaction; Instead it aims to improve its operation in the long term.