

THE PRESENT APPROACHES OF SLOVAK ENTERPRISES TO SALES IN B TO B MARKET

Abstract

The recent industrial enterprises in the territory of Slovakia are permanently facing the environment changes and rapid turns in their development cycle. The enterprises meeting the new challenges which result from the growing competition pressure, openness of markets and globalization make also the sales sphere present the proofs of real estimation of situation and dispose with the ability to gain and transform the existing customers of industrial enterprises to loyal partners. The requirements concerning the sales have changed due to the growing demanding character of customers. The aim of the article is to characterize the selected dimensions of sales marketing and its development tendencies on the basis of the data got in the market research from the point of view of sales managers of industrial enterprises functioning in different branches. The article consists of two parts. The first part represents a theoretical framework of the sales problems. The second part is based on the research results in the sphere of production enterprises with the aim to better understand the customer-supplier relationship. This analysis enables us to identify the development tendencies of sales marketing.

Key words: Sales marketing, B to B market, customer-supplier relationship

1. Introduction

The recent economic conditions demanding an immediate response to the financial market changes make an increased pressure upon enterprises deal with the sales of their production within the customer-supplier relationships in the B to B market and strengthen such approaches in the customer-supplier relations which will enable them to be successful in the relevant business sphere. Sales as the value creator for enterprises is a complex process which enterprises should have more responsible approach to, as under the conditions of the slowed down growth it is simply vitally important to make an effort to sell in each phase of the sales cycle.

According to Webster (*Webster 1992, p. 1*) marketing has not paid attention to the sales stricto sensu for a long time. It is not sufficient for the supplier simply to know how to get a customer and back him in his activities but he should be able to define his needs under the conditions of smallest costs (*Goyhenetche/Bernard-Boursiere/ Loup 2007, p. 10*) Identifying the unknown facts on the customer enables the supplier to react to his most unexpected needs. Better synchronization of the positions of both interest groups is a precondition for long-term relations between customer and supplier. The quality of interaction determines the values and cooperative behavior.

The aim of this article is to characterize the present approaches of Slovak enterprises to the sales in the B to B market as far as the customer-supplier relations are concerned. The article consists of two parts.

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2. Characteristics of Approaches to the Problem of Sales Related to the Customer-Supplier Relations on the B to B Market

Dynamics of industry is of great importance in building a stronger European economy and its competitiveness in the international markets. Both the unified European market as well as the open approach of the European Union towards trade and investments are the main growth accelerators by means of higher competition, better specialization and innovation. Industry is the main component of the national economy in the Slovak Republic as well.

Industry shares one third in generating the national product. Its present state, branch structure and lay-out are the results of the past development. The most important industrial branches are as follows: the mining industry, food industry, light industries (textile industry, clothing industry, leather and shoe industry, printing industry, glass industry), wood processing industry, chemical industry, industry of building materials, metallurgical industry, engineering industry, electric-technical industry, production of electricity, gas and cold air, supply of water, waste treatment and drainage, waste disposal.

Tab. 1 shows that most production enterprises belong to the size categories of micro enterprises, small and midsized enterprises.

Table 1

Enterprises by their economic activities (SK NACE) and size categories given by the number of employees as at 31 August 2009[1].

	0-9	10-12	20-49	50-249	250-499	500-999	1000 and more
Mining and excavation	88	24	17	20	1	1	1
Industrial production	6 565	2 836	969	1 118	185	87	54
Supply of electricity, gas and cold air	144	62	52	39	3	2	5
Supply of water, waste treatment and drainage, waste disposal	341	114	38	39	5	4	5
Total	7 138	3 036	1 076	1 216	194	94	65

Source: Kolektív (2009): Podniky podľa ekonomických činností (SK NACE) a veľkostnej kategórie počtu zamestnancov k 31.8.2009 (translation: Enterprises by their economic activities (SK NACE) and size categories given by the number of employees as at 31 August 2009. /online/ accessible on the internet www.statistics.sk and the processing of our own

As at the end of the second quarter-year 2009, 497.079 employees, which represents 24.81% of the total employment in the economy, were working in the industry.

Due to the rise of the economic crisis, the substance of which being a global one, there are further changes in the enterprise environment, e. g.:

- important and sometimes unexpected re-division of markets,
- suppliers in the industrial market face serious problems,
- requirements concerning profitability of investments are increasing,
- there is pessimism of the financial environment as for some industrial activities (foundries, pressing shop and the like),
- decrease of orders,
- rapid increase of restructuring measures (redundancy plans, closing down the plants and the like),
- making the risk of dependence within the customer-supplier relations radical and the like.

The business sphere of industry in the Slovak Republic itself tries to decrease the share of products showing a falling trend in the sales. Suppliers are aware of the fact that customers in the industrial market are not trying to develop their margins under whichever conditions but they are mostly trying to buy innovated products which will be of benefit for them in creating their own value. For this reason they take into consideration a new market dynamics

characterized by specific offers which meet their requirements for the product. This kind of business policy of enterprises covers a wide scale of decisions of marketing managers of micro-enterprises, small, mid-sized and large enterprises. In the enterprises there is no more a tendency simply to identify the demand but to create new growth conditions on the basis of knowledge and competence intensified by the fact that the Slovak economy, due to its openness, can feel the crisis especially through the transmission channel of foreign trade and fall of trust in the positive economic development. Interlinking of economies and social cultures, changes in the value hierarchies as well as technological development, the pressure of ecological requirements have the whole range of impacts upon functioning of industrial enterprises and sales. Since the first contact with the customer, the sales, being on the boundary line between enterprise and its market, creates a relation which is at the same time an individual and institutional one. Within its historical development, the sales is aiming towards the higher and higher sophistication and the growth of sophistication of its different dimensions is gaining more and more importance resulting from the change of the customer position in the process of exchange.

In the period of economic crisis it is true, that customers are prepared to revalue their partnerships with suppliers to get an ideal quality/price relation.

To be able to analyze the customer-supplier relations it must be emphasized, that in the case of exchange based on the relations, the personal contacts are a non-institutionalized guarantee of exchange. Exchange makes it possible for the participants to know each other better and to make their relations stable. Thus trust is a solution of unpredictable situations which may occur at the beginning of the relation in the case of its long-term character. The form of cooperation depends on the willingness of participants and is influenced by the context of activity which they have formed. Repeated interactions between customers and suppliers enable the rise of rules which consolidate cooperation. These rules are in fact the standards of relations which in the atmosphere of trust make an exchange and secure the necessary coordination of its good procedure. Informal mechanisms also make it possible for the participants of exchange to mutually cooperate and reach common targets from the long-term point of view, within which the elements connecting them are stronger than those which could separate them.

Good interpersonal customer-supplier relations in the sphere of sales can help the rise of partnership based on trust (of customers, suppliers, professional associations, partners and the like), develop and consolidate the competence of enterprise, keep permanent communication with customers, develop highly personalized business relations, increase satisfaction of customers and their loyalty, increase productivity of the trading staff, increase profitability of sales endeavour and the like. It means strengthening the sales by means of a qualitatively and quantitatively higher offer than the one in the case of isolated enterprises. Therefore it is important to make the sales closely connected with development of partnership or competitive networks of enterprise. Partnership enterprises do not function only on the basis of a simple functional relation with customers, suppliers and competitors. Real partnership is in the realization of the approach which is concentrated on creation of common strategy limiting the scope of structural and organizational changes of each partner. All enterprises are gradually becoming part of different forms of partnership. Conditions, functioning and maintaining partnerships of enterprise greatly decide the ways of behavior of individuals in the sales process. All are functioning within the frameworks, the members of which can be competitors or partners in different markets in which the enterprise is operating (*Bergadaá 1997, p. 38-47*). Moreover, the basic principles of the theory of games expect enterprises to be allies even in creation of a new market and also to be even competitors in division of the market products in the same market.

3. Empirical Study

a. Data

Among many aspects of the exchange relation, trust and engagement of customer in his relationship towards supplier play an important role and influence the quality of customer-supplier relationships. For this reason, within the scientific-research project of the Ministry of Education of the Slovak Republic VEGA 1/0228/08 „New Approaches to Managing the Offer in Industrial Enterprises“ (Kita 2010, p. 123-124), a survey was made, in which the sales managers of 476 enterprises of all sizes operating in the territory of Slovakia, i.e. in 107 micro enterprises (0-9 employees), 122 small enterprises (10-24 employees), 132 middle-sized enterprises (25-249 employees) and 114 large enterprises (over 250 employees) were questioned. The questionnaire was elaborated for enterprises of all sizes operating in different branches of the national economy and was sent to the enterprises on the basis of the database made in the previous researches realized in the project VEGA in the year 2005. In comparison with the year 2005 the number of completed questionnaires has decreased by more than 100. Altogether 800 questionnaires were sent to the chosen addresses in individual territorial units. In many cases the enterprises changed their addresses or they did not exist any more. The enterprises shown in *Tab. 2* perform their activities in different branches of the production sphere.

Table 2

Number of enterprises by industrial branches (in %)

Branch	Number of enterprises	Share in %
Mining industry	6	1.26
Metallurgical industry	13	2.73
Energy industry	3	0.63
Engineering industry	149	31.30
Electric-technical industry	34	7.14
Chemical industry	64	13.45
Light industry	43	9.03
Wood processing industry	83	17.44
Food industry	65	13.66
Industry of building materials	11	2.31
Production and distribution of water	3	0.63
Waste treatment and drainage, waste disposal	2	0.42

Source: Scientific-research project VEGA1/0228/08 „New Approaches to Managing the Offer in Industrial Enterprises“

Total number of 476 enterprises was divided into 4 categories according to the European classification of enterprises by number of workers (*Tab. 3*).

Table 3

Classification of enterprises by number of workers (in %)

Type of enterprise	Micro enterprise	Small enterprise	Middle-sized enterprise	Large enterprise
Share in %	22.7	25.6	27.7	24.0
Total number of enterprises	108	122	132	114

Source: Scientific-research project VEGA1/0228/08 „New Approaches to Managing the Offer in Industrial Enterprises“

b. Results

Confrontation of enterprises with new challenges resulting from the global crisis, the growing competition pressure, open character of markets and globalization are even in the sphere of offer and sales the reasons for permanent evidence of real estimation of situation and ability to get and transform the existing customers of industrial enterprises to loyal partners. Recently the requests for the offer and the related sales made by industrial enterprises have much changed due to the growing demands of customers and complexity of

distribution of the offered products within certain place or territory of the state as well as internationally, which is also reflected in the market shares of individual categories of enterprises. The illustration of market shares of enterprises of the sample researched from the point view of the sales managers is given in Fig. 1.

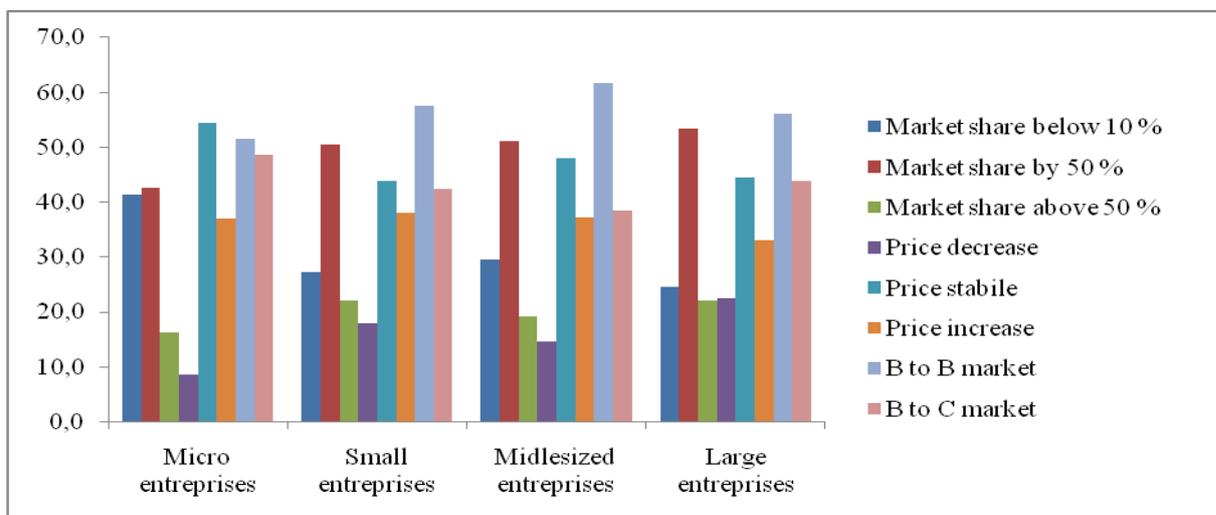


Fig. 1: Evaluation of the market share of enterprises and their situation in the market from the point of view of sales managers in January 2009 (in %)

Source: Scientific-research project VEGA1/0228/08 „New Approaches to Managing the Offer in Industrial Enterprises“

The market share below 10% has been reached by 41.3 % of micro enterprises, the market share by 50 % has been reached by 42.5 % micro enterprises and the market share above 50 % has been reached only by 16.2 % of micro enterprises. The situation is characterized as stabile by 54.5 % of micro enterprises, only 8.5% of them have reached the price decrease and 37 % of micro enterprises have reached the increase of market price.

The market share below 10 % has been reached by 27.3 % of small enterprises. The market share by 50% has been reached by 50.5 % of small enterprises and only 22.2 % of them have been able to reach the market share above 50%. 43.9 % of small enterprises characterize the situation in the market as far as the development of prices is concerned as stabile. 18.5 % of enterprises have reached the price decrease and 38.1 % have reached the price increase.

The market share below 10 % has been reached by 29.6 % of midsized enterprises. The market share by 50 % has been reached by 51.2 % of midsized enterprises and only 19.2 % of them have been able to reach the market share above 50 %. 48.1 % of the midsized enterprises characterize the market situation as far as the development of price is concerned as stabile, but only 14.6 % of them have reached the price decrease and 37.3 % of enterprises have reached the price increase.

The market share below 10% has been reached by 24.5 % of large enterprises. The market share by 50% has been reached by 53.4 % of large enterprises and only 22.1% of them have been able to reach the market share above 50 %. 44.1 % of large enterprises characterize the market situation as far as the price development is concerned as stabile, but 22.4 % of them have reached the price decrease and 33.1 % of large enterprises have reached the price increase.

i. Trust

Trust is a key element which makes it possible to characterize the substance of the customer-supplier relation. At the same time it is a necessary factor of the relationship. An ideal offer is conformed to the needs of customers and leads to convergence of the whole enterprise to the business model win-win. The real success of supplier lies in the promise

which exceeds the sales, i.e. in a permanently repeated purchase, favorable references and long-term relationship. The way to reach this status is to process each sales target as a series of mutually beneficial contracts which enable both the customer and supplier to win.

This type of relationship presupposes existence of clear rules of the game based on the mutually shared ethics. The win-win ethics of the supplier must be shared in all over the enterprise. Emphasis put on good interpersonal relations and cooperation ensure regulation and necessary coordination of a smooth procedure of exchange and improvement of the effectiveness of the customer-supplier relations. The realized results of the researches within VEGA 1/0228/08 „New Approaches to Managing Offer in Industrial Enterprises“ concerning the sales managers of 476 industrial enterprises operating in the territory of Slovakia show that the customer trust depends on many factors:

- care for customer, i.e. to want all participants of the exchange to win (17.9 % of micro enterprises, 17.8 % of large enterprises, 15.8 % of small enterprises and 15.4 % of mid-sized enterprises);
- politeness of supplier, i.e. to be respected as a customer and to feel that all supplier's activities are aimed at the maximum satisfaction of customer (16.7 % of micro enterprises, 10.1 % of small enterprises, 8.8 % of large enterprises, 8.3 % of small enterprises);
- willingness of supplier to ensure the success of customer on the basis of the product to be delivered (8.2 % of small enterprises, 6.7 % of large enterprises, 5.9 % of micro enterprises, 5.6 % of mid-sized enterprises);
- wish of customer to cooperate with a trustful supplier, i.e. the main criterion is the loyalty (13.9 % of small enterprises, 13.4 % of mid-sized enterprises 10.5 % of micro enterprises, 10.2 % of large enterprises);
- cooperation with a known supplier of good reputation, i.e. to be valorized (8.5 % of large enterprises, 8.3 % of mid-sized enterprises, 5.5 % of small enterprises, 5.2 % of micro enterprises);
- ability of supplier to lower costs (15.7 % of micro enterprises, 14.8 % of small enterprises, 13.4 % of mid-sized enterprises and 10.8 % of large enterprises);
- ability of supplier to foresee the obstacles and prevent the risk (17.0 % of large enterprises, 15.9 % of mid-sized enterprises, 12.0 % small enterprises, 10.8 % micro enterprises);
- ability of supplier to find solutions of a problem which make the product concept simpler (2.5 % of micro enterprises, 2.3 % of mid-sized enterprises, 2.2 % of small enterprises and 0.9 % of large enterprises);

According to the sales managers, creating the atmosphere of trust presupposes removal of the customer doubts:

- customers do not like suppliers representing small structures to specify their needs (2.6 % of micro enterprises, 3.0% of small enterprises, 2.3% of mid-sized enterprises and 0.9% of large enterprises);
- customers do not accept business negotiations with a dominant role of supplier (1.1 % of micro enterprises, 2.5 % of small enterprises, 3.0 % of mid-sized enterprises, 4.0% of large enterprises);
- customers prefer buying outside the Slovak territory because the Slovaks do not listen to the customer needs sufficiently (2.2 % of micro enterprises, 2.2% of small enterprises, 1.0% of mid-sized enterprises, 1.2% of large enterprises);

Trust is usually an expression of a reciprocal willingness of the participants of exchange to reach a satisfactory level of mutual involvement in the customer-supplier relation. According to the sales managers:

- customers consider supplier to be a means of progress (3.7% of micro enterprises, 4.1% of small enterprises, 3.5% of mid-sized enterprises, 6.7% of large enterprises);

- customers tend to be satisfied with the functional relation with supplier (1.2 % of micro enterprises, 1.1% of small enterprises, 2.3% of midsized enterprises, 0.9% of large enterprises).

ii. Involvement

Involvement can be defined as a willingness to maintain relations with suppliers. It is influenced by the social context and the impact of this context must not be neglected either. Combination of material and non-material investments of supplier which he has input in the relationship with customer and his willingness to cooperate, the innovation possibilities he is offering, the security of supplying he is providing, and the like, contribute to the fact that the customer considers the supplier to be his source of supplies. On the basis of the research outputs, the realized results can also be interpreted with regard to the involvement of customer to maintain his relationship with supplier:

- 28.1 % of micro enterprises, 26.2 % of small enterprises, 24.5 % of midsized enterprises, 25.4 % of large enterprises are willing to maintain the relation due to the price decrease caused by the initiative of competitors;
- 20.7 % of micro enterprises, 20.5 % of large enterprises, 18.9 % of midsized enterprises and 18.4 % of small enterprise are willing to maintain the relation due to the reduction of total costs of the enterprise;
- 9.9 % of large enterprises, 8.5 % of midsized enterprises, 7.1 % of small enterprises and 4.3 % of micro enterprises are willing to maintain the relation due to the standardization of products;
- 15.7 % of micro enterprises, 15.6 % of small enterprises, 13.5 % of large enterprises, 12.1 % of midsized enterprises are willing to maintain the relation due to the new purchase targets;
- 15.1 % of micro enterprises, 12.3 % of small enterprises, 11.4 % of midsized enterprises and 8.2 % of large enterprises are willing to maintain the relation due to the necessity of a better use of the enterprise equipment;
- 17.2 % of midsized enterprises, 14.2 % of small enterprises, 16.1 % of large enterprises and 9.9 % of micro enterprises are willing to maintain the relation due to the new product strategies;
- 6.6 % of midsized enterprises, 6.2 % of micro enterprises, 5.7 % of small enterprises and 5.8 % of large enterprises are willing to maintain the relation due to the endeavour to stop the relations with the recent suppliers;
- 0.8 % of midsized enterprises, 0.6 % of large enterprises and 0.5 % of small enterprises are willing to maintain the relation due to the personal interest of the sales staff.

Development of relations between customer and supplier is influenced by activities of both organizations, and cannot be reached by a simple expectation that in the course of time the customer-supplier relations will be getting more intensive and stabile. One or the other party of the two organizations can limit the amount of the means invested and try to increase the influence and security, e.g. by relying on the sources of suppliers.

4. Discussion

The aim of the article has been to show the present approaches of industrial enterprises operating in Slovakia to the sales as far as the relation aspects in which customer tries to lower the uncertainty by means of good interpersonal relations. The new perspectives of growth require industrial enterprises at present as well as in the future to be involved in development of customer-supplier relations which are opening a perspective of new business opportunities: the growth of incomes, improvement of the goodwill, loyalty of customers and the like. The dimensions of this context are connected with the instruments of specific coordination and it can be believed that the new growth of development of these instruments

will make rise of a new cooperation. The dimensions which characterize the development of customer-supplier relations may become the basis of this development. The article has focused on the sales managers of supplier who enable the contact with customers. The strategy of suppliers lying in the contacts with different members of the purchase centre of customers is relevant to his endeavour to better react to their expectations and to influence the individuals of enterprise effectively. But the analysis as for other interest groups should be paid more attention to. The results of the analysis as for the trust and involvement show that better managing of the customer-supplier relations in the industrial market requires a higher level of professionalism and competence of suppliers. Real success of supplier lies in his after sales promises which lead to repeated sales, trustful references and long-term relations. The advice how to reach this lies in processing each sales target as a joint-venture, i.e. a mutually beneficial transition in which both, the supplier as well as the customer win. The customer-supplier relations deserve a higher attention of enterprises with regard to the fact that the internal and external environments of enterprise are constantly changing.

Notes

[1] Notes: the data are published on the basis of the classification of SK NACE Rev. 2, the numbers given represent the operating subjects in the Registrar of Organizations of the Statistical Office of the Slovak Republic.

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