



Institute for Market-Oriented Management

Competence in Research & Management

Prof. Dr. Dr. h.c. mult. Christian Homburg, Prof. Dr. Sabine Kuester

IMU Research Insights

# 014

# Multi-Stage Marketing: How to Approach the Customers' Customers in B2B Markets

Prof. Dr. Dr. h.c. mult. Christian Homburg  
Dipl.-Kffr. Halina Wilczek  
Dr. Alexander Hahn

2013



UNIVERSITY OF MANNHEIM  
BUSINESS SCHOOL

## Relevance of Topic

- Within B2B markets the **customers' demand is derived** from the demand of subsequent market stages.
- Thus, B2B suppliers should also consider the **customers' customers** within marketing & sales (multi-stage marketing).

## Investigated Industries

The study was conducted with **B2B suppliers** from various industries such as machines & equipment, automotive, chemicals, construction, and electronics.

## Study Characteristics

- We chose a qualitative approach (field interviews) to gain in-depth knowledge about multi-stage marketing.
- We interviewed 32 managers from 30 B2B suppliers on their multi-stage marketing approaches.
- We gained knowledge on **multi-stage marketing activities and outcomes**.

## Key Learnings/Implications

- B2B suppliers can employ a **broad array of multi-stage marketing activities** such as...
  - **...generating market intelligence** to gain insights into decision structures in the downstream supply chain and indirect customer characteristics,
  - **...communication & promotion** to increase the brand awareness of indirect customers,
  - **...acquiring customers** for supporting the direct customers' sales force in their acquisition efforts,
  - **...providing supporting services** to indirect customers such as trainings or maintenance, and
  - **...co-developing with indirect customers** to customize offerings and identify new product applications.
- However, performance outcomes of multi-stage marketing can be both **beneficial and detrimental**. Thus, B2B suppliers should **carefully implement** the strategy – especially as it may threaten their relationships to direct customers.

- 
- Topic Relevance
- 

- 
- Definition
- 

- 
- Key Questions
- 

- 
- Study Characteristics
- 

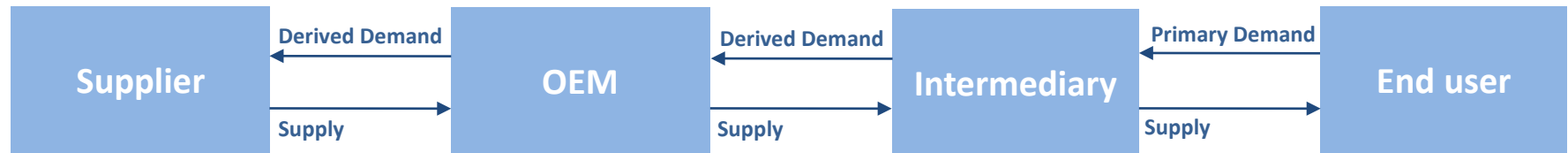
- 
- Study Insights
- 

- 
- Managerial Implications
- 

- 
- Contact and Further Information
-

The derivative character of organizational demand means that the demand of organizational customers is derived from the requirements of the customers' customers.

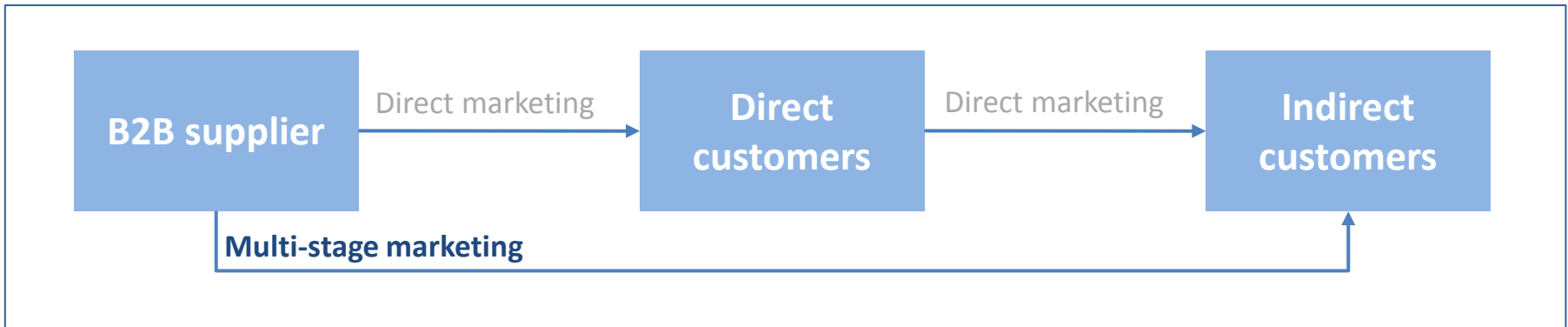
**Example:**



**“Since derived demand is of such significance to industrial marketing, it should dramatically influence the way in which much of industrial marketing is practiced.”**

(Sudharsan and Winter 1998)\*

\*Sudharsan, D. and Frederick Winter (1998), “Strategic segmentation of industrial markets,” *Journal of Business & Industrial Marketing*, 13 (1), 8-21.



- Multi-stage marketing encompasses all those marketing activities that a B2B supplier directs at its **customers' customers (i.e. the indirect customers)**.
  - The aim is to convince the **indirect customers** of the advantages of the B2B supplier's product such that they **explicitly demand** the product from the B2B supplier's direct customers.
- 
- Thus, multi-stage marketing **stimulates derived demand** and improves the B2B supplier's **market performance**.

- 1** How can B2B suppliers conduct multi-stage marketing? Which potential **activities** does it encompass?
- 2** How does multi-stage marketing affect **business performance** and **relationship quality** in the supply chain?

## Study Design

### Method

- We draw on a qualitative approach to gain in-depth knowledge about multi-stage marketing:
  - **Literature research** to identify firms that conduct elaborated multi-stage marketing programs
  - **Field interviews** with marketing and sales managers responsible for multi-stage marketing programs within their firms

### Sample

- Cross-industry study, especially
  - Machinery & equipment
  - Automotive
  - Chemistry
  - Construction
  - Electronics
- Sample: 30 companies (32 managers)
- Time Span: 2010-2012

**We observed the following multi-stage marketing activities:**

**Market intelligence generation**

- e.g. supply chain analysis, indirect customer surveys

**Communication & promotion**

- e.g. advertising, trade fairs

**Indirect customer acquisition**

- e.g. sales force visits

**Services**

- e.g. educational workshops, repair services

**Co-development**

- e.g. innovation workshops

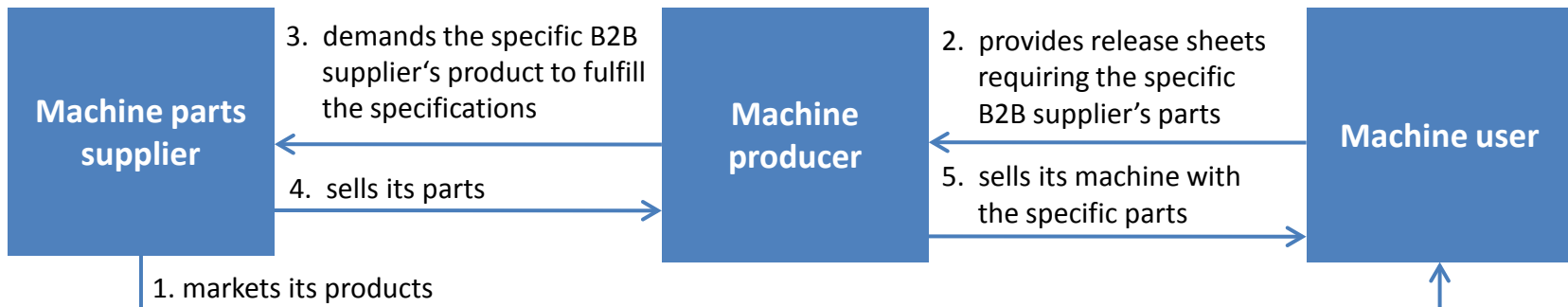


## Market intelligence generation

- This activity refers to the generation of knowledge on
  - **indirect customer market structure,**
  - **indirect customer characteristics** such as identity, product requirements and handling, as well as
  - the **B2B supplier's current (brand) status** at the indirect customer stage.
- The **distance to the indirect customers** in the supply chain requires gaining such information before even considering further multi-stage marketing activities.
- Some B2B suppliers depict their direct and indirect customer structure in so-called “**power maps**” **visualizing the interrelationships** (power, decision, and influence) **in downstream markets** (see slide 10).
- B2B suppliers cooperate with **market research institutes** to monitor the current brand status at the indirect customer stage.
- Also, the **direct customers** are a considerable source of information due to their direct contact to the subsequent market stage. They may provide a B2B supplier with information on indirect customers' product requirements and handling problems.

**Power maps support the B2B supplier’s orientation in the downstream supply chain:**

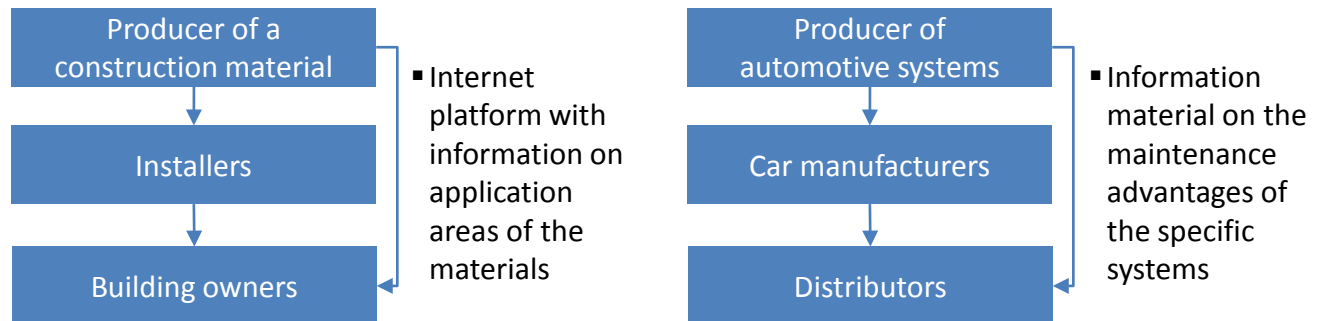
- As the **direct customers** are **not necessarily the main deciders** in the buying process, power maps are helpful to depict the central forces leading to a buying decision.
- These maps may display
  - the **power and influence** relations among direct and indirect customers,
  - **promoters and gatekeepers** enhancing or hindering the acceptance of the B2B supplier’s product in the supply chain, and
  - **external powers** that have an considerable **influence** on indirect customer **buying decisions** but are not customers per se (e.g. industry associations).
- Ultimately, power maps can serve as a **decision basis** for multi-stage marketing **investments**. B2B supplier’s may invest their marketing & sales effort according to the **importance of a player** in the buying decision.
- Consider the following example which is a **part of a power map in the machine industry**: The **machine user** (indirect customer) **prescribes the machine producer** (direct customer) the usage of a specific B2B supplier's parts.



## Communication & promotion

- This activity refers to the promotion of the B2B supplier's product, brand, and/or company e.g. through
  - **advertising (TV, radio, print, internet/email, mobile),**
  - **trade fairs/events, and**
  - **packaging design.**
- B2B suppliers conduct this activity e.g. to
  - promote **brand awareness,**
  - **visualize its product (function)** within the direct customers' offering, and/or
  - **highlight the product advantages** for indirect customers compared to competitor offerings.
- The aim is to address a **considerable amount of indirect customers** (mostly **without** further **personalizing** the message).

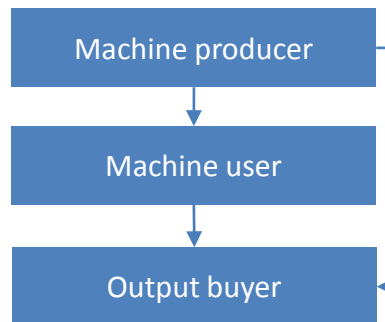
▪ Examples:



## Indirect customer acquisition

- This activity refers to the **acquisition of indirect customers for direct customers** through the B2B supplier's sales force.
- Unlike communication & promotion, this activity already requires a **targeted personalized contact** between the B2B supplier and the indirect customers.

- Example:



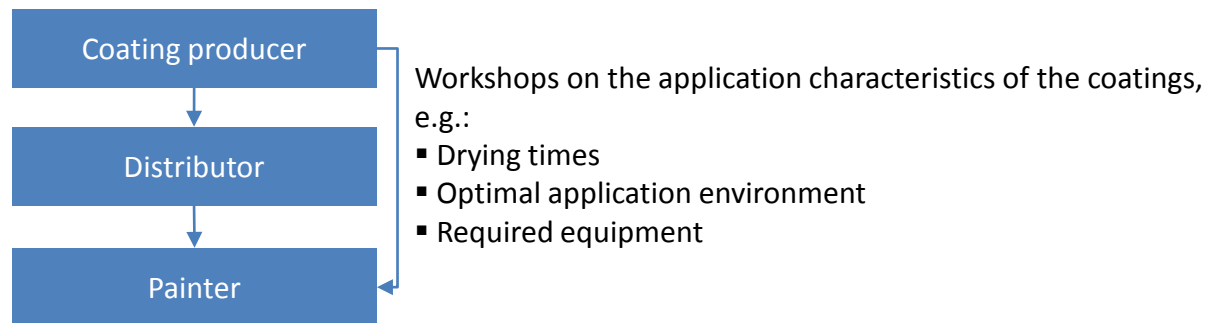
“After we have convinced our indirect customer of the high-quality output of our machines, we provide them with lists of firms that use our technology. Our direct customers then inform us when indirect customers have placed orders at their firm.”

- Some B2B suppliers invest a **considerable amount of resources** in indirect customer acquisition:
  - “Recently, we analyzed our actual sales force resource allocation and found that 55% of sales resources are devoted to indirect customers.” (Manager from the construction industry)
  - “We invest around 60-70 % of our sales force time at indirect customer stages including also influencers of indirect customers’ buying decisions.” (Manager from the chemical industry)

## Services

- This activity refers to supportive activities directed at indirect customers and encompasses both **technical** (e.g. maintenance) and **educational services** (e.g. educational workshops).
- We observed many B2B suppliers applying services within multi-stage marketing. They help the B2B supplier to provide indirect customers with **additional value** e.g. through
  - the elimination of **technical problems** or
  - the training in **efficient product handling**.
- The motivation of B2B suppliers to offer services often rests in the **direct customers' lack of sufficient in-depth knowledge** on the B2B supplier's product.

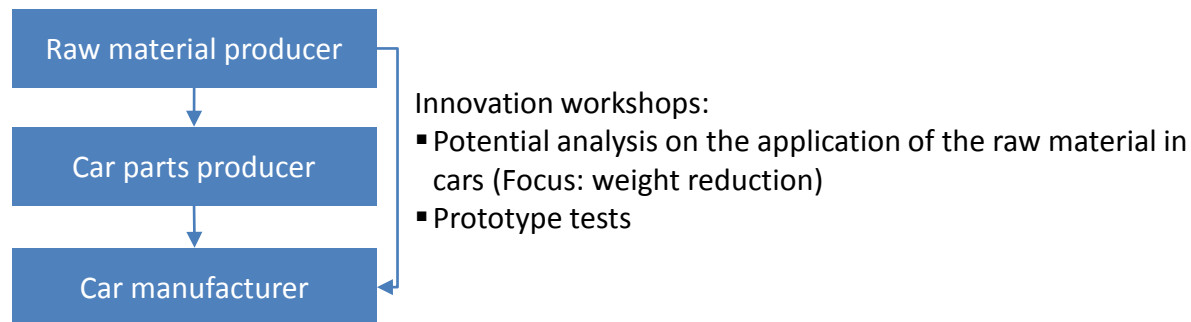
- Example:



## Co-development

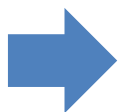
- This activity refers to the **cooperative development of products and product applications** with indirect customers.
  - Product development means the development of new or improved products.
  - Product application development means identifying new application areas for a B2B supplier's existing product.
- New applications can be **unexpected and diverse** and open **new business opportunities** for B2B suppliers.
- Such application innovations are particularly interesting for **B2B suppliers positioned at a very early stage of the supply chain.**

- Example:



We found the following potential beneficial and detrimental consequences of multi-stage marketing:

	Potential benefits	Potential downsides
<b>B2B supplier's performance</b>	<ul style="list-style-type: none"> <li>+ Increased <b>sales</b> volume, <b>price-premiums</b> vis-à-vis direct customers</li> <li>+ <b>Valuable information</b> on product requirements from subsequent market stages</li> </ul>	<ul style="list-style-type: none"> <li>- <b>No return on investment</b> due to direct or indirect customer resistance towards the B2B supplier's product (e.g. if the product does not provide sufficient value)</li> </ul>
<b>Direct customers' performance</b>	<ul style="list-style-type: none"> <li>+ Increased <b>sales</b> volume, <b>price-premiums</b> vis-à-vis indirect customers</li> <li>+ Reduced marketing &amp; sales <b>cost</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Higher prices</b> vis-à-vis the B2B supplier (as a compensation for a B2B supplier's multi-stage marketing investments)</li> </ul>
<b>Relationship quality between the B2B supplier and the direct customers</b>	<ul style="list-style-type: none"> <li>+ Increased direct customer <b>satisfaction and commitment</b> (due to economic benefits resulting from multi-stage marketing)</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Conflict</b> concerning the allocation of tasks</li> <li>- Direct customer perception of being forced into a <b>locked-in</b> position</li> </ul>
<b>Relationship quality between the B2B supplier and the indirect customers</b>	<ul style="list-style-type: none"> <li>+ Increased <b>value</b> for indirect customers through support provided by the B2B supplier (e.g. through educational services)</li> </ul>	<ul style="list-style-type: none"> <li>- Indirect customer <b>irritation</b> (e.g. through collision of multi-stage marketing with the direct customers' marketing)</li> </ul>



Multi-stage marketing is a **double-edged sword**. B2B suppliers thus often hesitate to increase their investments in multi-stage marketing as they worry about **irritating direct customers** and the **lack of return on investment** due to low relevance of their products for indirect customers.

- 1 Examine carefully, if it makes sense for you to address the indirect customers with multi-stage marketing. You may find interesting new ways to stimulate derived demand.
- 2 Analyze your supply chain with its decision and influence structures among direct and indirect customers as a basis for further multi-stage marketing activities.
- 3 Create brand awareness among indirect customers to open doors for further more personalized activities.
- 4 Examine, if you can support your direct customers' sales force in their customer acquisition efforts.
- 5 You may offer your indirect customers supportive services or customized products to provide them with additional value.
- 6 Examine new application areas for your product at indirect customers market stages. Innovation workshops with indirect customers may help you to test your product in the new environment.
- 7 Consider carefully the potential outcomes of multi-stage marketing for your and your direct customers' business. Don't forget that multi-stage marketing may be a double-edged sword.



The **Institute for Market-Oriented Management (IMU)** at the University of Mannheim (Germany) is a forum for a dialogue between theory and practice. The high scientific and academic standard is guaranteed by the close networking of the IMU with the two Chairs of Marketing at the University of Mannheim, which are highly renowned on a national and international level. The Academic Directors of the IMU are Prof. Dr. Dr. h.c. mult. Christian Homburg and Prof. Dr. Sabine Kuester.

If you are interested in further information or have any questions, please contact us at:

Institute for Market-Oriented Management  
University of Mannheim  
L5, 1  
68131 Mannheim / Germany  
Phone: 0621 / 181-1891  
E-Mail: [halina.wilczek@bwl.uni-mannheim.de](mailto:halina.wilczek@bwl.uni-mannheim.de)

or visit our website at: [www.imu-mannheim.de](http://www.imu-mannheim.de).

## **The Authors:**

**Prof. Dr. Dr. h.c. mult. Christian Homburg** holds the Chair of Business Administration and Marketing I at the University of Mannheim, is Scientific Director of the Institute for Market-Oriented Management (IMU) at the University of Mannheim, and Head of Advisory Board of the consulting firm Homburg & Partner.

**Dipl.-Kffr. Halina Wilczek** is a PhD student at the Chair of Business Administration and Marketing I at the University of Mannheim.

**Dr. Alexander Hahn** is Assistant Professor at the Chair of the Business Administration and Marketing I at the University of Mannheim. His research priorities are in the areas of entrepreneurial marketing and sales management.