

Communication and Discussion

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THE SPECIFICITY OF INDUSTRIAL MARKETING

Industrial Versus Household Marketing

Marketing of industrial goods has been traditionally regarded as different from that of consumer goods with respect to three distinct aspects.

First, it is argued that the purchase and the decision making process underlying it is significantly different between the industrial buyers and household buyers. For example, the absolute amount of economic commitment in each purchase decision tends to be greater in industrial buying. Similarly, the range of the purchase magnitude measured in terms of volume or revenue tends to be significantly larger across industrial buyers as compared to household buyers simply because the size of the industrial buyers varies far more than that of household buyers. This tends to produce a greater skewness in the purchase distribution of industrial goods, and, therefore, a handful of very large industrial buyers dominate in terms of the buying concentration. It is not at all unusual in industrial marketing, for example, to find that five to ten per cent of all industrial customers provide eighty-five to ninety per cent of all demand in the market place. I believe it is this concentration of buying power in the hands of a few large customers which is more responsible for the greater presence of oligopoly structure in industrial marketing. This also results into greater interdependence between the buyer and the seller in industrial marketing which is often the genesis for strong supplier loyalty in industrial marketing.

Second, the mechanics of marketing management also vary between industrial and household marketing. There is more direct marketing in industrial goods than in consumer goods which can be due to several factors. For example, there are relatively far less number of industrial buyers for a product category than in consumer goods; furthermore, they often tend to be localized in a few cities or industrial areas; there is greater degree of buyer-seller loyalty which generates natural sub-monopolies for each supplier and thus reduces the number of total customers he must reach; also, the practice of extending credit and accounts receivables in the payment of goods and services ensures more direct contact. Finally, the industrial products often require continuous maintenance, installation, repairs, etc. post-purchase services which brings the buyer and the seller in direct contact with each other.

This emphasis on direct marketing to customers in industrial goods results in resource allocations among the marketing mix variables in a somewhat different manner, as compared to the consumer goods markets.

For example, far greater amounts of resources are allocated toward personal selling as compared to advertising. Even in the area

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of advertising and promotion, more resources are allocated to direct media, such as direct mail trade exhibitions, and show room, as compared to mass media. Similarly, there seems to be greater attention paid towards product features and technological innovations than toward price or promotion campaigns.

The third area of difference between industrial and household marketing is the nature of environmental influences which impinge upon both the suppliers and the buyers in the market place. Since business organizations depend much more heavily on financial credits and borrowings from the market place than do households, it is logical to expect that the impact of economic-monetary environmental influences will be greater. It is, therefore, not surprising to observe that the business cycle has more direct and intense effect on industrial markets than consumer markets. Similarly, business organizations tend to be more regulated in the industrial sector with regard to international trade, domestic pricing policies, quality control, environmental protection and labour laws because they are so very essential to the economy of a country. On the other hand, other environmental influences such as demographics, culture, life styles, technology tend to have far less direct effects than in the household goods industries.

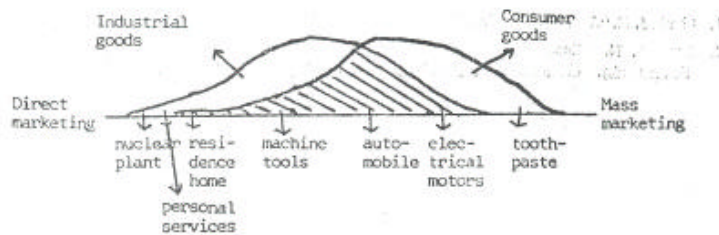
Is Industrial Marketing really Unique ?

Based upon these considerations, many marketing scholars have argued that industrial marketing is unique, highly specific and specialized and, therefore, it needs to be studied and developed as a separate sub-discipline of marketing. They often cite the examples (such as marketing of toothpaste is not the same as marketing of machine tools) to back up their viewpoint. If marketing of toothpaste is different from marketing of machine tools, it is also true that marketing of residence homes and even automobiles is different from marketing of toothpaste. However, both residence homes and toothpaste are consumer goods and, therefore, the specificity of each product's marketing activity cannot be attributed to their being industrial or household products. In other words, there are other factors which transcend the industrial versus household goods classification which often determine the specificity of marketing task in a given product class, and, therefore, to attribute it to the industrial vs. consumer goods dichotomy may be more misleading than useful.

In my opinion, there is far greater variability (specificity) *within* industrial goods (as between capital goods, raw materials and maintenance items) and similarly *within* consumer goods (as between durable goods, non-durable goods, and personal services) than there is *between* two classes of marketing activities (Sheth 1973; Sheth 1977). To that extent, it would seem that there are more similarities between industrial marketing and household marketing than there are differences. Therefore, it should be possible for each area to learn and adapt successful strategies of marketing from the other area. To a large extent, the argument about the specificity of industrial marketing almost parallels a similar argument raised about international marketing.

In my opinion, it is much more fruitful to examine specificity of marketing activities across industries whether they are in industrial or consumer goods with respect to a continuum of direct versus mass marketing; In other words, what are the fundamental factors which necessitate or facilitate mass marketing and how can we rate a particular industry whether in consumer or industrial goods as to the degree of mass vs. direct

marketing required or desired given those factors. For example, number and concentration of buyers, in the market place, average economic order quantity feasible methods of payment and transaction, and the degree to which time and place utility become critical are all factors which should determine whether a particular product should be marketed directly to the buyers or on a mass marketing basis. Based on this type of analysis, it is possible to obtain the following distributions of industrial and consumer goods: Although more industrial goods may tend to be marketed directly to ultimate buyers, there is more overlap between industrial and consumer goods about the market conditions for either direct or mass marketing activities. Unfortunately, we tend to look at the extreme examples to make a point rather than the full spectrum of distributions.



There are, however, some signs of change. Some industrial marketers have recently begun to adapt the practices of mass marketing. For example, it is becoming increasingly common for industrial products to be advertised on television in the U.S., especially in the news and sports programs. Similarly, personal selling is being replaced by direct mail, telephone selling, and by more innovative audio-video techniques. Finally, we can now see price promotions comparable to coupons and deals in consumer goods being more and more utilized by industrial marketers, especially in the trade journals and for raw materials or maintenance items. The reverse is also happening. For example, many consumer products are utilizing trade exhibitions, show rooms, catalog shops, etc. as ways of marketing them. However, the reverse flow is to a very limited extent perhaps because direct marketing is more costly, especially if personal selling is used, and, therefore, not economical even though it may be more desirable from the customers viewpoint.

Implications for Future Trends in Industrial Marketing

There are several interesting implications of the above analysis for industrial marketing theory, research and practice.

First, it is more and more likely that industrial marketing practice will tend to be consumer-marketing and merchandising activities will replace the dominance of personal selling prevalent today.

Second, the theory of industrial marketing and especially the buyer behavior theory will borrow heavily from consumer behavior theory in its attempt to explain or prescribe new concepts and hypotheses.

Third, the methodological approaches of consumer behaviour including market segmentation, perceptual mapping, quantitative forecasting, econometric model building, simulation, and even qualitative motivation research will be increasingly applied to industrial products.

Finally, as industrial marketing becomes more consumer-marketing oriented, it is logical to expect that there will be greater regulation of industrial marketing practices comparable to the present consumer protection laws and regulations. In other words, the governments and public interest groups will come to recognize what it already known among researchers and practitioners : Industrial buyers are no more rational than and as susceptible to marketing influences as the household buyers are.

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