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MARKETING - CAPITAL GOODS 1/

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SUBJECT: MARKETING - CAPITAL GOODS

INTRODUCTION.

- I) DEFINITIONS OF MARKETING

- II) THE MARKETING PLAN - TARGETS ETC.

- III) MARKET DATA - MARKET INTELLIGENCE

- IV) PRODUCT DATA - MARKET RESEARCH

- V) SALES PROMOTION - ADVERTISING - FILMS

- VI) BUDGETS - A MANAGEMENT TOOL

The purpose of my talk this evening is to give you as industrialists a verbal picture of those activities in a company which combine to form a complete trading function.

The Marketing Function in the capital goods or, for that matter, any other industry should be that of a planning and support function to the Sales Operational Activity - the spear head of any selling exercise is the Sales Engineer - the salesman if you like - but like a soldier on the field of battle he relies on someone to plan the battle - to keep him supplied with ammunition - to establish and operate lines of communication and, above all, to ensure that his side has the tools to win.

DEFINITIONS OF MARKETING

Much nonsense is said and written about marketing. The word is often loosely used, with the result that it has a wide, varied and frequently inaccurate connotation. Let us consider the definition given by the Institute of Marketing.

SLIDE 1

"Marketing is the Management Function which organises and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and in moving the product or service to the final consumer and user so as to achieve the profit target and other objectives set by a Company."

SLIDE 2

"Attempting to satisfy customer need in order to obtain business to the ultimate benefit of one's company."

The Institute of Marketing draws a clear distinction between the concept of philosophy on the one hand and the tools or techniques on the other.

By philosophy is meant those aspects of Business Management which puts the customers' needs first and the application of resources of an organisation to identifying and satisfying profitably those needs.

By techniques is meant those specialist skills which must be employed in order to formulate and implement the Marketing Plan.

Before I go on to discuss the Marketing Plan it would perhaps be of interest to you to consider for a few moments how those management and operational elements of a business are, so to speak, all 'Targetted In' on one point.

SLIDE 3 - THE CUSTOMER

The salesman or sale engineer quite often labours under the illusion that he is the only one in contact with the customer. The purpose of this slide is to show just how many points of contact there really are. I think you will all realise that unless all the activities shown on the slide are properly planned and co-ordinated that instead of supporting the sales engineer there would be chaos and, like the soldier in the field, the sales engineer would criticise his superiors justifiably.

Our own definition of marketing is:

"Marketing is staying in business at an acceptable margin of profit."

SLIDE 4 - THE MARKETING PLAN

- a) Define the task.
- b) Set objectives.
- c) Determine the method.
- d) Determine the cost.
- e) Implement the method.
- f) Monitor the results.

- g) Analyse the results.
- h) Determine corrective methods, if required.

A famous philosopher scientist once said that before one can say that he understands a subject he must firstly be able to quantify every aspect of it.

How true this is if we care to think about it.

Surely, therefore, this should apply to marketing - selling - production - the business we are in.

What must one quantify, therefore, in terms of marketing a product.

SLIDE 5

- a) The Market - Its Total Potential Size
 - a.i) Distribution.
 - By Geographical Dispersal.
 - By Industry.
 - By Company, or Group of Companies.
- b) The Suppliers to that Market.
 - b.i) Their Relative Shares.
- c) The Trends of the Market.
- d) The Factors of Influence on that Market.
 - d.i) Technological.
 - d.ii) Commercial.
 - d.iii) Political.

If these factors can be quantified the task can then be defined in positive terms of clear objectives set which can be understood.

In setting objectives in the marketing it must be appreciated that they must be all embracing - that is, relating not only to the selling

function, but all areas must be related to production and, yes, to financial control, whose responsibility it is to see that the funds are available and that profits are not eroded by needless expenditure in areas not related to the marketing objectives in the broadest sense. Perhaps I can best illustrate for you the process of setting objectives in relation to a number of existing products by reference to the next slide.

SLIDE 6

In this case capacity is available to produce the various products. This capacity has been provided on information gathered from the market and monitored regularly to ensure that the required growth pattern or phasing out patterns are observed and acted upon.

The first objective will be to fill the capacity. Secondly, to fill forward capacity beyond the end of the financial year. For example, the build time for a product could be from 6-12 months. Orders would be required to fill at least six months capacity beyond the current year's operation to ensure continuity of production.

As we are considering established products, the variation in demand for each product will reveal differences in the volume of orders required for each product. A further objective will, therefore, be to obtain orders by regulating the available effort to concentrate on those products for which the greater need is revealed.

In planning the use of available effort and by regulating the targets, special objectives can be catered for. For example, if a company is planning important development and it is in your interest to have your products in on the ground floor, then such a circumstance can be catered for when planning the target allocations.

Other objectives such as increasing market share in certain industries are easily set into the plan as would be, planned withdrawal from an industry known to be on the decline and which if not taken into full acquiescence could result in surplus products in your programme with the difficulties of disposal, should the decline be precipitated.

The real purpose of planning in the way the table is set out is to set objectives as targets, thus quantifying the needs for the sales force.

In considering the methods to be employed to achieve the targets set one must look at many factors.

SLIDE 7

- a) The margin (profit) on the turnover expected.
- b) The nature of the product - its technical complexity.
- c) The application of the product - in many instances it must be realised that one is really marketing a process.
- d) The end users and their location.
- e) The person, or persons on whom the buying decision really rests.
- f) The financial consideration - is the product one that can be marketed into industries with financing problems - is the product so technically complex that it requires special financial schemes as incentive, e.g., trial period plan and so on.

In determining method we can then set down the type of approach needed.

SLIDE 8

- 1) Personal contact.
- 2) Education of user in the technological application and benefits to be derived.
- 3) Financial justification.
- 4) Extending the awareness period.

Let us take each in turn.

In respect of (1) we are talking about selling time or face to face contact with the potential user - buyer. Therefore, what can be planned to extend this. The sales operational management will obviously plan to maximise the use of sales engineers' time, but market planning can organise such events as working/social functions, lectures, either in certain areas or at the Company's Head Office, dependent only on getting the customers there.

Now in considering (2) we must look at the effectiveness firstly of the sales engineer and what can be justifiably expected of him. It may be that he needs to be supported by specialists - factory representatives - design experts, etc. These can be planned for. In addition, one must look at the support literature and other aids such as flip charts - films - slides - catalogue material and so on, also to consider educational seminars demonstrations and so on. The extent which support of any sort can be planned must be related to the profit to be obtained - it's no use spending £10 to make only £1.

The question of financial justification for the choice of one's product is often overlooked by salesmen and sales engineers. The customer must be convinced of the economic viability for purchasing a specific product. The best source of such information is the supplier. The sales engineer cannot be expected to be an expert financial wizard, but he must be expected to be able to present a financial argument convincingly. Market planning should, therefore, ensure that proper procedures are implemented to provide the best expert advice on the financial justification statement. Also that training of sales engineers is carried out in this subject. Furthermore, that properly organised financial schemes exist and that the sales force have the fullest detail about them and how they are intended to be operated.

Fourthly, we have the problem of keeping the customer aware of our product during the often long interval from when the enquiry is first raised to the final ultimate decision to buy.

Market planning should be so organised that it uses every opportunity to keep the customer's attention. Ways in which this is and can be done I am sure you are all familiar with. There is, of course, direct mail - advertising - telephone queries - the specially contrived works visit - visits to existing user companies.

One aspect that no market planning can ever beat, nor should it ever be suggested that it does, and that is the personal relationship that should be built up and cultivated between the sales engineer and his customers.

The best way of keeping a prospect alive is for the sales engineer to use to the full the help and resources available to enhance his personal standing with his customers.

I think that perhaps I have said enough about market planning. It is a subject which, to develop properly, would require many hours of time to cover the very detailed work involved.

I would like, therefore, to talk now for a few moments about the other aspects of marketing, which all go to providing the back-up and indeed make possible the formulation of a marketing plan.

MARKETING DATA

One of the prime responsibilities of a Marketing Department within a company is that of gathering, assessing and evaluating and then finally disseminating data in all aspects of the industrial environment having a bearing on the market for one's products.

There are many ways in which this data can be used.

When a company is planning to extend its operation into a new area, data will have been supplied to management by marketing, justifying the whole operation.

The information given would relate to:

SLIDE 9

- a) The size and location of the market in that area.
- b) The geographical centre of distribution and control.
- c) The viability of operating through resident sales engineers or distributors, etc.
- d) The viability of having an office - showroom - warehouse, etc. in the area.
- e) The customers - potential and existing, their location, size etc.
- f) The competition in the area and its strength.
- g) Local taxes, etc.

The section or department within the Marketing Department generally entrusted with this work is in many companies known as the Market Intelligence Section. Inter-alia they are generally responsible for all statistical returns to management, but also they will be monitoring data on products, their market share, trends, etc.

Market Intelligence work, as opposed to market research, is more often than not carried out as a desk exercise.

I can give you an example of a recent market intelligence exercise carried out in my company.

Having satisfied ourselves of the size of the U.S.A. market for a certain product we looked at the best means of effecting our sales operation and then to put it into effect.

It was determined that we would work through distributors managed by our own resident Manager.

An exercise was then carried out in the U.K.

- a) To establish all used companies, their size and location and classified by industry.
- b) The geographical centres of activity.
- c) The leading companies and industries for specialised applications based upon successful applications into the same industries in other parts of the world.

CONCLUSION

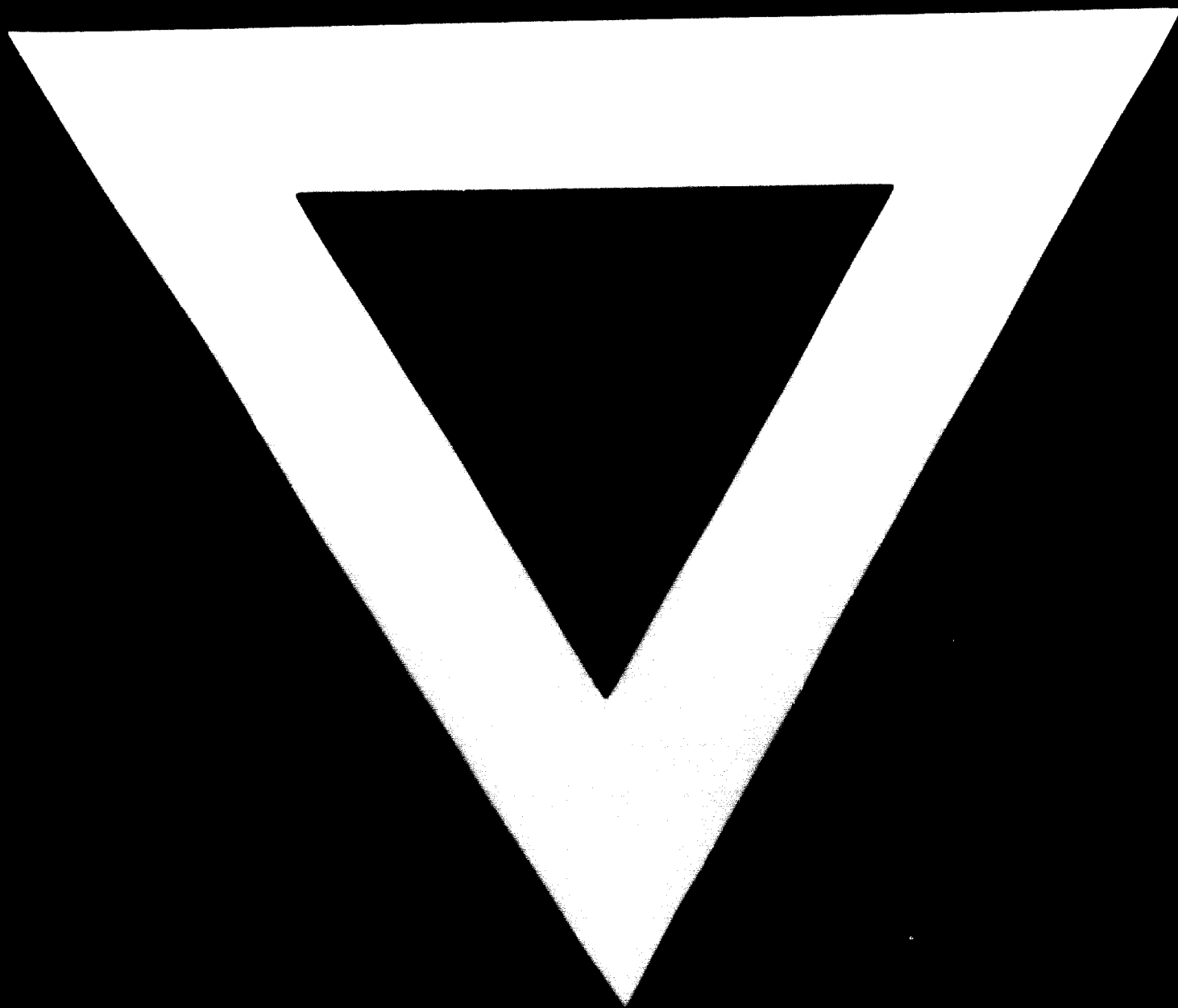
THE THREE PILLARS OF ANY MARKETING EXERCISE therefore are:-

1. MARKET RESEARCH.
2. ADVERTISING AND SALES PROMOTION.
3. SALES/SERVICE/ADMINISTRATION.

These three pillars can be broken down into seven basic marketing functions.

1. Collection of data, which should indicate how marketing objectives shall be attained.
2. Product planning. This converts knowledge of the customer into saleable, profitable products.
3. Inform, educate and pre-sell the customer, and to make personal selling efforts more effective.
4. Provide the personal contact that converts marketing efforts into sales.
5. Prevent present customers becoming ex-customers by servicing what is sold.
6. Administer - making the product available in the quantities the customer wants, in locations that permit prompt delivery.
7. Develop and provide the right people, at the right time, to perform the marketing functions.





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