

1. The Parameters of B2B Marketing

1.1 The Scope of B2B Marketing



Trappings vs. Substance in Industrial Marketing

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The case for stronger marketing can be made almost any time for any company. But I believe it is especially timely now to dig into the question of what it takes to make marketing a more powerful force in industrial companies. I submit that industrial companies everywhere will find themselves faced with a more challenging business environment in the 1970's than at any time in the past.

To start with, more and more companies are attempting to tap foreign markets, and this interest in worldwide expansion is intensifying competition on almost every front. Thus companies are being forced to develop increased marketing skills to meet competitors they have never had to contend with before.

In addition to fighting the inroads of new and tougher competition, marketing skills will become increasingly important to the job of capitalizing on technology. Industry has had far more failures than successes in this area in the past; and with the continuing acceleration of technological innovation, the job of moving profitably from the laboratory to the marketplace will become even more difficult.

And, at least domestically, added marketing strength will be needed to tap new sources of profit growth so as to reduce reliance on growth through acquisition and merger. For unless there is a dramatic shift in the thinking of the Justice Department, this avenue to growth, which has been so popular in recent years, is likely to be partially blocked in the years ahead.

Source: *Harvard Business Review*, 48(4) (1970): 93–102.

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Few will quarrel with these facts of business life, and certainly in this day and age no one quarrels with the marketing concept. In fact, it would be hard to get anyone to argue against the idea that gearing the business to be responsive to consumer needs – which is a simple but meaningful description of what marketing is all about – is not only sensible but the only way to run the business.

Over the past several years, I have worked with a good cross section of large industrial companies – that is, companies that sell to other manufacturers rather than to the consuming public. I have noticed that top executives increasingly stress the importance of stepping up marketing effectiveness as a means of becoming more competitive and accelerating profit growth. Despite their conviction that marketing is important, many of these executives are disappointed with their marketing efforts so far. To quote one president:

“I can’t really say that the marketing concept has made much of a contribution so far, and I don’t know what to do about it. Our sales and administrative costs are up because of staff additions and higher salaries in the marketing department, but we really don’t operate any differently now than we did before we started talking about marketing.”

And, in the words of another industrial-based corporate president:

“Our marketing effort has been a total waste. All we’ve gained is an expensive marketing staff with hairbrained ideas about advertising and promotion. Most recently, we spent \$600,000 on an advertising campaign in the top journals, and our sales haven’t increased at all. I’m not even sure our customers read the magazines we’ve been pouring advertising money into.”

I could cite a string of similar examples, but these two make my point. Only in a very few industrial companies can executives honestly say they are happy with what marketing has done for them – and support this belief with concrete evidence of improved results. No one I know has any thoughts about giving up on marketing; the concept is too sound. But certainly many executives are perplexed about what they need to do to achieve the improvement that they want.

For a checklist of questions that are a good test of how substantive your company’s marketing efforts are, see the ruled insert on page 96.

My hope is that this article will shed some light on the roadblocks which have prevented industrial companies from getting the payoff they should from marketing, as well as present some ideas on how to clear these obstacles out of the way.

Where Marketing Fails

As I see it, marketing has not measured up to expectations in many industrial companies because management has concentrated on what I call the “trappings” of marketing rather than the substance. Let me explain what I mean by

trappings. When most executives talk about what their companies have done to become more marketing-oriented, they usually point to such things as:

- Declarations of support from top management – speeches, annual reports.
- Creation of a marketing organization – appointment of a marketing head and product or market managers, transfer to marketing of the product development and service functions, establishment of a market research function, salesmen reassigned around markets, advertising function strengthened.
- Adoption of new administrative mechanisms – formal marketing planning approaches, more and better sales information, reporting system restructured around markets.
- Increased marketing expenditures – staffing, training and development, advertising, research.

I do not mean to imply that these moves are useless, but by themselves they are no guarantee of marketing success. The kind of change that is needed is a fundamental shift in thinking and attitude throughout the company so that everyone in every functional area places paramount importance on being responsive to market needs. This is why I maintain that the typical organizational and administrative steps taken in most companies are trappings; they fail to accomplish this shift in attitude. And without this shift in attitude – companywide – the most highly developed marketing operation cannot produce any real results.

Why have so few companies gone beyond the trappings and achieved the change in attitude that ensures substantive marketing? I do not pretend to have all the answers, but my experience suggests that frequently one or more of these situations exist:

- In a surprising number of cases, management does not fully understand the marketing concept as it applies to industrial companies.
- In many other cases, management understands the implications of the marketing concept but has not committed itself to the actions and decisions needed to reinforce it.
- In almost every case, management has failed to install the administrative mechanisms necessary for effective implementation of the concept.

In this article I propose to discuss each of these situations in turn, illustrating the kinds of problems they can cause and pointing out how some companies succeed in building substance into their marketing.

Understanding the Concept

When I say that in many cases management does not understand how the marketing concept applies to industrial companies, you may think I am imagining things. But time and time again, I have found evidence that this

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contention is valid. For while most executives are quick to say that they understand and believe in the marketing concept, many of their actions and decisions show otherwise.

Key Dimensions

To prove my point, I shall start out by defining what marketing in the industrial world is not. It is not, as many believe, simply a departmental operation set up to handle advertising, promotion, merchandising, and selling, as might be the case in a consumer-goods company. Nor does it *necessarily* mean striving for the greatest short-term profit contribution, going all out for volume, or seeking to serve everyone in the market.

Rather, marketing in the industrial world is a total business philosophy aimed at improving profit performance by identifying the needs of each key customer group and then designing and producing a product/service package that will enable the company to serve selected groups more effectively than does its competition.

This definition is admittedly a mouthful, but it reveals four key dimensions to industrial marketing: (1) aiming for improved profit performance; (2) identifying customer needs; (3) selecting customer groups for whom the company can develop a competitive edge; and (4) designing and producing the right product/service package or packages. Let me enlarge on each point.

1. *Aiming for improved profit performance:* Too many industrial companies talk a good game of marketing and profit orientation, but a close look at how they make decisions reveals that volume is still the swing consideration. Many of these companies would actually have a better profit picture if they gave a lower priority to volume, even if it meant scaling back the business.
2. *Identifying customer needs:* There are still many equipment manufacturers who know substantially all there is to know about their own technology and virtually nothing about how their customers really operate and make money. Many of these manufacturers spend millions developing labor-saving machinery for the least costly parts of their customers' production process, or they design costly features into their products without considering the value of such features to their customers – and then wonder why their sales departments are not able to sell the products.
3. *Selecting customer groups for emphasis:* We all know of companies that strive to be all things to all customers. These companies that take a shotgun approach to the market inevitably end up with a houseful of marginal product items and a long list of unproductive customers who generate a small fraction of sales and an even smaller fraction of profits. It is not surprising that more selective companies earn better profits, for they concentrate their limited resources on filling specialized product needs for customers who will pay for value.

4. *Designing the product/service package:* All of us have heard horror stories about companies that failed in the marketplace because they tried to sell a Cadillac when the trade wanted a Model A Ford. Actually, the analogy is somewhat misleading. A company does not have to be this far off the mark with its product/service package to be a marketing flop in the industrial world. For the buying decision hinges on minor differences, and a company is in trouble whenever competition has a product/service package that matches the customer's needs just a little better.

Marketing Orientation Checklist

These questions are a good test of how substantive your company's marketing efforts are. If you have trouble answering any of them, this article deserves careful study.

1. Can you describe at least three feasible strategic focuses that have been evaluated and seriously considered for each of your product/market businesses?
2. Can you cite specific steps your marketing department has taken over the past three years that effectively blocked the competitive threat of international as well as domestic competitors?
3. Can you cite changes in the specifications or characteristics of your product/service package that are linked directly to the identification of changing needs in specific customer segments?
4. Is there an effective interchange of ideas among your marketing, operating, and financial functions – in both the development of product/market strategy and the execution of it? Is top management actively involved in this process?
5. Do you have an organized channel of communication to ensure that the views of those men working most closely with the customers are taken into account in identifying product needs and opportunities?
6. Do you have a clear picture of the relative profit contribution from sales of individual items to all of your customer/channel segments?
7. Have you, within the last 12 months, evaluated – and made a conscious decision whether to drop or retain – those products and customers that account for less than 10% of sales and profits?
8. Have you made a comparison of your economics with those of your competitors, as well as a comparative value analysis of all individual items where you compete head-to-head?
9. Are your marketing organization and your planning and control system designed around end-use market characteristics?
10. Can you honestly say that four out of every five of the men filling your top marketing positions are serious candidates for future general management jobs?

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From all this, one conclusion is clear: marketing in the industrial world is much more a general management responsibility than it is in the consumer-products field. For in a consumer-goods company major changes in marketing strategy can be made and carried out within the marketing department through changes in advertising emphasis or weight, promotion emphasis or type, package design, and the like.

In an industrial company, on the other hand, changes in marketing strategy are more likely to involve capital commitments for new equipment, shifts in development activities, or departures from traditional engineering and manufacturing approaches, any one of which would have companywide implications. And, while marketing may identify the need for such departures, general management must make the decision on the course the company will take to respond to the market – and it must provide the follow-through to ensure that this course is pursued in every functional area.

Now that industrial marketing has been defined as a total business philosophy, it should be easy to distinguish those executives who understand the concept from those who do not. In short, the president who consciously frames his total business strategy in response to market needs shows that he understands the marketing concept, whether or not he has the trappings discussed earlier. (In fact, I can think of a couple of companies without formal marketing departments that are as marketing-oriented as any I know.)

Conversely, the president who merely enlarges his marketing department, or who continually spurs his salesmen on to find new customers of any sort, or who indiscriminately adds more products to his line, does not understand the concept in the industrial context.

Commitment to Action

Understanding the marketing concept is one thing; following through with the commitment to make the tough decisions that are frequently involved is quite another. Many companies stumble badly here. Companies with a superior marketing effort, on the other hand, repeatedly demonstrate their commitment to follow the marketing concept by their willingness to require cooperation from all functions, to invest for long-term goals, and to face up to deficiencies in product, price, or service.

Require Functional Cooperation

A willingness to require – and force, if necessary – all functions to make the changes needed to be responsive to market needs is the first form of commitment top management must make. In many cases, doing this is more difficult than one might think.

Here is an example that shows how hard it can be:

- In one capital-goods company, management had historically focused on selling the largest, highest powered, most maintenance-free units possible, with the thought that this approach favored the company's manufacturing economics. However, user needs had shifted toward smaller, less costly units without the rugged engineering characteristics required for maintenance-free operation.

Since this trend was clear, and the company was losing market position, marketing had recommended a major redesign of the product line. However, the company's manufacturing and engineering executives, who were acknowledged industry experts, argued convincingly that the current product design and cost structure were still superior to any competitor's, and all that was needed was a better selling effort.

Faced with these conflicting points of view, top management decided to stick with the original product concept and put pressure on the marketing group for a more aggressive selling effort. It was not until the company lost substantial market share and its entire profit structure was threatened that the president could bring himself to fly in the face of the expert opinion of his engineering and manufacturing executives and force the redesign through.

Now that he has, things are looking up. In a situation like this, it is unrealistic, of course, to expect a dramatic turnaround. But the early reactions of the market are encouraging, and the management team is now convinced that it is on the right track.

This example is not uncommon. I have run into many similar situations where management had to overcome a long-standing preoccupation with operating objectives that crippled the marketing effort – objectives such as “get maximum engineering content into the units,” “keep the plant loaded,” “increase the value added,” or “move tonnage.”

You may wonder why these attitudes are so hard to overcome, but it is understandable when you consider that the product concept in many industrial companies is actually the origin and chief reason for success of the enterprise. Management is naturally reluctant to move away from a product concept that has been demonstrably superior.

Also, remember that marketing recommendations lack the precision of technical data. Typically, top management is confronted with hard numbers from manufacturing and engineering – material costs, production costs, installation costs, and so on – while marketing must make its case on the basis of forecasts and judgments. Of course, these forecasts are quantified, too, but they can never be stated with as much precision as the historical performance data submitted by manufacturing and engineering.

Consider the example just discussed. Tradition won out over change because marketing was unable to nail down and quantify the shift in user preferences for smaller, less costly units before serious damage was done.

Finally, most of the general management executives I have talked to had a technical background themselves, and frequently tended to assess their products from a technical rather than a user point of view. Trying to convince these executives that a technically inferior product is what the market wants is next to impossible.

Thus, if I have learned one thing from my work with industrial companies, it is this: the task of shifting a company that has been traditionally dominated by engineering and manufacturing considerations to one that is truly marketing-oriented is enormous. It takes a lot of effort on the part of marketing executives to ensure that their proposals are carefully thought through, solidly documented with market and economic facts, and show an understanding of their impact on operating functions. And it also requires top management understanding of the obstacles just discussed, as well as active support with both actions and words, to successfully make the transition.

Invest for the Long Term

Another commitment management must make is a willingness to invest to achieve longer term goals. The idea of investing to strengthen one's marketing position is accepted and practiced every day in consumer-goods companies – even though these investments commonly have a relatively long payback period. For some reason, this idea does not seem to be acceptable or even considered in most industrial companies.

Yet one could argue that an investment point of view is more critical in industrial companies than in consumer package-goods companies because of the long time frame attached to the design, make, and sell cycle for any new product. Designing performance or cost improvements into an already proven product is a long, hard job. Then, developing the test or performance data to prove these advantages takes even more time.

Finally, it is understandably difficult to get an industrial customer to even try a new or different piece of equipment that may cost thousands of dollars and, more important, affect his entire production process. Thus it can take years to gain full customer acceptance and build a solid market base for a product/service innovation in the industrial world.

Despite these considerations, management in many industrial companies is reluctant to look at increased expense for product development, testing, or launching as an investment, or to take any actions to build a stronger market position if they cut into short-term profits.

Only recently, I encountered a situation which illustrates an all-too-common point of view:

- One company had committed over a million dollars to the development of several new products to make its line more competitive. It had also invested

heavily in manufacturing equipment to get the new products ready for the market. When plans for market introductions were being made, the marketing director requested a budget increase to set up a specialized sales group to introduce these new products. He pointed out that although the added costs of a specialized sales group would not be recovered during the first year or so, by the end of two years the added volume would more than cover the cost of this group.

Initially, the division manager balked at the budget increase, claiming it would cut too deeply into short-term profits. It took a lot of effort, but the marketing director finally convinced him this was shortsighted by saying, “If we don’t get these products established this year, we will lose the slim lead time we have in the market – and the \$2 million that we sank into development and equipment will be down the drain.”

Unhappily, only rarely does marketing succeed in getting the breathing room it needs to make a substantive contribution, as it did in this company. I have seen cases where division management’s overriding emphasis on the short term prevented new products from being developed or effectively launched when they were clearly needed. I have also seen others where division managers resisted the weeding out of marginal products or customers so that the mix could be upgraded, when this was clearly the right move to make.

In all of these cases, it is clear that the actions needed to be responsive to the market were blocked – because it would have led to a temporary drop in profits – without regard for the longer term impact.

Actually, very few of the industrial executives I know are particularly sympathetic to the idea of investing marketing dollars for a longer term payoff, though they are perfectly willing to think in these terms when it comes to a capital proposal for new plant or equipment. As we have seen, there are executives who can be convinced that this approach can pay off. But until more industrial executives start to think naturally in these terms, the marketing concept operates under a serious constraint.

Face up to Deficiencies

Management must also demonstrate its commitment to the marketing concept by a willingness to squarely face up to critical deficiencies in product, price, or service. These disadvantages are tough enough to overcome in any business, but they are impossible to overcome in the industrial world, for deficiencies cannot be glossed over when some steely eyed engineer or purchasing agent typically makes or controls the buying decision. Unlike the housewife, the industrial buyer, since his decisions are usually based on economic and engineering considerations, is largely unaffected by the emotional appeals of advertising, packaging, and merchandising.

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You may think that I am belaboring the obvious by making this point. Let me assure you I am not. For management has a natural tendency to view its products through rose-colored glasses, and to conclude that any advantages claimed for competitors' products are exaggerated or insignificant or that competition is "giving the business away" or that it has a "cheaply engineered" or "shoddily manufactured" line if it is sold at a lower price.

I saw a good example of this in one company, which started to lose business because management would not face up to the fact that its product was inferior to its competitors' in terms of both price and performance characteristics. This was the situation:

- The company had been losing its share of market in one of its major product lines for several years. During this period, three different product managers had been making the point that competitor changes in product and price had made it impossible to compete with this line as currently designed and priced. They then went on to recommend a redesign program to take cost out of the line and to add certain product features. At the same time, they proposed a lower price structure to make the line more competitive.

Top management executives, including the vice president of marketing, reacted negatively. They simply could not accept the fact that their product line, which had been a long-time winner, was that far out of position. Instead, they blamed the product managers for not having a good grasp of the business and for not being imaginative in their recommendations to rebuild market share.

It was not until a new division general manager came on the scene that this position was reversed. He took a fresh, unprejudiced look at his company's product as compared with the competition. The conclusion that he reached was that the product managers had been right, and no amount of "more aggressive selling," "creative merchandising," or any other so-called marketing activity could overcome the basic competitive disadvantages of this product.

Admittedly, decisions like those suggested in the foregoing examples are frequently very difficult to make, and I do not mean to pass over them lightly. Nor do I mean to imply that a company must always do things differently or always suffer a short-term profit loss in order to successfully follow the marketing concept.

I do mean, however, that decisions like these must be made if that is what it takes to be responsive to the market. Management cannot allow emotional ties to what has been done in the past to overrule market considerations. Otherwise, as the marketing manager in one company suggested, "Management does a lot of talking about following the marketing concept, but in reality it's a joke."

Implementing the Concept

The third reason companies have not succeeded in getting positive results from marketing is ineffective implementation. As I see it, the three ingredients essential to proper implementation of the marketing concept are (1) qualified people, (2) reliable market and economic information, and (3) planning to ensure the right strategic focus for the business. I know a number of company presidents who are vitally interested in making marketing the cutting edge of the business, but who are frustrated in this attempt because of deficiencies in these areas.

Seek Qualified People

It takes superior knowledge of the market and the economics of the business, along with a healthy dose of good business judgment, to be an effective marketing executive in the industrial world. Without these characteristics, the marketing executive cannot command the respect of the other functional executives that will induce them to follow marketing's lead. Yet I submit that many companies have staffed key marketing positions (e.g., marketing head, product manager, market manager) with men who clearly do not have any of these qualities.

Where does management go wrong? In some cases, the problem stems from management's tendency to equate marketing with aggressive selling and thus to look only to the sales department for men to move into these positions. Many of these men are simply not able to develop a total company perspective, and their sales or volume orientation tends to dominate their marketing recommendations and decisions. As you would expect, with this point of view, they quickly lose the respect of other functional and top management executives, and they have no chance to influence major decisions.

In other cases, management turns to the outside in a search for men with a ready-made bag of marketing skills that will make their company marketing-oriented overnight. But except in rare cases, these men perform well below expectations, for they typically come equipped with skills that are not really applicable. There is no accepted bag of skills in industrial marketing that is readily transferable from one situation to another as there is in consumer-goods marketing, where basic advertising and promotion skills are applicable to a wide range of situations.

As I discussed earlier, success in industrial marketing depends on skills related to a specific industrial situation. It requires a comprehensive understanding of the particular market and of the economic aspects and operating characteristics of the business. And it requires mature business judgment to achieve a balance among functional considerations (i.e., product design, manufacturing cost, selling price alternatives) and between long- and short-term

interests, and then to come up with sound recommendations for achieving maximum profit growth.

In effect, the industrial marketing executive must be an embryo general manager, and this is what the best marketing companies look for in staffing their key marketing positions. There is no magic in the way they get these men. They have no special recruiting sources, no extraordinary training or development programs; they do not pay excessive salaries, though they make sure salaries are fully competitive.

What these companies do is very basic. They are aware that marketing men are attracted to a company in which the marketing function receives top priority. They therefore make certain that the marketing function is set up in the organization as the lead function, and they see to it that everyone understands its role.

This means the marketing department has the responsibility to identify the changing needs of the market and the opportunities these represent for the company. It means also that the marketing department is expected to translate the market requirements into the actions needed by the other principal functions of the company (e.g., R&D, engineering, manufacturing, finance) to capitalize on these opportunities.

When I say that marketing is the lead function of the company, I do not mean by this that marketing is organizationally superior to the other functions. Its role is to show the way to the marketplace, and the role of the other functions is to follow this lead and get the company firmly established in the marketplace.

In addition, successful marketing companies are careful not to overlook sources which might provide high-potential candidates. They seek able men who have the necessary qualities – or the potential to develop them – without regard for their functional background. I have seen many cases where men from the financial, engineering, or manufacturing end of the business developed into marketing executives fully as effective as those who came up the sales route.

Finally, these companies recognize that there is no way to short-cut the development of their marketing executives. Whether they are homegrown or imported, they must be given both the time and the opportunity to learn about the total dynamics of the business. The importance of this broad-gauged understanding of the total business cannot be overemphasized, for it is the knowledge foundation that permits the good marketing executive to make the kind of balanced decisions and recommendations that will ensure for marketing its rightful role as the lead function of the business.

Get Reliable Information

Even men with the highest qualifications cannot operate effectively without reliable information. Yet many marketing executives complain that they simply do not have access to the kind of information necessary to make

intelligent marketing plans and decisions. Their complaints, which relate to both market data (e.g., market share, sales to end-user segments) and cost and profit information, could be overcome with relative ease, for the raw data is almost always available somewhere in the company.

The trouble is that it typically is not ordered in a way which is useful to marketing executives. In the case of cost and profit data, accountants usually design the information structure for external reporting and for manufacturing and cost control. Thus it is not geared to nail down the profit consequences of selling individual items or various mixes to different customer groups or through different channels. And all too often market data are fragmented and incomplete. Here marketing executives must shoulder most of the blame, for they simply have not done the job necessary to define the information they need and how it should be drawn together.

In one company I worked with, the case for good information was made dramatically. Marketing management wanted to weed out some of the marginal items in the line to reduce inventory costs and free sales time for more profitable items. *Exhibit I-A* shows the picture the managers developed using the profit information available to them – gross margin. On the basis of this analysis, they decided to cut out several low-margin items, such as Fiber B.

Fortunately, before any items were dropped, a plant controller made a special analysis to determine the variable contribution per machine-hour that each item generated – that is, the profit each product contributed for the amount of plant capacity it used. His analysis, shown in *Exhibit I-B* revealed a different picture from the gross margin comparisons and caused everyone to wonder if they were on the right track.

Then the division controller decided to look even deeper and made another special analysis to factor in the selling costs. As *Exhibit I-C* shows, once selling costs were considered, what initially were thought to be the low-profit items were actually the most profitable. Complete information resulted in a conclusion just the reverse of the original one. Now the company has completely recast its information structure so that its marketing executives get this kind of information as a matter of course.

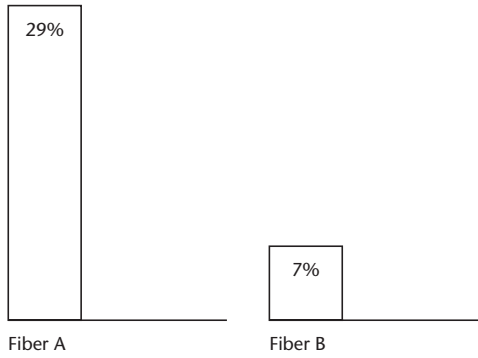
Many companies with successful marketing records have made similar revisions in their information structure. This does not mean that they have abandoned the information necessary for external reporting or effective manufacturing control. Rather, they have added to their information structure data that enables their marketing executives to make fact-based decisions on products, channels, markets, and customers.

Do Strategic Planning

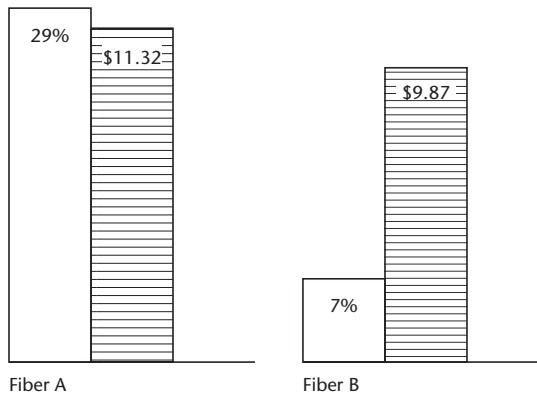
Virtually all of the companies I have worked with regard planning as a key ingredient in their marketing effort. Many of them are quick to admit, however, that their efforts to do a good job of planning are not nearly as effective

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A. Traditional Gross Margin Information Leads to One Conclusion



B. Examination of Contribution Per Machine-Hour Shows a Different Picture



C. Analysis of Selling Costs Reverses Original Conclusion

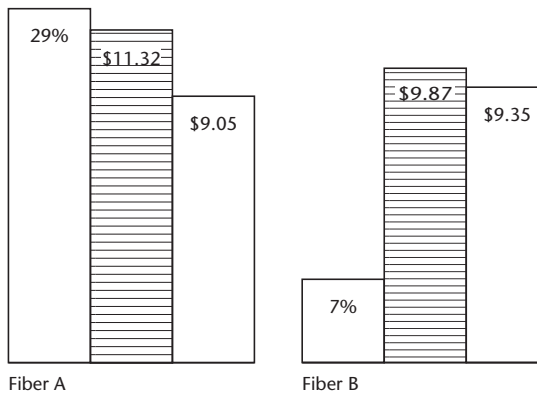


Exhibit I: Dramatic example of the case for good information

as they should be, and they cite this shortcoming as one of the chief reasons that the marketing concept has not really taken hold. I think they are right. For soundly conceived market-oriented plans are the framework that keeps all the company functions operating around the marketing concept.

Planning, of course, is a broad and complicated subject in itself, and I have covered it in detail elsewhere.¹ It is clear, however, that the reason many companies have difficulty with their planning is that they pattern their efforts after companies in the consumer-goods field. Specifically, they tend to regard marketing as a discrete function, and they develop discrete marketing plans.

While this approach makes sense in the consumer-products field, where the key volume and profit-making activities are within the marketing department (i.e., advertising, merchandising, promotion), it does not make sense in an industrial company, where activities outside the marketing function (e.g., manufacturing, engineering, technical service) typically control success or failure in the marketplace.

Companies that do a superior job of marketing concentrate their planning efforts on making sure they have the right strategic focus for their business. Reviewing the strategic focus is time well spent in an industrial company. For one thing, it is all too easy to develop “marketing myopia”² in the industrial world and allow the need to “load the plant” or “increase engineering content” to override indications that present customer needs are changing or additional customer needs exist.

Because of this pitfall, in many companies the thinking of management is constrained by existing products and technology; opportunities to gain a competitive edge in present markets, develop new markets, or enter related markets go unnoticed. Moreover, the velocity of technological change and the consequent impact of this change on the competitive structure, on customer acceptance of existing products, and on new market opportunities can readily obsolete a strategic focus that was once highly successful.

The experience of a motor manufacturer I worked with shows how a shift in strategic focus can create vast differences in market potential and ultimately change the entire character of the business. Here is the picture:

- The company had traditionally held a 25% to 30% share of a market that was worth about \$400 million and was growing at about 5% a year. Recognizing that it would probably have to cut into its margins to capture a larger share from competitors, management took a hard look at how the market might be defined differently to expand the opportunity.

The first step was to include the drive linkage and systems that were powered directly from their motors. This more than doubled the potential market for this company and opened up a whole range of new product opportunities.

Management then shifted its view of the market to include the whole field of automation. As management defined automation, this shift in focus gave

the company a market to work with of some \$2 billion – 8 to 10 times the size of its original market opportunity. More important, the automation market is growing over 10% a year, or twice as fast as the motor market alone.

In recent months, the president of this company has said repeatedly, “It took us a long time to define our market in the right way, but once we did, the door was open for a whole stream of new product businesses that we wouldn’t even consider before. Getting the right product/market focus has contributed to our accelerated growth and profits more than anything else.”

In companies that take this approach to planning, the marketing department, of course, plays the lead role in defining market needs and opportunities, as well as in determining what it takes to serve various markets or segments. From this point on, however, planning becomes a collaborative effort, with all of the key functions contributing their points of view in a series of face-to-face discussions. These companies place much less emphasis on the planning system – that is, on such components as format, techniques, and lengthy writing assignments.

Naturally, the recommended plan gets the inputs and final stamp of approval from top management before it becomes an operating blueprint for the business. This approach – based on a continuous dialogue between key managers rather than on the completion of forms by function heads working in isolation – ensures the kind of balancing between functions, and between long- and short-term interests, that is required to make the marketing concept work.

Conclusion

There is nothing particularly sophisticated about the marketing concept as it applies to the industrial world. Nor is there anything conceptually difficult about what it takes to build substance into industrial marketing as opposed to simply having the trappings.

What it takes is total company involvement – from the top down – in the marketing effort and management willingness to depart from traditional practices if this is what is required to be responsive to the market.

When I say there is nothing particularly sophisticated about the marketing concept, I do not mean to minimize the task of shifting an operations-oriented company to one that is market-oriented. As I have said, it is a tough job. It takes time – probably several years – and a lot of effort. Proof of the difficulty lies in the fact that only a few companies have done the job well.

For those few that have been successful, however, the time and effort involved have been well spent. For their responsiveness to the market will give them a competitive advantage that is certain to accelerate their profit growth in the years ahead.

My experience suggests that while most companies will agree with the fundamental principles I have discussed, only a few really live by them. And, in my judgment, this is what separates the successful from the unsuccessful companies in industrial marketing.

Notes

1. See my article, "Marketing Planning for Industrial Products," HBR September-October 1968, p. 100.
2. See Theodore Levitt, "Marketing Myopia," HBR July-August 1960, p. 45.

