The M-Word: What is This Stuff Called Industrial Marketing?

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The definitions and interpretations of marketing are all over the map, and many people have different ideas as to what industrial marketing really is. Here are a few examples of some of the things I've heard out in the marketplace:

- When asked why he didn't teach industrial marketing as part of an MBA program, a professor told me that all of the principles of consumer marketing could be used for industrial products.
- An executive vice president of a mid-sized contract manufacturing company said, "None of us were ever trained in this marketing and competitor intelligence stuff. It is not what has made us successful in the past, so why do we have to do it now?"
- A president of a mid-size, multi-division manufacturing company told me, "I think we have a good marketing program. We analyze our internal financial and production records and we listen to our sales staff about trends in the market and what the competition is doing. Isn't that marketing?"
- Another person commented, "We have a marketing department that does all the marketing. They make brochures and videos, attend trade shows, and generate leads from ads that they send our salesmen. What else is there to do?"

I call industrial marketing "the M-Word" because so few small and midsize manufacturers (SMMs) actually use it. Most SMMs are oriented to sales and getting orders. They view marketing as an academic exercise that probably will not lead to sales. Industrial marketing, in my opinion, is a philosophy or plan of the manufacturer's owners on how the company will grow in the future. Once the company is committed to growth, they will have to make strategy decisions to attain the growth objectives. But the big problem with the M-Word is that making good strategy decisions requires information.

So Why Is This Important?

I think every manufacturer understands that to grow they will have to make decisions on strategies like prices, current products, new products, sales organization, sales channels, and promotion. But before they invest the money in strategy decisions they need some information. For instance:

1. Prices - You should evaluate your prices to see how they compare to competitors. You need good “apples to apples” price information for each competitor and model.
2. Current Products - You should evaluate your current products to see if you have a competitive advantage. This can be done by comparing individual models in a technical comparison in a competitor matrix.
3. New Products - If the current products are not competitive, you will be faced with modifying or developing totally new solutions. You will need enough information to convince the owners, investors, or bank that there will be sales for the new product when it is introduced.
4. Promotion - You need to make a decision on how much advertising and promotion money you should spend to find new customers, introduce new products, or re-introduce modified products to buyers.
5. Sales Organization - You will also have to decide if your sales organization is adequate to go out and call on these new customers in the new markets. If they are not then you will be faced with hiring somebody who can, which is a sales strategy and a budget decision.
6. Sales Channels - Perhaps the new products you are offering to your new customers may require a different type of distribution such as dealers, distributors, or independent reps. It costs money to go out and recruit, train, and motivate these channels.

Practical Steps

Using inquiry generation techniques to find new markets and the right customers is the most inexpensive and practical method the author has used to increase sales. It is ideal for small manufacturers who do not have field sales organizations or are being forced to find new markets and customers for the first time. After acquiring a product line of pallet handling machines, I had to find the customers and markets to grow and become profitable. I used a lead generation and sales prospecting program to gather enough in formation that made it possible for one inside sales person to get a new product line off the ground and reach the sales forecast in the very first year of operation. The total cost of the lead generation program was $75,000 and it produced $1.6 million in sales. This was 32 orders (units) or $2,344 promotion costs per order.

In addition, I still do projects every year on industrial acquisitions for product lines or manufacturing companies. The two big questions that need to be answered on every acquisition are whether this company (or product) have a competitive advantage over other products in the same market, and how big the market they serve is (and what is the potential for growth). These are critical questions that require research and market information. If you don’t answer them accurately you will find out the answer after the acquisition and at the point of sale. In fact, I think the answers to these two questions are the difference between a success and failure of an acquisition.

Finally, if you are small manufacturer who is looking for capital, you should know that there are hundreds of new business plans submitted every year. Only about one or two percent of the business plans and product ideas, however, get serious

consideration for investment. Wayne Embree of Cascadia Pacific Management looks at many new product and technology ideas and reviews a lot of business plans. When asked what these inventors and entrepreneurs can do to increase their chances of commercializing their product idea, Wayne says, “They should spend a lot of time developing a case as to how their product idea is going to have compelling competitive advantage.” This translates into gathering lots of information on competitors, channels of distribution, and customers if you are going to convince anybody to invest money in your idea. Wayne’s summary expression is “An ounce of marketing beats a pound of technology.”

A lot of small and midsize manufacturers are struggling in our post–recession economy. They have lost business from some of their old customers, and need to diversify into other markets. They need to develop the strategies to grow, and these strategies always require some basic information before you invest in them. The good news is that there really are a lot of market opportunities out there if you have a way to find them and the information to develop a growth plan that will increase sales. The answer is the M-Word.

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