

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS MANAGEMENT**  
**FEBRUARY 2010 EXAMINATIONS**  
**BUSINESS TO BUSINESS CBU 4103**  
**TIME ALLOWED: 3 HOURS 30 MINUTES**

**INSTRUCTIONS TO CANDIDATES**

Answer question **One** and any other **Three** questions from section B.

**INFORMATION TO CANDIDATES**

- i) All questions in **SECTION B** carry **20** marks each.
- ii) Questions may be answered in any order.
- iii) Credit will be given to the use of appropriate examples.
- iv) This paper contains **Seven** questions.

**SECTION A**

**QUESTION 1 - COMPULSORY**

**Case Study**

**BUILDING EQUIPMENT MAKERS DIG OUT A HEALTHY EXPORT TRADE**

Excavators may lack glamour but Europe's manufacturers are finding a lucrative market for them in the US. Peter Marsh reports

For makers of some of the world's biggest machines, producers of construction equipment generally lack the cachet of industries such as cars or computers. But in recent years Western Europe's manufacturers of excavators, graders and other types of building machines have emerged as one of the region's most successful exporters.

Last year, according to estimates by Off-Highway Research, a London-based consultancy, construction equipment manufacturers based in western Europe exported to non-west European countries roughly a quarter of the 136,000 machines which they produced. With imports running at an estimated 10,000 units, that leaves a healthy trade surplus, worth some \$4bn, with the rest of the world.

According to David Phillips, managing director of Off-Highway Research, the favorable export trend is likely to continue for the immediate future, driven mainly by strong demand in the US – the destination for roughly half of all west European exports of this equipment.

Further statistics from Ifo, a German research institute show that companies based in the European Union account for nearly 40 per cent of world trade in construction

machines and related equipment for mining and quarrying. This is a relatively high figure and one, which, against the trend for much of European industry, has edged up slightly during the 1990s.

Within Western Europe, demand has also been substantial in the past year. According to Off-Highway Research, 118,000 construction machines were sold across the continent last year, compared with 105,000 in 1997. This year, sales are likely to stabilize at this level, according to industry projections. Exports from Western Europe to south-east Asia have never comprised a big part of the western European industry's sales activities. As a result, business has been little affected by the region's financial crisis.

According to Off-Highway Research's figures, JCB, Britain's biggest constructions equipment company, is Western Europe's biggest net export of these machines in units, selling 10,870 outside the continent last year. In second position is Caterpillar of the US, the world's biggest maker of construction machines, which has several European factories.

John Patterson, JCB's chief executive, says his company is building its first non-UK factory in the US state of Georgia to take advantage of the booming market.

New Holland, in which Fiat of Italy owns a majority stake, is planning to step up US exports by increasing production from a German plant which it took over at the end of last year when purchasing Orenstein & Koppel, a leading German machinery maker. The company intends to increase annual production from the Berlin site from 2,000 machines to 3,000 in the next five years, with a large proportion destined for North America.

This plan involving O & K is likely to stand, in spite of the merger announced recently between New Holland and Case of the US, rival construction equipment maker. The merger will create the world's third biggest producer of construction machines, and the second largest maker of farm tractors, after Deere of the US.

According to Off-High Research, Case is a net importer into Europe, selling 1,100 machines into the continent last year on top of those produced in its European plants. However, these figures do not include Fermec, a UK-based subsidiary of Case, whose net export from Europe last year totaled 1,944.

Komatsu of Japan, the world's second biggest construction machine maker, consider the US an important export market for some of the machines made at its three European plants.

Putzmeister of Germany, a specialist construction machinery maker and the world's largest producer of concrete pumps, last year sold roughly a third of its DM800m (409m, \$421m) production in the US.

## **Construction equipment**

### **REQUIRED**

a) i) Illustrate the buying decision model with regard to purchase of construction equipment.

**[10 Marks]**

ii) Indicate the key participants and why their involvement is necessary.

**[10 Marks]**

b) What factors have European manufacturers taken into account in entering the US market?

**[5 Marks]**

c) How might JCB defend their position in the USA and what might they do to expand their market position.

**[10 Marks]**

d) Which elements of the marketing mix do they employ in this market and how?

**[5 Marks]**

## **SECTION B**

### **QUESTION 2**

Using a product of your choice, illustrate how the buying process is influenced by the degree of involvement in the purchase decision.

**[20 Marks]**

### **QUESTION 3**

When designing a pricing strategy in Business to Business markets (B2B), negotiation plays an important role. Examine the extent to which companies should give sales people a high level of discretion during their negotiation with customers.

**[20 Marks]**

### **QUESTION 4**

Using relevant examples, discuss the variables proposed by the Sheth model of business buying behaviour, illustrating its applicability to Zimbabwean businesses.

**[20 Marks]**

**QUESTION 5**

Imagine you are a marketing manager for a business, discuss the criteria you would use to select a supplier when you wish to stock your business. [20 Marks]

**QUESTION 6**

Using Hakansson's (1982) interaction model, illustrate the key elements in relationship management that can ensure success of the relationships. [20 Marks]

**QUESTION 7**

As a marketing manager of Delta Beverages, you have discovered that your relationships with your suppliers have become shaky or threatened by emerging competitors. What strategies can you adopt to make sure that the relationships remain sustainable and mutually beneficial? [20 Marks]

**END OF EXAMINATION**