

# Business Marketing Face to Face

5

## The Theory and Practice of B2B Marketing

**Chris Fill & Scot McKee**

### Contents

Introduction	120
Segmentation	120
Bases for Segmenting Business Markets	125
Target Market Selection	130
Barriers to Segmentation	133
Positioning	134
Pricing	139
Leasing	143

 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ  
<http://www.goodfellowpublishers.com>

Copyright © John Cousins, David Foskett and Andrew Pennington 2011

All rights reserved by Goodfellow Publishers Limited. The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without prior permission of the publisher.



Design and setting by P.K. McBride

# 5

## Strategy: Segmentation, Positioning and Pricing

### Overview

This chapter considers some of the elements that have strategic significance, namely segmentation, positioning and pricing.

Segmentation is presented as a less than perfect form of marketing management, as consideration is given to some of the problems associated with choosing between segments and implementing the whole segmentation, targeting and positioning process successfully. In particular, the barriers to segmentation are examined.

The following section examines how businesses should determine particular positioning strategies. Just as optimal target markets should be derived in the light of customer needs and seller resources and strategies, so positioning needs to take into account the requirements of all parties to a marketing relationship.

The chapter concludes with a consideration of pricing issues in business markets.

### Aims and objectives

The aim of the chapter is to examine current issues concerning segmentation, positioning and pricing issues in B2B markets.

#### The objectives of this chapter are to:

- 1 Examine the bases for segmenting business markets.
- 2 Consider the breakdown and build-up approaches to market segmentation in B2B markets.
- 3 Explore some of the processes used to select target markets.
- 4 Evaluate the practice of segmentation in business markets.
- 5 Consider the role of positioning (and strategies) in the segmentation, targeting and positioning (STP) process.
- 6 Consider the role and characteristics of pricing issues in B2B marketing

## A Slice of Life – A Little Ray of Sunshine

By the time I'm asked to consider the positioning and creative delivery of a brand, there are usually a few assets already in place. The most important of these assets is the marketing strategy. I can't really deliver much without one – the vision, the objectives, the business imperatives, the overall understanding of and direction for the brand comes from the marketing strategy (and the audience). There is a significant overlap between the marketing and brand strategies, but nevertheless, the brand doesn't fix everything – the marketing plan at least provides something to aim at. I've seen my share of 'marketing plans' and they can be... variable. The good ones shine and the bad ones can be laughable. The plans can be delivered in a multitude of ways – written, verbal and (my favourite) telepathic. The importance of the marketing plan, however, is best illustrated by way of an occasion where the marketing plan was just, well, wrong.

I was engaged by a Japanese company that called me out of the blue. I've learnt to be sceptical of the random phone calls – "Hello, do you do marketing...?" "Err, yes, shall I wrap a couple up and send them over? What colour would you like your marketings?" – but the call was interesting and I was sufficiently intrigued to have the initial meeting. So I met with a Japanese woman who was the General Manager for the company in the UK. She was accompanied by a Japanese executive who had been brought out of retirement by the company to oversee the initial launch of the UK operation.

The company's billion-dollar operation comprised the manufacture of a single product – happy pills made from seaweed. I know. That's what I thought. But the billion dollar part meant I had to take the conversation seriously. The company grew the seaweed, harvested it and processed it into elephant-sized pills. The seaweed was almost impossible for the human body to ingest and obtain any material benefit from, so because most of the goodness just passed through the human body, the pills had had to be BIG. Not only that, but you were expected to take between 10 and 20 of these mothers every day. As a natural product, you could take more if you wanted, but why would you? I laughed so hard I let out a little wee. The miracle pills claimed to prolong life-expectancy, reduce the signs of ageing, provide energy, prevent cancer and generally promote all kinds of inner wellbeing. The medical studies (of which there were many – all paid for by the company...) seemed to me to focus on the message that the pills didn't do any harm rather than conclusively prove any real efficacy as a miracle cure, but there were two very serious looking Japanese executives and a billion dollars telling me not to wee at the table.

The company had expanded in recent years into North America and were now seeking a foothold in Europe. The marketing plan was very simple – to take the