**B2B Marketing**

**September 2021 Examination**

**1 You are negotiating a price increase of 10% for steel components with a major two wheelers manufacturer, due to substantial increase in steel prices. The customer refuses to give you any increase in the prices. If you continue supplies, your company will incur losses, & if you discontinue supplying to this major customer, your sales would suffer. How would you handle the negotiations? (10 Marks)**

**Answer 1.**

**Introduction:**

**Negotiation:**During a negotiation, two or more parties work together to develop a solution to the problem that is both acceptable and beneficial to all parties involved. When negotiating, both parties attempt to persuade the other party to agree with their point of view by presenting evidence and reasoning. In other words, by arranging, the parties involved concede to reach a point of agreement and avoid a disagreement. Sellers and buyers, the governments of two countries, an employer and a prospective employee, and two businesses are all examples of parties who may be involved in a negotiation. Negotiation can be used for various reasons, including debt reduction, obtaining a better deal, improving contract terms, and lowering the sale price. When a party is negotiating, they must put themselves in the other party's shoes and think as if they are in that party's shoes by keeping their emotions under control and in check. A party should know when it is appropriate to walk away and settle the negotiation and when it is necessary to persuade more strongly.

**Concept and application:**

In the current situation, the company is attempting to negotiate a 10 percent increase in the price of steel components with two-wheeler manufacturers due to the rise in the price of steel components. If the company discontinues the supply of steel components, sales will suffer; if it continues to supply, it will suffer a financial loss. The company should carry out the following activities to manage the negotiation process effectively:

* **By having a fundamental agreement in place:** During the initial stages of negotiation, the parties should avoid discussing money, costs, discounts, and other such topics. If the negotiator starts with the money right away, the process of negotiation will be slowed significantly. The company should first determine whether the buyer requires steel components. This means that the company must convince customers to purchase the product to generate a return on their investment. This means that creating interest in the buyer's mind is critical.
* **Understand the firm's priorities before entering a negotiation:** Before entering a negotiation, the company should understand its priorities and what it is willing to concede and what it is not. The company can create a priority list to avoid confusion and forget about specific details during the negotiation process.
* **Preserving a collaborative stance:** The Company involved in the negotiation may believe that adopting a competitive stance would be advantageous. However, they must keep in mind that they are dealing with a party they may have had a long working relationship with. Competitiveness in the negotiation attitude will only worsen the relationship between the parties if it is displayed in excess. Because of this, the company should ensure that their actions do not give the impression that they are here to win the negotiation. Instead, the company selling steel components should act in a way that demonstrates that they are committed to reaching a reasonable agreement that is beneficial to both parties.
* **By maintaining a firm stance on the company's position:** The buyer may propose some unreasonable terms. However, if the company believes that its product is worth the 10% price increase, it should refuse to comply with the two-wheeler manufacturer's demand. Having confidence in the firm's pricing will be beneficial because, if the company itself has doubts about their pricing and the two-wheelers manufacturer detects this doubt, the two-wheelers manufacturer will take advantage of this doubt by ensuring that they lower their prices.
* **By providing evidence to support the firm's position:** If a buyer learns of a price increase without being informed of the reason for the rise, they may become frustrated. Their perception may be that the company is raising the price of the product to increase its profits. As a result, the company must disclose the facts and reasons behind the increase in the price of steel components. As a result, the company should defend its position by claiming that the cost of steel is rising, which must inevitably increase the price of steel components.
* **By not conceding too quickly:**To avoid conceding too soon, the company should be open to concessions offered by another party but should refrain from accepting any of their offers too quickly. By providing some benefits promptly, the company should demonstrate to the two-wheeler manufacturer that they are willing to consider their suggestions. The technique of accepting the buyer's compromise by making one concession of their own may be used by the negotiator in this situation. The company is willing to take their point of view on a price reduction, but only under specific terms and conditions. As a result, the buyer will believe that they have won the negotiation, and the company can ensure that they do not suffer a loss by lowering some of their prices.

**Conclusion:**

Negotiation is a complicated process, and the company should make sure that the negotiator is skilled and possesses the necessary characteristics to ensure the company's benefit. Because negotiation necessitates both giving and taking, even the most experienced negotiators can come up short in the process. For this reason, to ensure flexible and smooth negotiation, the company should ensure that parties' ideas, offers, and positions are communicated effectively between themselves. They should also maintain their relationship with the manufacturer of two-wheelers. The negotiator should walk away from the table when they feel stuck in the process. It can provide both parties with an opportunity to think more profoundly and regroup with a more open mind and perspective.

**2 Suppose you are an area sales manager and one of the salespersons reporting to you approaches you for help in getting a breakthrough with a high sales potential customer. The customer has been buying the steel components from three other suppliers regularly for the past two years. Your salesperson has been trying to get business from this customer for the past 18 months but without any success. It seems the customer is happy with the existing suppliers and does not want to take the risk of buying from a new supplier, whose poor performance on quality and/or delivery may result in disruptions in production. What Personal Selling tools will you recommend? (10 Marks)**

**Answer 2.**

**Introduction:**

**Personal Selling:** Personal selling is the most traditional method of promoting a product and selling it to potential customers. Before the invention of advertising, businesses relied on personal selling to market and promote their goods and services to customers. Communication between the seller and the potential buyer must take place face to face during this process. The salesperson persuades the buyer to purchase the product by communicating with them. With the unique selling method, developing a long-lasting relationship with the buyers is the primary emphasis. Even though there are other promotional sales methods available, companies continue to rely on personal selling techniques for promotional sales and advertising, in addition to other promotional tools. Personal selling also aims to strengthen the company's brand by establishing a long-term relationship with prospective customers and clients. Personal selling is a technique that involves providing prospective buyers with information about a product and its features, as well as persuading the buyer to take a specific action about that product. Order getters, order creators, and order takers are the three different personal salespeople who work in the field.

**Concept and application:**

A salesperson attempts to persuade a large buyer who has been a customer for 18 months to purchase steel components from the company. Because the buyer is satisfied with the existing supplier and does not wish to disrupt production by buying supplies from a new seller, he cannot persuade him to change his mind about the purchase. Listed below are some of the personal selling tools that can aid a salesperson in convincing a potential customer.

* **Sales presentation:**A company gives prospective buyers an in-person or virtual presentation during a sales presentation. It is done to inform the buyer about the product or services offered by the company. The ultimate goal of a sales presentation is to close a deal with the customer. When making a sales presentation, the company can tailor the information presented to the prospective buyer to meet their particular requirements.
* **Demonstrations:** A demonstration is a personal selling tool in which the company can demonstrate to a potential buyer how the product or service works and the benefits of the product or service. By utilizing a demonstration tool, the company can quickly and easily highlight its advantages and best features that distinguish it from and improve upon its competitors' products. The company can also show the alternative buyer solutions to the problems that they are experiencing.
* **Addressing objectives:** To achieve their objectives, the salesperson must identify and address the buyer's concerns with the help of this tool. Following the resolution of their concerns, the salesperson can eliminate those objectives through effective communication and presentation techniques. It can assist the salesperson in removing obstacles that prevent them from closing the sale.
* **Consulting selling:** In this personal selling tool, the salesperson consults with the prospective buyer of steel components to determine the best course of action. The salesperson can identify and solve buyers' problems, who can then recommend solutions to them. This tool places a high value on developing relationships with buyers and insists on open dialogues to quickly identify the issues that they are experiencing. To put it another way, rather than aggressively selling a product, the salesperson should consult with the buyer to establish a proper connection with them.
* **Reference selling:** Salespersons can use the satisfied customers and their experiences to persuade the target buyer that the company has been attempting to sell for 18 months by using the reference selling technique.
* **Sampling:** Salespeople can give prospective buyers a small amount of the steel component and experience by using a sampling tool. This allows them to get a better understanding of the product. In some cases, a customer may initially reject a product simply by looking at it. Customer satisfaction is generally high once they have tried the product for themselves and have made a purchasing decision. Consider the following scenario: the buyer in the given situation is given a steel component to use independently. In that case, the buyer may not perceive any additional risk in purchasing the product from a new seller because the buyer has faith in the product.
* **Conversation:** A conversation is an essential tool in the personal selling process. A salesperson's ability to persuade a bald person into purchasing a comb can be pretty practical. Effective communication and relationship-building messages are essential to convince a potential buyer to buy the firm's products. Making a proper conversation with the buyer is another way the salesperson selling steel components can attempt to persuade the buyer. To assist the salesperson in developing a solid and long-lasting relationship with the buyer, the dialogues should be structured in a certain way.

**Conclusion:**

We can say that the goal of the personal selling method is to provide complete customer satisfaction to both the buyers and the salespeople involved in the transaction. As demonstrated by the personal selling tools, the primary objectives of the unique selling method are handling objections, creating demand, educating the potential buyer about the product, providing feedback, developing relationships, and exploring hidden words and issues faced by the potential buyer. Personal selling is more expensive than other methods of promotional sales, but in situations such as the one described here, the company should choose personal selling over alternatives. Personal selling is more concerned with developing long-term relationships with customers by addressing their misconceptions and misunderstandings. In business-to-business sales, the salesperson contacts potential customers offline and online and closes the deal through face-to-face communication.

**3 Solve the following Case & answer the questions based on the case:**

**Industrial sales Company Limited (ISC) is a distributor of pumps and Compressors for Maharashtra state excluding Mumbai and Greater Mumbai. In order to increase sales in Nasik-Jalgaon-Aurangabad region they hire a senior sales manager Mr. Shyam and ask him to operate from Nashik, However, very soon there are complaints from sales manager in nearby Pune, Mumbai and even Nagpur that Mr. Shyam and his team are trying to meet customers in their regions and do business. Mr. Shyam however confirms that he is only meeting the regional offices of Pune and Mumbai based companies in his own Nashik-Aurangabad area and there is nothing wrong with it. Soon this dispute reaches the Regional Manager Mr. Gupta in Mumbai.**

**Questions:**

**1. What are the problems with the territory design in the case? (5 Marks)**

**Answer 3a.**

**Introduction:**

**Sales territory design:**Sales territory design is designing and potential grouping customers based on their location within a territory and then assigning the different groups to different salespeople. Sales potential, geography, history, or a combination of these three factors serve as the foundation for creating territory groups in the first place. A sales territory aids a sales manager in increasing market coverage by increasing the number of customers he serves.

**Concept and application:**

Creating sales territories is critical for any organization because it allows them to make the most of their sales force. A company's ability to evaluate the performance of its sales managers is aided by the design of its sales territories. It also aids in the efficient allocation of tasks to each sales manager and salesperson in the organization. The assignment of work to each sales manager ensures that they are held accountable for their efforts.

Pumps and compressors are distributed by Industrial Sales Company Ltd. (ISC) in Maharashtra, as shown in the following case study (excluding Mumbai and Greater Mumbai). According to the company, the company is now receiving complaints about Mr. Shyam, the sales manager for the Nasik-Jalgaon-Aurangabad region, who is meeting customers from other sales managers' territories. Mr. Shyam, on the other hand, claims that he is meeting with representatives from Pune and Mumbai-based companies in his region and that he sees nothing wrong with this.

Industrial Sales Company Ltd. To avoid confusion, the company should have made it crystal clear about the rules and aspects of each territory from the start. Mr. Shyam is meeting with representatives from the regional offices in Pune and Mumbai, located within his domain. The sales manager in charge of different regions approaches their job from another point of view. The problem with Industrial Sales Company Ltd.'s (ISC) territory design is that the company has not adequately defined the territorial boundaries of the sales manager. This problem arose in the first place due to the sales manager's inability to set proper boundaries for him.

In this case, the fundamental problem with the sales territory design is the failure to eliminate duplication of activities and the inability to apply uniform distribution coverage rules throughout the territory. First and foremost, the company has not taken the necessary steps to avoid duplication of effort. As is the case in this instance, the various regional offices fall under the jurisdiction of Mr. Shyam, and the distribution coverage rules of the company do not apply in these types of situations.

**Conclusion:**

The proper design of a sales territory is critical because a lack of even distribution and reasonable rules for sales managers can result in significant problems in the sales department. As a result, Industrial Sales Company Ltd. should have finalized the sales manager's territories by delineating clear boundaries between them. The design should consider information about connecting with other regional offices located in different geographic regions.

**2. As a regional manager, what will you do to control the situations? (5 Marks) –**

**Answer 3b.**

**Introduction:**

A sales territory is a geographical area with a large number of potential buyers. As a result, a sales territory is a group of customers assigned to a salesperson to convince them to buy something. A salesperson is responsible for all of the activities that take place within their assigned territory. The primary goal of a sales territory is to make effective sales planning possible while also covering the entire market.

**Concept and application:**

When designing a sales territory, a company should consider some factors, including the presence of a primary control unit, the sales potential of each team, a customer contact plan, and the possibility of evaluating the design if necessary. Industrial Sales Company Ltd. has failed to establish proper rules for the creation of territory sales territories. Therefore, the sales manager has lodged a formal complaint against Mr. Shyam, the regional sales manager for the Nasik-Jalgaon-Aurangabad area. Here are some suggestions for resolving the issue that Dales managers in Pune, Mumbai, and Nagpur are experiencing.

• The company should assign sales territories to sales managers who will be responsible for every coverage. The sales manager's ability, capability, and performance should be considered when determining the size of the territory.

• Appropriate sales territory rules should be in place to prevent duplication of sales efforts. When it comes to the situation described above, the company should make sure that the sales managers know their ability to contact customers from various regional offices located within their sales territory.

• communicating each sales manager's roles, responsibilities, and coverage area is also a better solution for preventing future problems; if the sales manager understands what they are responsible for, there will be no confusion.

• The managers should be able to exert control over the sales territories that they are assigned. It implies that the sales manager's activities should be planned so that the costs are avoided.

Mr. Gupta must revise the sales territory design to effectively deal with the problem among the sales managers in the cities of Pune, Mumbai, Nagpur, and Nashik. The new plan must include:

* All necessary information regarding roles and responsibilities.
* Area coverage.
* Accountability.
* The protocol to be followed when contacting different regional offices within a specific geographic area.

These strategies can assist Mr. Gupta in maintaining control of the situation and resolving the conflict among sales managers.

**Conclusion:**

In designing a sales territory, the market build-up approach and the workload approach are the two primary approaches to consider. A properly designed sales territory can assist a company in developing fair competition among sales managers and salespeople, which can benefit the entire organization. Correct design formation will thus assist Industrial Sales Company Ltd. (ISC) in making sure that Mr. Shyam and his sales team adhere to established procedures and protocols, thus decreasing the likelihood of disagreements among sales managers.