3 The Industrial Customer

SUMMARY

The need for reliable marketing information is as great in industrial as it is in consumer markets. Those markets vary from the highly specialised low-volume to the high-volume mass-market products. The process by which purchase decisions are made are often complex, involving a number of people and a wide variety of interrelated criteria. Survey research is used to unravel this complexity and to ascertain the relative standing of products and their suppliers in the market-place.

INTRODUCTION

It is as important for a manufacturer to have answers to the basic marketing questions in industrial as in consumer markets. How big is the market? What is our market share? How is the market changing? Who are our competitors? How do we stand relative to competitors?

For highly specialised products – automotive engines, or heavy construction plant, for example – the total number of buyers of any importance in any one market is easy to ascertain. If these buyers are co-operative the answers to most of these questions can be easily collected. Where, as in most industrial markets, there are a large number of buyers for less-specialised products, then such information needs to be systematically collected and the best means of doing so is often by means of a survey.

Published industry statistics compiled by the government or trade bodies do cover many industrial markets, but for many companies' marketing needs the product category definitions are too general, unclear or irrelevant with information on specific brands non-existent. While such sources may provide valuable background information they are generally inadequate for developing an effective marketing strategy. For this they will have to commission their own ad hoc research.

Decision-makers

When dealing in industrial markets the 'consumers' will generally be other industrial or commercial organisations, or large non-
commercial organisations, such as central or local government.

However, specific ‘consumers’ are not so easy to identify. Indeed, one of the major problems of industrial marketing is in identifying who the key decision-makers are in each potential customer organisation, especially where major capital investments are involved. The person who places the order is not necessarily the person who specifies the product required or the company which should get the order. Furthermore many people are often involved in advisory roles so that financial, marketing, production, personnel and technical considerations are taken into account.

Research sponsored by the Financial Times in 1983 examined the decision-making unit of British industry for a number of different types of industrial products. It showed how the authoriser of major purchases was often different to the final decision-maker with respect to suppliers, and that while the purchasing department was likely to be greatly involved in the purchase of materials and components its role was much more limited for commercial vehicles and computers. The board of directors was quite likely to authorise the purchase of the latter two items, but it was unlikely to select the final suppliers, and was hardly ever involved in either the authorisation or the selection of the supplier of components or materials.

The research also underlined what experienced industrial market researchers have widely found, that whereas the responsibility for authorisation of major purchases may be spread across several functions, the final responsibility for selecting one supplier over another usually resides with one key individual. These decision-makers are unlike mass-consumers in that they are usually well-informed and are often sophisticated in their decision-making. They make frequent repeat purchases of standard and non-standard products, often on the basis of a number of key, and identifiable, criteria, and are likely to take into account the views of a number of influential individuals. Consequently attitudinal and motivational research in the industrial field can be highly focused and strongly orientated to producing actionable results.

RESEARCH AND THE CORPORATE STRATEGY

Like its counterpart serving consumer markets the industrial company needs to develop a corporate marketing strategy built on an appreciation of its standing in terms of market-share, technical and