

# iMDE: international Market-Driven Engineering

Lecture 8

Marketing and Sales

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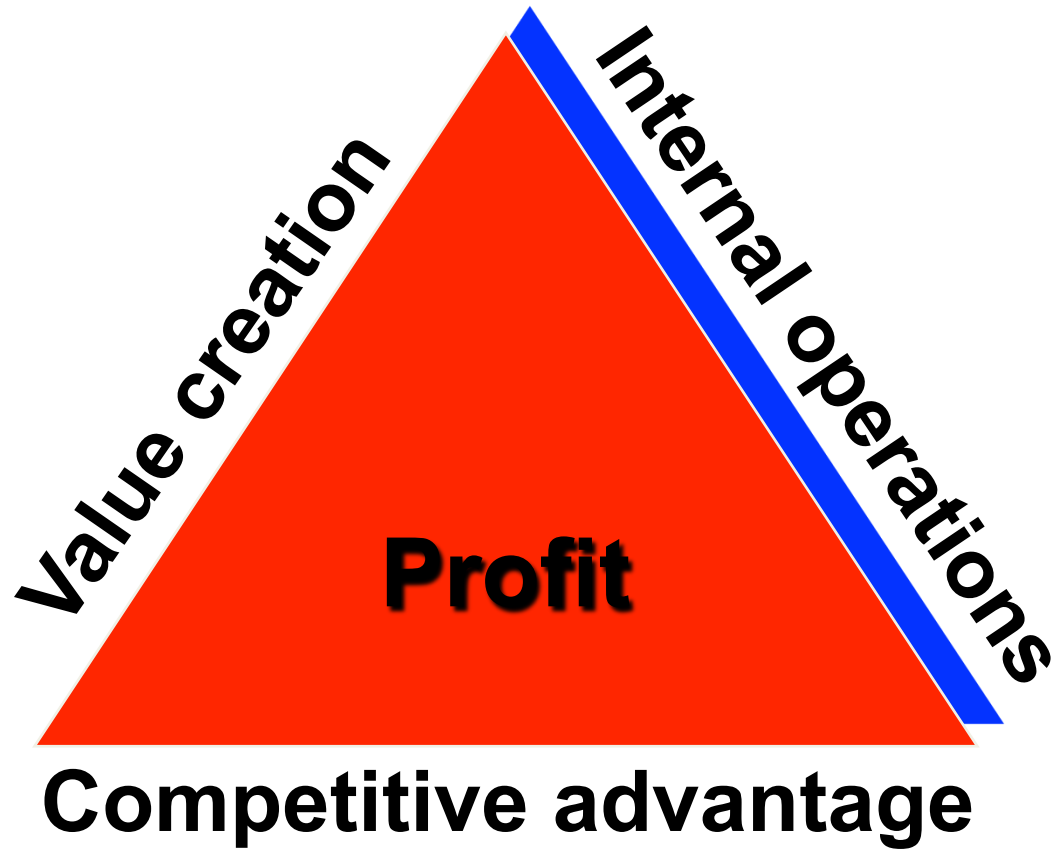


ZHEJIANG UNIVERSITY



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# The Profit Triangle



# Agenda

- What is Marketing?
  - Industrial Marketing vs. Consumer Marketing
    - Sales
    - Culture
    - International marketing

# Marketing Defined

- A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

OLD View  
of Marketing:  
*Making a Sale –  
“Telling & Selling”*

NEW View  
of Marketing:  
*Interactive*

# What Is Marketing?

Simple Definition:

*BRIDGING GAPS*  
*between*  
*BUYER AND SELLER*



# Marketing as activities that bridge the 'gap'

Production ←————→ Consumption

Includes activities by the producer to satisfy the needs and wants of the customer, for example:

- Understanding needs and wants
- Creating products and services that satisfies needs and desires
- Communication and delivering
- Understanding effects/feedback on satisfaction etc.
- Understanding interdependence

# Traditional types of marketing

- **Consumer marketing**
- **Industrial marketing (relationship marketing)**
- **Is there that much difference?**
- **For example**
  - Brands are of increasing importance to all companies
  - Relationships with customers are important to all companies
- **Differences in analytical scope**



# How does this help you sell/market your product?

- Some of your questions:
  - How to best assess the market potential for an entirely new product?
  - Do marketing strategies differ in China and Sweden?
  - Before and after commerce's breakthrough, what are the main differences/challenges within sales and marketing?
  - When estimating market size and potential sales volume, what are the most common mistakes and what is often overlooked, according to your experience?
  - Different ways to approach the customers with a new product in the market?



# Themes

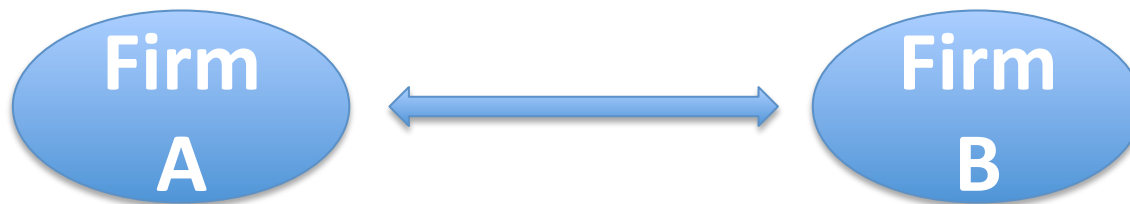
- Marketing in an international context
- Estimating market size (kind of product)
- How to find and deliver the message?

# Industrial marketing

- No firm is an island. In order to create value a firm interacts and depends on others.
- Organizations, businesses, suppliers, customers (not end consumer).
- Businesses have deep relationships with few actors (20 – 80).
- The nature of relationships and how this affects business activities.

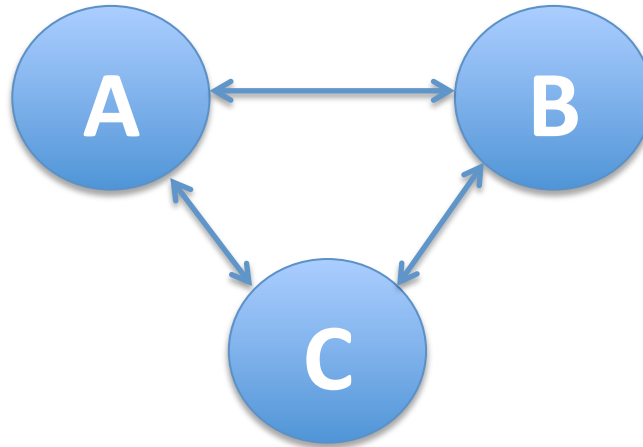
# Business relationships

- Relations as a point of departure
- Dyad the smallest common denominator
- Episodes (exchange/transaction), exchanges over time forms relationships between actors
- Interactionmodel (Håkansson, 1982)



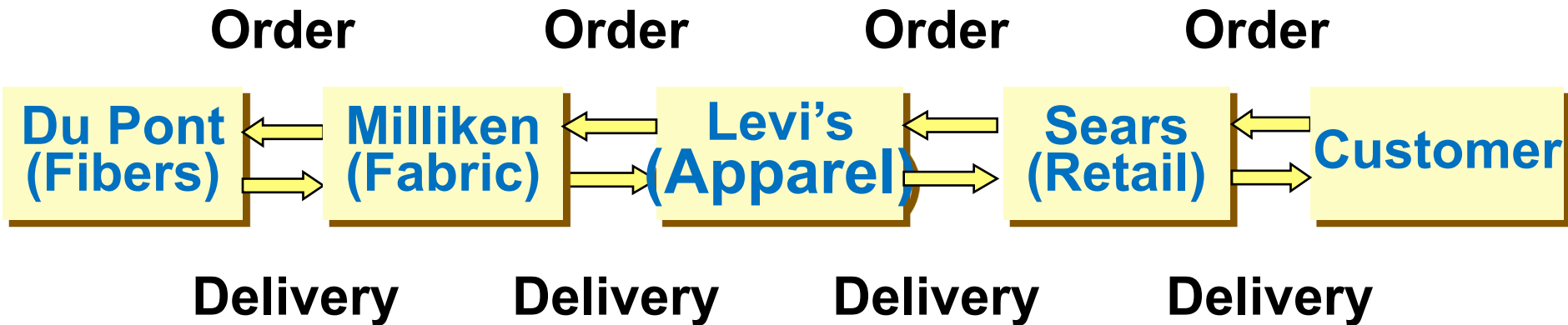
# ARA-model

- A network consists of at least three actors (triad)

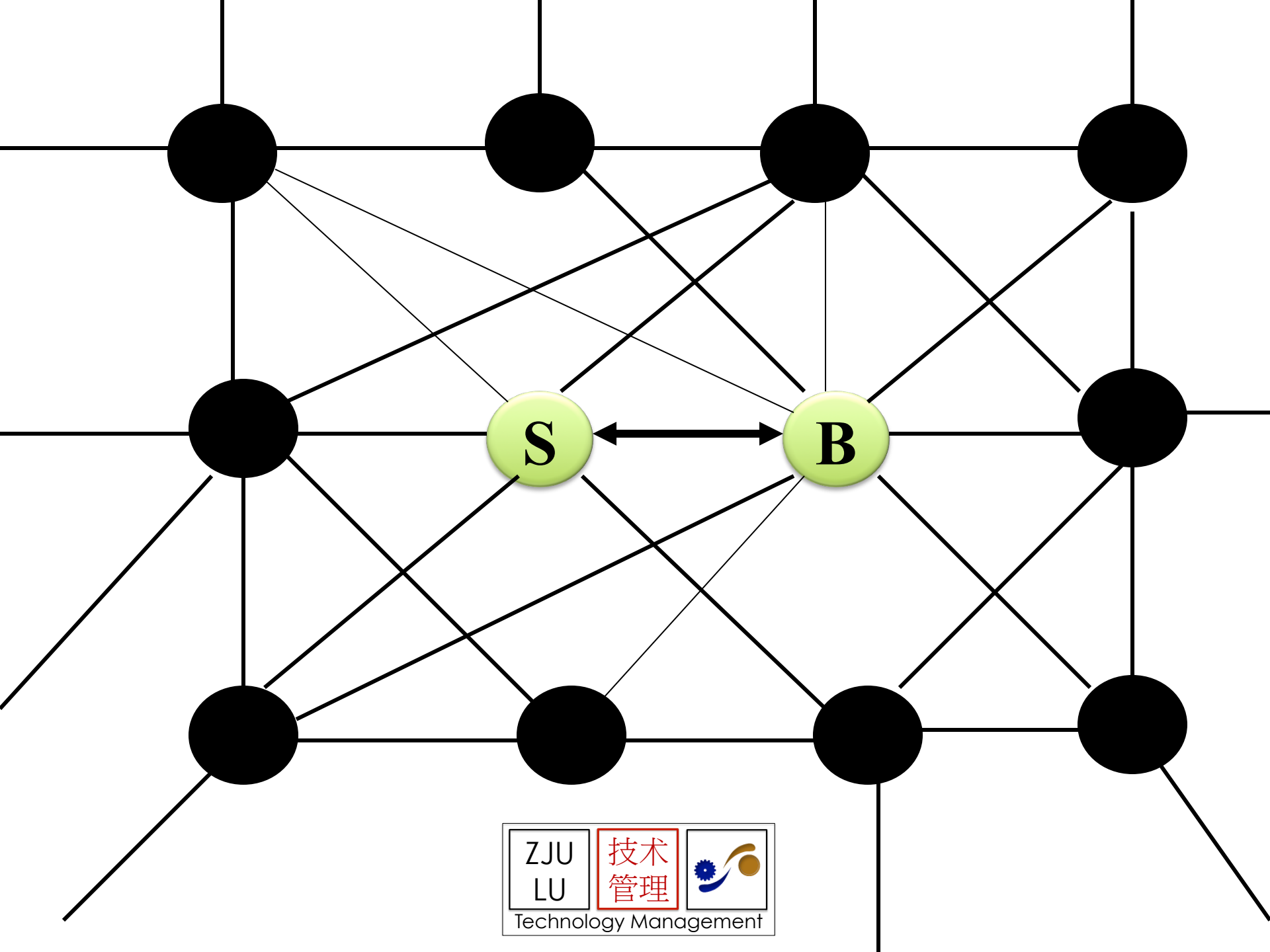


- Actors, Resources and Activities (ARA)
  - Actor-relations
  - Resource-ties
  - Activity-links

# Levi Strauss' Value-Delivery Network



**Competition is between *networks*, not companies.  
The winner is the company with the better network.**



# Reciprocity and bounded rationality

- When firms interact over an extended period of time, relationships are interdependence are created with:
  - Direct interaction parties
  - Actors that are connected indirectly
- Long-term interaction can lead to on the one hand efficiency and the other hand rigidity.
- Do firms manage the network or manage in the network?
- Industrial marketing is about nurturing/handling relationships, manage under uncertainty, and limited information about the environment.

# Chlorine free paper

- In the early 1990s paper bleached with chlorine.
- Viewed as an major issue among authorities and NGOs.
- In the mid-1990s chlorine free paper had become the standard in the pulp and paper industry.
- How did that happen?

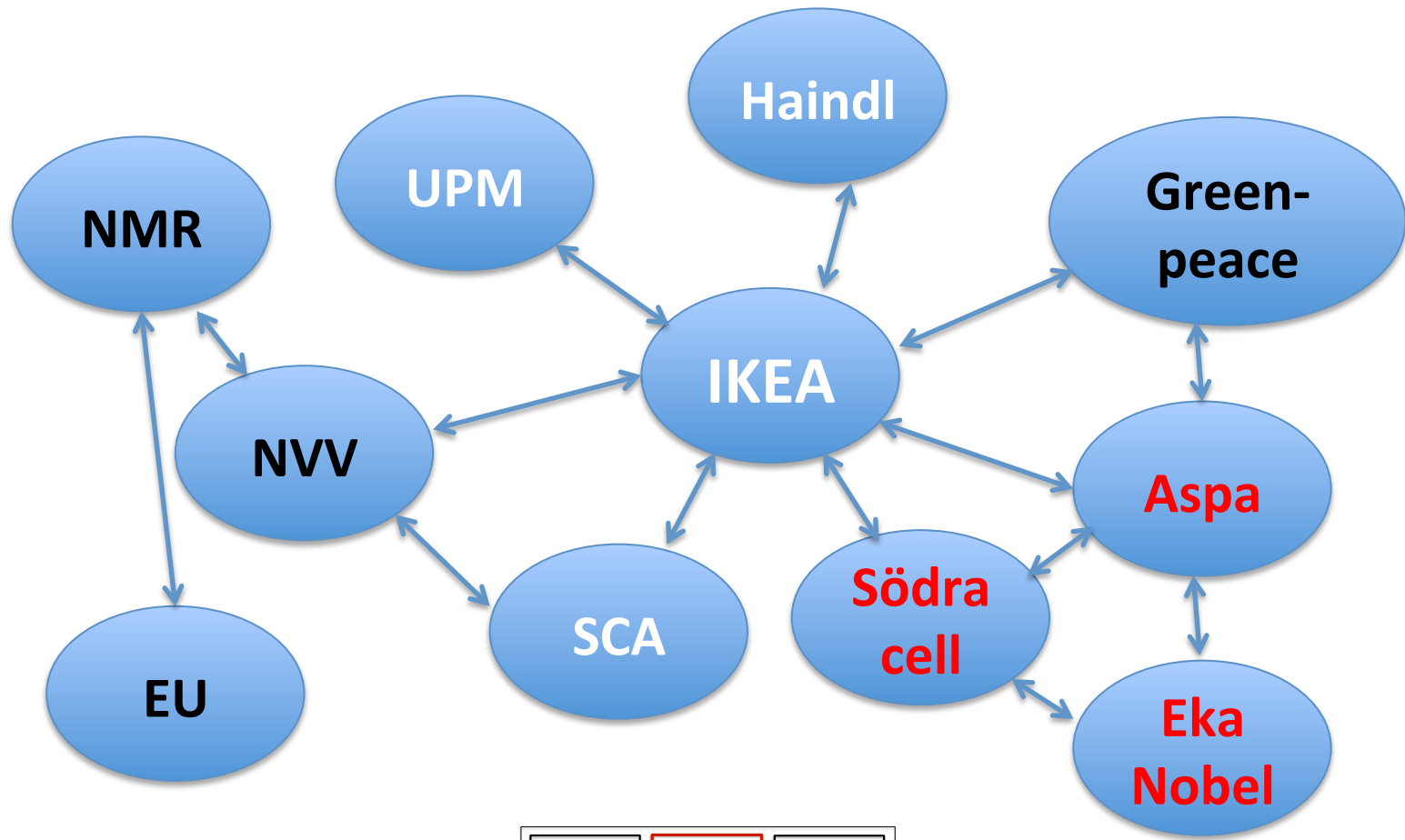




# IKEA and chlorine free paper

- IKEA a large customer of paper (200 million catalogues/year)
- IKEA in its capacity as a major customer contributed to the development of chlorine free paper.
- IKEA engaged existing suppliers, new innovative firms, and interacted with authorities and NGOs.
- Chlorine free paper the result of interaction between various actors.

# Introduction of chlorine free paper (case)



# Underlying assumptions

- Interaction not limited to time and space.
- Delimitations of networks necessary for analytical reasons, but networks are infinite.
- Management of networks not possible.
- Interdependence, a cause of underlying behaviour.
- Co-existence of rigidity and efficiency, competition and collaboration in established relationships.
- Change sometimes easier outside of established relationships.

# Questions

- How to get into the established network?
- What is the influence of institutional structures on that process?

# Sales

- Medical Industry example

# Main differences

Variables	Consumer marketing	Industrial marketing
Number of buyers	Many	Few
Analytical focus	B2C, Transactions	B2B, Relational, Interactive
Implications	Normative	Descriptive
Analytical level	4P, Swot, 5 forces, Branding of product	Relationships, nets, networks
Logic driving behaviour	Rational decisionmaking (segmentation, positioning)	Interdependence , heterogeneity

# Consumer marketing

- What is your product?
- Define your market
- Your competitive situation
- Create a message, implement

# Case: iPhone

- Similar products,
- Niche/Price/Premium/Standard
- B2B or directly to consumer



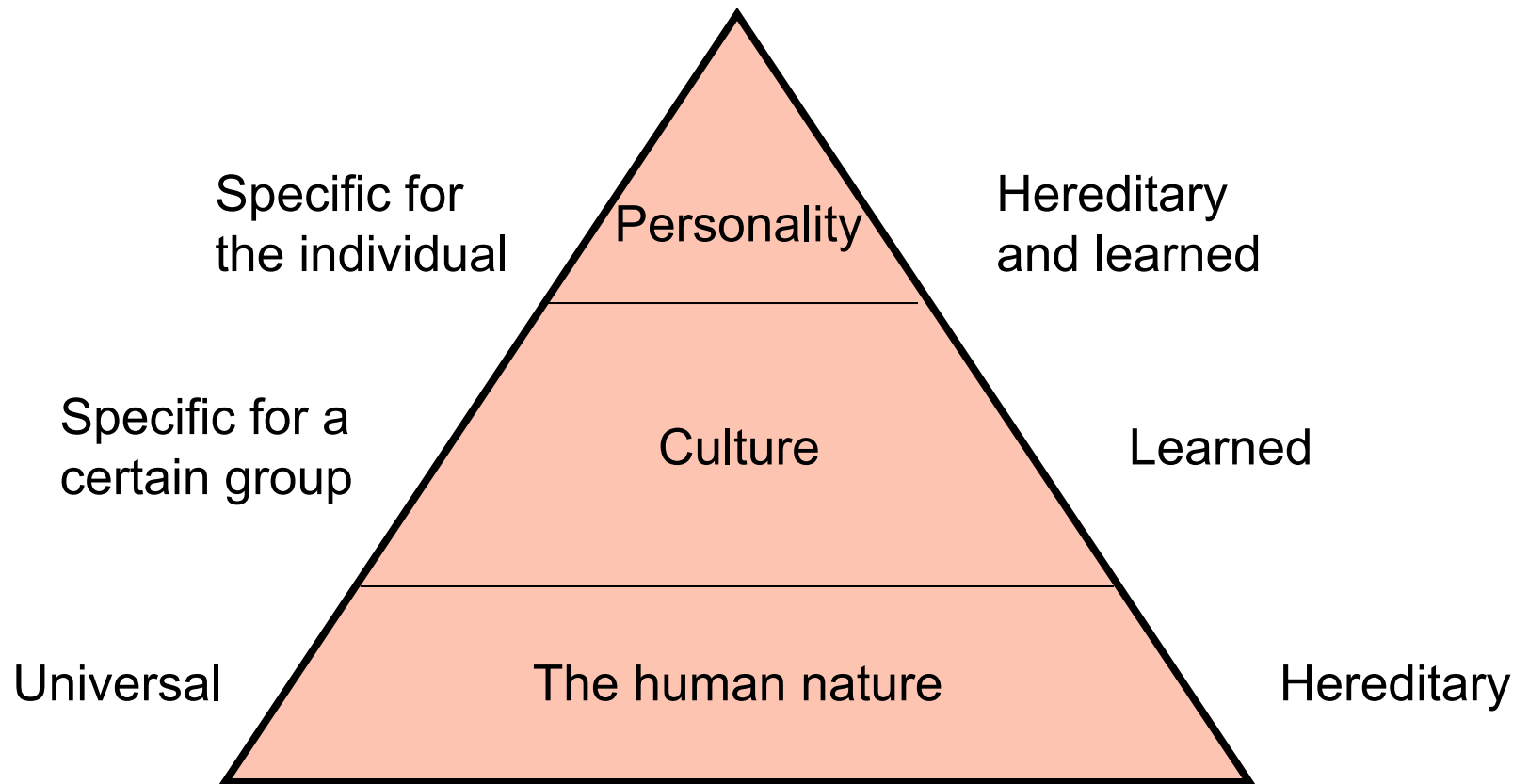
# Customer Development



# International marketing

## Central questions:

1. The importance of (national) culture
2. Globalization vs localisation or standardisation vs adaptation
3. Organisation of marketing operations



### Three levels of human mental programming

# Definitions of culture

- Particular solutions to universal problems
- Culture is a set of beliefs or standards, shared by a group of people, which help the individual decide what is, what can be, how to feel, what to do and how to go about doing it.
- Cultures may be defined as patterns of thought and manners which are widely shared

# Culture exercise – draw a world map



# Mental Maps



# Mental Maps



# Mental Maps





# Hofstede's cultural dimensions

- **Relation to authority**
  - hierarchical relations (power distance)
- **Relation to self**
  - self-concept and personality (individualism)
- **Relation to risk**
  - tolerance for unknown and deviations (uncertainty avoidance, tightness)
- **Propensity to change**
  - receptivity of changes (Long term orientation)
- **Relation to personal achievement and soft values**
  - Masculinity vs. femininity



# Collectivism vs. Individualism

- Collectivism
  - emphasis ingroup needs & goals
  - beliefs shared with ingroup
  - homogeneous ingroups heterogeneous outgroups
  - norms predict behaviour better than attitudes
- Individualism
  - emphasis self needs & goals
  - beliefs distinguish from others
  - homogeneous outgroups heterogeneous ingroups
  - attitudes predict behaviour better than norms

High individualism/low Collectivism

(>70)

Australia/New Zealand

Belgium

Canada

France

UK/Ireland

Holland

Italy

Sweden (71)

USA

Low individualism/  
high collectivism

(<30)

Chile

China (20)

Colombia

Costa Rica

Ecuador

Guatemala

Hong Kong

Indonesia

Korea

Taiwan

Pakistan

Portugal

Venezuela

Africa

**Application:** (Nakata and Sivakumar 1996)  
Individualism – increases self-reliance

- Individualism promotes new product development during the initial or conceptualization phase - nonconformity
- Collectivism promotes new product development during the implementation phase - interdependence

# Masculinity

## **Masculinity:**

- Ambitious & need to excel
- Tendency to polarize
- Live in order to work
- Big & fast are beautiful
- Admiration for the achiever
- Decisiveness

## **Femininity:**

- Quality of life - serving others
- Striving for consensus
- Work in order to live
- Small and slow are beautiful
- Sympathy for the unfortunate
- Intuition

High masculinity

(>60)

Australia

Austria

China (66)

Ecuador

Germany

UK/Ireland

Italy

Japan

Mexico

Portugal

Switzerland

USA

Low masculinity

(<30)

Denmark

Finland

Norway

Holland

Sweden (5)

## Application: (Nakata and Sivakumar 1996)

Masculinity - increases self-reliance

- Femininity positively affects the conceptualization stage of new product development - supportive climate
- Masculinity promotes the implementation stage - goal directedness and formalization

# Power Distance

## Large

- High dependence needs
- Inequality accepted
- Hierarchy needed
- Superiors often inaccessible
- Power-holders have privileges
- Change by revolution

## Small

- Low dependence needs
- Inequality minimized
- Hierarchy for convenience
- Superiors accessible
- All have equal rights
- Change by evolution



High power distance (>65)

Belgium  
Brazil  
China (80)  
France  
Greece  
Hong Kong  
Indonesia  
India  
Mexico  
Philippines  
Portugal  
Turkey  
Arab countries  
Africa

Low power distance (>40)

Austria  
Denmark  
Germany  
UK/Ireland  
Israel  
Holland  
Norway  
Australia/New Zealand  
Sweden (31)  
Switzerland  
USA

**Application:** (Nakata and Sivakumar 1996)  
Power Distance - promotes dependence

- Low power distance facilitates new product development during the conceptualization stage - diverse ideas
- High power distance facilitates new product development at the implementation stage - centralized command

# Uncertainty Avoidance

## Strong

- Anxiety, higher stress
- Inner urge to work hard
- Emotions accepted
- Conflict is threatening
- Need of consensus
- Need to avoid failure
- Need for laws & rules

## Weak

- Relaxed, lower stress
- Hard work not a virtue per se
- Emotions not shown
- Conflict & competition ok
- Acceptance of dissent
- Willingness to take risks
- Few rules

Low uncertainty avoidance

(> 40)

China (30)

Denmark

UK/Ireland

Hong Kong

India

Malaysia

Singapore

Sweden (29)

High uncertainty avoidance (>65)

Argentina

Austria

Belgium

Chile

France

Germany

Israel

Italy

Japan o Korea

Portugal

Spain

Turkey

Arab countries

# Application:

(Nakata and Sivakumar 1996) Uncertainty Avoidance  $\bar{\quad}$  promotes dependence?

- Low uncertainty avoidance facilitates the initiation phase - risk taking and minimal controls
- High uncertainty avoidance facilitates implementation stage - tight planning and controls

# Long-term orientation or Confucian Dynamic

## High

- Many truths
  - (time, context)
- Pragmatic
- Long-term orientation
- Acceptance of change
- Perseverance
- Thrift for investment

## Low

- Absolute truth
- Short term orientation
- Concern for stability
- Quick results expected
- Spending for today

- Long term orientation
  - China (118)
  - Hong Kong
  - Taiwan
  - Japan
  - South Korea
  - Brazil
- Short term orientation
  - West Africa
  - Canada/US
  - Europe
  - Pakistan
  - Sweden (20)

## Application: (Nakata and Sivakumar 1996)

- Long term orientation promotes new product development
- Short term orientation impedes new product development



# What correlates with Hofstede's dimensions? (see Hofstede 2001)

- Individualism
  - + purchase insurance, have dogs, own a motor home for leisure, read more books, have an answering machine
- Masculinity
  - + status purchases (watches, jewellery), importance of car engine power, business class travel, confidence in advertising
  - Partner involvement in car choice, women as main shoppers
- Power Distance
  - + confidence in the press, lack of confidence in police, child obedience
- Uncertainty Avoidance
  - + buying new (vs used) cars, buying precious metals and gems, use of mineral water
  - buying stocks, use of internet and other media, eating ice-cream, frozen food, confectionary and snacks

# Application of Hofstede's five dimensions on leadership

<b>Power distance</b>	→	<b>High (China)</b> Tells people what to do Formal
<b>Uncertainty avoidance</b>	→	<b>High</b> Keeps within the known Unambiguous <b>Low (China Sweden)</b> Challenge Test new things
<b>Individualism/collectivism</b>	→	<b>Collective (China)</b> Same for all No individual differences <b>Individual (Sweden)</b> Adjustment for individuals
<b>Masculinity/femininity</b>	→	<b>Masculinity (China)</b> Not personal Goal oriented Push on <b>Femininity (Sweden)</b> Personal Relationship oriented
<b>Long or short          time          orientation</b>	→	<b>Short (Sweden)</b> Changing Aim for results <b>Long (China)</b> Process 'The journey is the goal'



**Application:** (Nakata and Sivakumar 1996)  
Individualism – increases self-reliance

- Individualism promotes new product development during the initial or conceptualization phase - nonconformity
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# Discussion

- What are the major characteristics of consumption of your people?
- People buy something that they can afford?

# Pursuing Luxury Products



# Counterfeit brands

Luxury  
brand

Social  
acceptance



汽车之家 AUTOHOME.COM.CN



# Evolution of Chinese Consumer behavior

- Perception of products provided by online stores
- *-price-sensitive*
- *-rubbish*
- *-purchasing risk*
  
- *-new generation*
- *-high-end brands*
- *-saving costs*
- *-purchasing risk*



# Attention rate

- Information overload
- Losing targets without attention rate
- Chinese famous directors
- *Keep secrecy/keep out of attention*
- *Providing information of the films beforehand with “high pitch tones”*

# Summary

- What is Marketing?
  - Marketing is about bridging gaps
- Industrial Marketing vs. Consumer Marketing
  - Sales
  - Culture
  - International marketing