

# STRATEGY AND ORGANIATIONAL STRUCTURE

## Lecture 3: Industrial market segmentation

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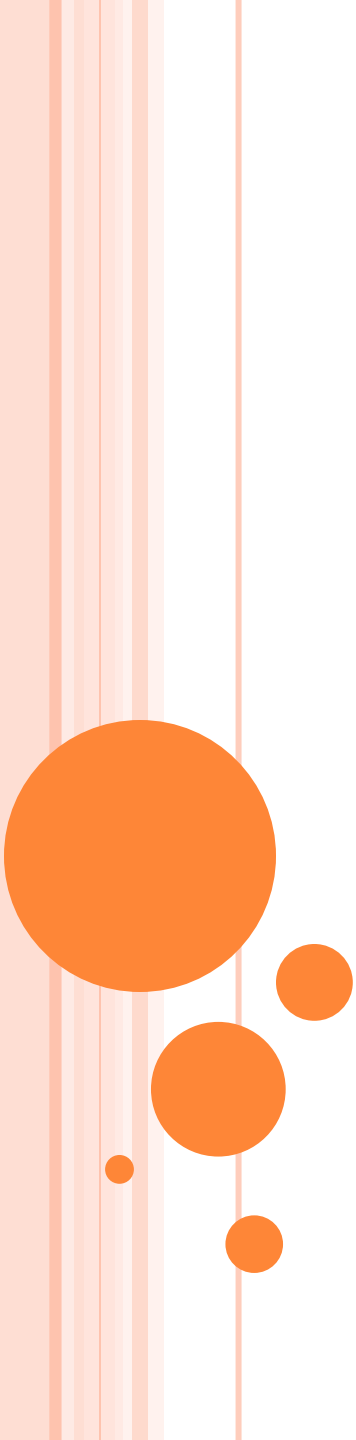
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*Target audience: MASTER II students- Strategic Management*

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## **The specificity of industrial markets:**

- ❖ **Business to business B2B markets comprehend a series of specific characteristics compared to the consumers markets**
- ❖ **The B2B markets are constituted by companies, governments and institutions that sell products and services that do not reach the final costumers in the consumer markets, but participate in the production of another products or services**
- ❖ **Usually the distinction is made that industrial marketing involves selling goods and services to industry, government or individuals, who use their purchases for the purpose of carrying on their business operations.**

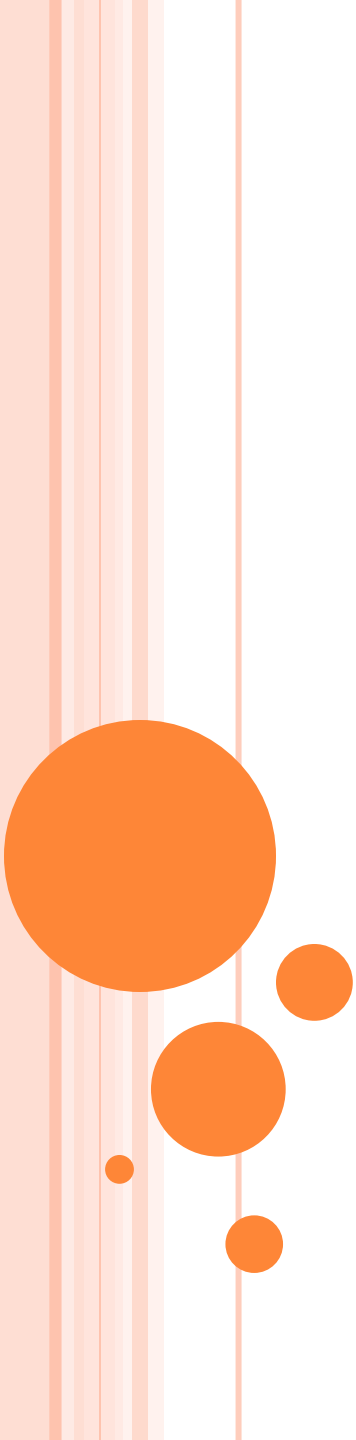
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- ❖ **B2B buying process is complex and heterogeneous also B2B transactions often involve products requiring significant expertise for the purchase decision**

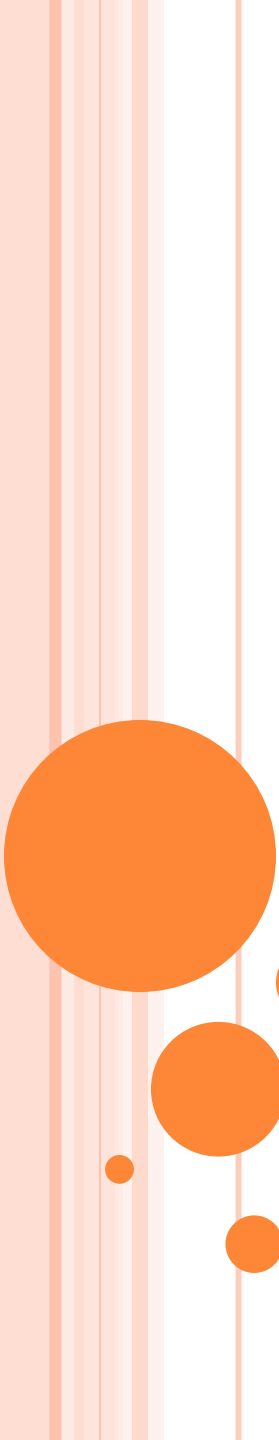
### **Bases of segmentation in the industrial markets:**

**Industrial markets can be segmented according to the characteristics of the organization. This is sometimes referred to as the macro level.**

**Factors that would be analyzed at this level would be:**

- ❑ **Industry sector:** Different industry sectors may have unique needs from a product or service.

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- ❑ **Size of the organization:** This can be judged using several variables such as the number of employees, market share,..., etc.
  - ❑ This method Of segmentation has to be used with caution, because a large organization does not mean that it will be a large purchaser of your product.
  - ❑ **Geographic location:** the related question here is what geographical areas should be served?. The geographic location of the buyer plays a huge role in the segmentation of the industrial market.



❑ **End-use application:** The way in which a product or service is used by a company has an important effect on the way the organization views its value.

❑ **Customer Operating Variables**

Operating variables include technology, user or non-user status and customer capabilities.

That is related to customer technologies they should focus on, and whether they should serve heavy users, medium users, light users or nonusers. And whether they should serve customers needing many or few services.

❑ **Purchasing Approaches**

Purchasing approaches are composed of purchasing-function organization, nature of existing relationships, general purchase policies and purchasing criteria.



## ❑ **Situational Factors**

Situational factors are made up of urgency, specific application and size of order. There are also three questions to ask:

Should they serve companies that need quick and sudden delivery or service? Should they focus on certain applications of their product rather than all applications? And should they focus on large or small orders?

## ❑ **Personal Characteristics**

They include buyer-seller similarity, attitudes toward risk and loyalty. The questions that are in accordance with these variables are the followings:

Should they serve firms whose people and values are similar to theirs? Should they serve risk-taking or risk-avoiding customers? And should they serve firms which show high loyalty to their suppliers?