

DEFINING THE CHARACTERISTICS OF THE PRODUCT, PRICE, PLACE AND PROMOTION IN INDUSTRIAL MARKETING

Víctor Hugo Fernández-Bedoya¹

¹ Universidad César Vallejo. E-mail: vfernandezb@ucv.edu.pe. <https://orcid.org/0000-0002-2464-6477>

Received: 14 March 2020 Revised and Accepted: 8 July 2020

ABSTRACT: Article that analyzed the study of industrial marketing, while seeking to provide an updated bibliographic source to expand academic studies related to this topic. Systematic review was used as a technique to study the history of the study of industrial marketing, differentiating it strongly from consumer marketing. The characteristics of the product, price, place and promotion in industrial companies were explored, giving clear examples of its correct application.

KEYWORDS: Industrial marketing, Industrial product, Industrial price, Industrial plaza, Industrial promotion, 4P.

I. INTRODUCTION

When talking about marketing management issues, it is undoubted that aspects such as due attention to the characteristics of the product, the price range, the different locations or places of distribution, and the promotional methods aimed at making a customer decide first to try a product, then to consume it regularly and finally to be faithful to the brand, are touched upon.

It is very usual to associate marketing with a series of techniques oriented towards the sale of products from a company to a final consumer; however, there are many companies that do not sell directly to the consumer, but usually sell to other companies the necessary inputs for the manufacture of a final good, destined to satisfy the needs of the consumers. This situation can be seen in Fig. 1 as it whos the industrial market.

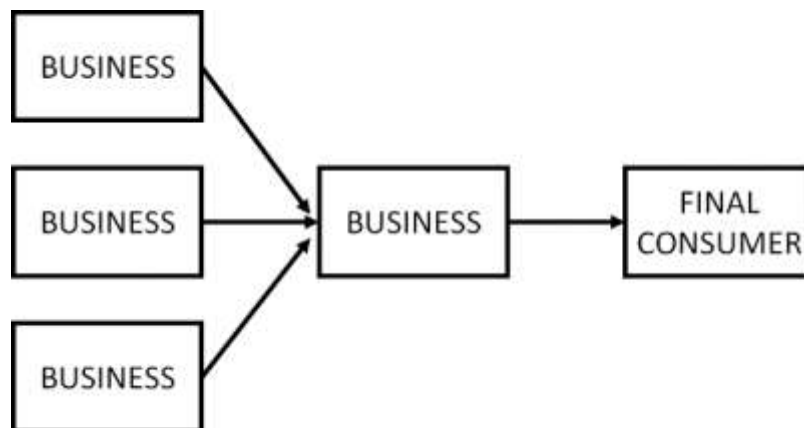


Fig. 1 Industrial Market

Industrial marketing has traditionally received less attention than consumer marketing, probably because it is 'less intriguing, being considered something simple and direct [1].

Marketing has been neglected since its conceptualization and taken for granted; marketers must be prepared to face challenges both in companies that provide inputs to other companies and in companies that sell directly to the consumer [2]. There are three reasons why it is necessary to increase the literature and practice related to industrial marketing [2]:

There is a growing interest among executives of industrial companies to incorporate marketing personnel in their companies [2]. This can be understood as an effect of globalization; local companies will have to strengthen their sales strategies to be more attractive than international companies with interest in exporting, in the same way, industrial companies can be tempted to export, so they need specialized personnel updated with the new trends in marketing and sales techniques.

The scale of business-to-business marketing, especially in highly industrialized countries, where more than 50% of purchase and sale operations are carried out on a business-to-business basis [2].

Business-to-business marketing is unique, exciting and complex [3].

The disproportionate attention paid to the marketing business of industrial companies that sell to consumers (business to consumers, hereinafter B2C) as opposed to those that sell to other industrial companies (business to business, hereinafter B2B), is due to the fact that the main modern concepts of marketing were generated in B2C [4]; proof of this is the wide variety of literature on consumer marketing, and the number of courses on this type of marketing offered at universities and business schools.

Industrial companies are diverse and therefore consume a wide range of products, these products can be heavy and/or light equipment, system solutions, raw materials, processed materials, consumables, and components and services [5].

As we can see, we should not only focus on physical products when dealing with industrial companies, but also pay attention to the intangible products that they may require, which are often in high demand. A considerable amount of work and business skills are needed to adjust to exchange processes in a profitable way, in any type of industry [6, 7, 8].

In view of this scenario, it is necessary not to neglect this sector, and to apply specific marketing techniques, which are grouped in the category of industrial marketing. Industrial marketing is based on a broad vision of sales relationships and techniques, which differentiates it from other marketing approaches in general [9].

As for the research method, it is pertinent to indicate that the study is of qualitative approach, which made use of the technique of systematic review. This research technique is characterized by the synthesis of experimental research results from various authors on a specific topic, linking these results and exposing them through a narrative analysis [10].

In view of what was previously reviewed, this literature review article seeks to clarify the differences between industrial and consumer marketing, while determining the characteristics of the product, price, place and promotion in industrial marketing.

II. ANALYSIS

As for the differences between industrial marketing and consumer marketing, four main differences were found: number of customers, level of customer specialization, sales volume and specific customer needs.

a) Number of customers: A company marketing industrial products will have fewer potential buyers than one dedicated to trading in consumer markets [11].

In Peru, for example, there are just over 2.3 million companies registered by the end of 2017 [12], while the estimated population at the end of the same year was around 32 million [13].

(b) Client's level of specialization. Industrial buyers tend to be more specialized; they are generally more demanding because they have greater economic power, which gives them greater negotiating power [14].

Buyers in the consumer market also have needs that must be met, but they have no bargaining power and are often driven by the law of demand elasticity.

(c) Sales volume. Buyers from industrial companies are more important than customers in the consumer market, because they spend large amounts of money, and industrial companies are often geographically concentrated, which facilitates distribution [15].

The marketing techniques applied to market US\$ 1,000,000 to a single industrial customer are totally different from those applied to 1,000,000 customers for a product valued at US\$ 1, even though both generate the same sales revenue.

d) Specific needs: In industrial marketing, many times there are no substitute products, companies request specific products, which usually must be modified to fully comply with the technical specifications requested [5].

When we talk about marketing strategies, we must undoubtedly refer to the Marketing Mix introduced by McCarthy [16], which presents the classic 4P model (product, price, place and promotion). This tool for proposing strategies has been key for every leading company.

The Marketing Mix concept has attracted the attention of both academics and managers and has been widely used in the marketing discipline worldwide. Kotler presents a renewed concept of marketing mix, defining it as a series of tools used to influence sales [4].

Lines below, the 4Ps of marketing for industrial products, raised by the theory[17] are detailed, followed by examples proposed by the author in order to nourish this review article:

(a) Industrial product: In B2B markets, technical specifications govern the choice between one product and another. Suppliers often customize the products offered, providing also after-sales service, ensuring total quality and customer loyalty. Let us remember that, among companies, long term relationships are important.

b) Industrial price: Price is a crucial factor in the industrial market, even more so in countries where the percentage of profitability is low due to high competition. However, it would be a mistake to assume that all B2B customers are only interested in price, since the product must contain a number of benefits associated with it (global value). Great care should be taken when generating pro forma, as this is often a major reason for rejection by potential suppliers. The price can be negotiated later, increasing or decreasing according to the specific requirements of the product.

c) Industrial place: Generally the distribution of products is direct, the reliability of the supplier is much appreciated, and it is usually a reason to decide or not to order more products in the future, so the speed of delivery and compliance with manufacturing deadlines are aspects that should not be neglected. In recent years, leading global companies have relied on long term relationships with their industrial suppliers due to the application of the "just in time" approach.

d) Industrial promotion: As in B2C markets, advertising is a powerful tool to reach more customers; however, personal sales are much more effective, because direct marketing allows to know closely the customer's needs, and thus offer a solution that fits the needs shown.

This is represented in Fig. 2, which shows the 4P of industrial marketing mix.

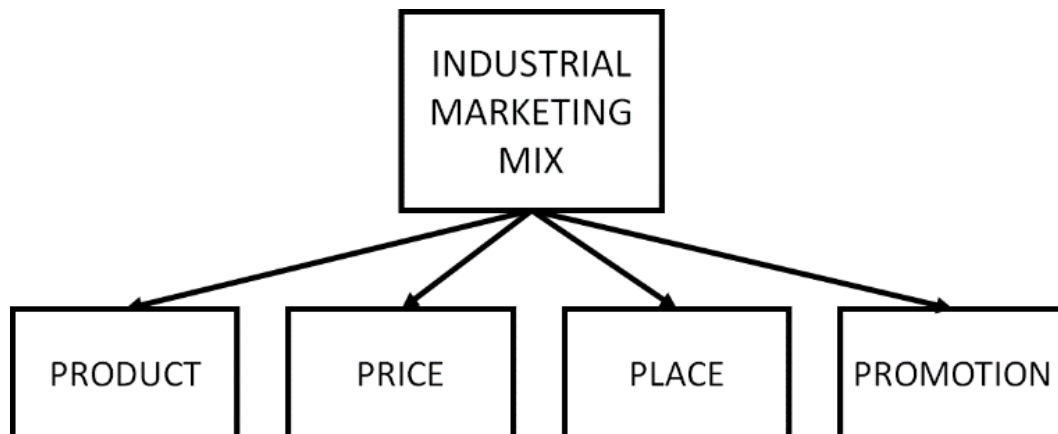


Fig. 2 Industrial Marketing Mix

III. CONCLUSIONS

Industrial marketing literature is not updated as often as consumer market marketing literature. The author has had to review literature from foreign sources to obtain up-to-date references.

It is clear that marketing in B2B companies is totally different from that used in B2C companies, due to various factors, including the number of clients, the level of specialisation of the client, the volume of sales and the specific needs of the market.

Industrial marketing also requires the 4P strategies proposed by McCarthy in 1960, however, these strategies will have to be slightly modified, so that they are valid in this old, but little explored market.

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