

The Impact of the Economic Crises over Management Marketing Strategies of Romanian B2B Companies

S. C. Căescu and I. Dumitru

Abstract—The main objective of the paper has been represented by the identification of the changes that occurred in the competitive environment and their impact on the strategic marketing management of companies in B2B market. At Romania's level there has not yet been done a similar research that studies change management in crises on business to business field. In order to answer to the paper's objectives, a qualitative marketing research (in-depth structured interview) was conducted, within the top management of 27 companies in Romanian business to business field. The main results of the research highlight the necessity of a management of change, as a result of the crises, as follows: changes in the corporate objectives (from development objectives to maintaining objectives), changes market segmentation and in competitive advantages, changes at the level of market strategies and of the marketing mix.

Keywords—change management, competitive environment, marketing management strategies, strategic marketing.

I. INTRODUCTION

THE financial crisis has led companies to rethink their strategies, including those of marketing, in order to cope with the major changes occurring in the market. This is valid also for the Romanian market, so it is necessary to conduct a research to highlight how the crisis has influenced the marketing activities of the companies present on the Romanian B2B market and also to identify change management behavior.

The main objective of this paper has been represented by the identification of the changes that occurred in the marketing environment of the companies in the Romanian B2B market and their impact on the strategic marketing management approach. Basically, it was intended to identify the way in which the economic crisis has resulted in change management for the organizations that are present on the B2B market in Romania. Also, as a secondary agenda, the research conducted was designed to identify the degree of integration of the marketing activities within the organization and the impact of the financial crises has on this integration.

II. PRIOR WORK

In Romania, the effects of the economic crisis began to be felt at the end of 2008, a year later than in the United States and Western Europe, first at the level of banks and industry

and then expanding to the population level, that lead to a decrease of 7.3% in GDP in 2009 and to an economic contraction of 1.3% in 2010, with positive signals in the last quarter if 2010 when an 0.1% economic growth has been registered. First of all, the crisis in Romania has been amplified at the banking system level and also by the fact that 41 out of the 42 banks present on the local market are foreign capital banks, originating in the countries that were very strongly affected by the economic crisis. As a result banks reduced credit lines to the industry and population, on the one hand due to the problems occurring in the economy and on the other due to the pressure from the mother banks that cut the financing in order to cover for their own losses.

In fact, this phenomenon was so strongly felt in the economy that the government authorities borrowed 19.5 billion Euros from IMF, European Bank and BERD. Then, the deepening of the economic crisis led to a 5% increase in the VAT rate, from 19% to 24% and also to a reduction in public sector salaries of 25%. As a result of economic crisis during 2009-2010 over 200,000 companies reported bankruptcy.

In the middle of these two negative influences, on the one hand the attitude of the banking system and on the other the attitude of the government, companies on the business to business market in Romania found themselves helpless in the face of global crisis, as they were in their turn also greatly influenced by the decrease of orders, especially for export. It should be noted that we are referring to companies that in the past four years have experienced explosive growth, when Romania starting taking steps to join EU and the foreign investments have increased. This issue is worth mentioning in order to refer to the chaotic organizational structure of most of the companies present on the B2B market in Romania, as most of these companies emerged from privatized, former state-owned companies. Companies on the B2B field in Romania, especially those that have Romanian capital, as it is further to be seen, are just developing strategic marketing thinking and also implementing strategic marketing methods and techniques. Considering all of these elements, we can state that there is a need for a qualitative study of the way the companies in the Romanian B2B market have applied change management by adapting their strategic management instruments to the challenges of the global financial crisis. There is not similar research conducted with the same purpose at our country's level, so the comparison will be performed against the results of researches conducted abroad.

There have been a series of similar researches conducted internationally, either at country level or focused on a specific activity sector.

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One first research worth being mentioned was performed for B2B International [1] – “Marketing Strategies in the Current Business Environment”. An interesting finding of this study is the fact that within the promotion policy, the online environment is gaining more and more advantage when compared to the traditional advertising.

Another research that is closer, this time, to the subject of the present paper, has been conducted in March 2009 on the Chinese market, among 200 companies active in the B2B field [2]. The main conclusion of this study emphasizes the fact that, although online communication is more efficient from the point of view of the costs involved, a combination of 2-3 traditional communication techniques (such as meetings with customers, participation in fairs and exhibitions or print advertising) brings a much higher efficiency in the communication process in terms of the response received from the message recipient.

One researched with a closer purpose to the one outlined above was conducted early in 2009 [3]. The purpose of this study was to highlight the impact the crisis has on the media sector of the Asian business to business market. The Asian market is relatively different from the rest of the world with in terms of responding to crisis on marketing strategy, especially in the area of communication with customers. This is also supported by another research in this area, which had as aim to highlight the changes in the marketing budgeted and specific activities due to economic crisis [4]. According to the results of this study, most of the investments during the crisis are made in the online communication instruments, such as e-mail marketing and building web-sites. Another interesting conclusion of this study is regarding the modifications the marketing budgets are suffering from, where half of the interviewed have chosen to reduce the budgets mostly due to the reluctance the consumers are showing as they are no longer purchasing as much and as often as before the crisis.

III. RESEARCH METHODOLOGY

For the current research, the data were collected through in-depth interviews. This type of qualitative research was chosen as the respondents were people in top management of organizations on the business to business market (27 organizations) (managing directors, marketing directors, marketing executives, presidents of boards of directors), so a focus group would have been impossible to organize. The interview was a semi-structured one as the discussion was based on a guided interview.

In order to find out as much information as possible to reveal the decisional issue that was the basis of this research, but also to better cover the categories of organizations on the business to business in our country, the sampling was done on the following criteria: ownership, turnover and number of employees. From the point of view of ownership there were chosen: one public organization, 2 with mixed ownership and 24 private. With regards to the turnover, 6 of the organizations have had in 2009 a turnover of less than 2 million euro, 12 had the turnover between 2 and 10 million euro, 7 had the turnover between 10 and 50 million euro and 2 had over 50 million euro. When considering the number of employees, 6 of them

had an average less than 49 employees in 2009, 10 of the interviewed companies had between 50 and 249 employees on average and the rest of 11 had over 250.

In order to go through the interview easier and to be able to find out all the necessary information in order to solve the decisional issue that started the research, an interview guide was designed to cover all the pre-established objectives.

IV. KEY RESULTS AND CONCLUSIONS

When considering the organization of the marketing activity within the companies on the B2B market in Romania, one can state that the majority are developing marketing activities within the commercial department (63%) and only 27% have a special marketing department on their organizational chart. Still, although this aspect is emphasizing a relatively “primitive” organizational manner, over 63% of these companies have a well defined marketing budget, aimed at marketing activities. During the interview it was also emphasized that the crisis has had an impact on the marketing activities that lead to the reduction of the budget allocated to this activity with almost 30%. The explanation for the decisions regarding the marketing budget may emerge from the variation in turnover and employee number. Most often, the marketing budget is established as a percentage from the turnover of the previous year, so that the participants to the research were asked to speak also about this index. The responses obtained have confirmed that the reductions in marketing budgets are greatly dependent on the reduction in turnover, 14 of the 27 participants have mentioned that in 2009 their companies have had a smaller turnover than in 2008.

In order to emphasize the existence of a management of change during the crisis period, its impact was analyzed on the main marketing management instruments used [5]: corporate objectives, competitive advantage, market segmentation, and marketing mix.

Regarding the influence of financial and economic crisis on the medium and long term defined corporate objectives, these have been affected as follows, in order of frequency of the responses: most companies have said that the main objectives have been postponed for minimum one year, as the schedule of the implementation of certain strategies has changed due to the diminishing of the budgets allocated to achieve those objectives; orientation changed from increasing market share in turnover and profit to ensuring stability and continuity as the costs are being restricted and optimized; in terms of categories of customers, the companies focused more on traditional customers, trying to establish developing partnerships with them; also they have reconsidered the implementation schedules of certain investments, as their feasibility was re-correlated with the market needs; in terms of turnover levels, generally it is intended to maintain the same level as in 2009.

Whether it's maintaining the position on the market or developing it, any organization must have some distinguishing features compared to the competition, factors that would induce consumers to buy its goods and service [6]. In theory, this puts the basis for the company's market positioning [7]. In order to be able to identify the competitive strategy applied by organizations in the B2B market, a series of questions have

been designed to identify the key attributes on which companies build their *competitive advantage*. Analyzing the results, we can say that these attributes were the following, in the order of the frequency of their occurrence: high quality of products offered, embedded technology, promptness in delivery, flexibility of the company, the quality/price offer, competitive prices, quality of the staff, wide range of products, seriousness within the partnership relations, brand awareness and the image of a professional and stable company, providing quality and warranty certificates, the existence of own R&D department and continuous supply of products.

Considering the method of *market segmentation* [8], [9] and especially the modifications of the market segments addressed during the crisis, the main conclusions drawn were the following: companies performed a clear analysis of the market segments portfolio and have given up part of them as a follow up of the respective markets shrinkage. Moreover, their focus moved from expanding to new segments to focusing on traditional segments with loyal customers and constant profitability.

The most important decisions with regards to the marketing policy are referring to the *marketing mix*: the products that will be part of the company's offer, the prices to be used for these products, the method of trade and not lastly, the company's choice on how to promote the offer [10]. Considering that the results of the research emphasized a reduction in the marketing budget due to the financial crisis, it is important to see what influence this aspect had on the strategic decisions taken with regards to the marketing mix.

In connection with the *product policy* applied by the companies on the B2B market in Romania, the focus was generally on the changes occurring in their product range after the outbreak of the crisis, if part of the products were dropped or others were introduced and also the aim was to identify the criteria that were the basis of the decisions made. After the interview, it was concluded that most of the companies (55%) have made changes in the product mix, some introducing new product categories and others giving up some of the existing products. It is worth mentioning that all the products that were dropped were not core products in the company's portfolio, but rather extensions in the range of products. It is interesting that none of the companies have given up the current products without introducing new ones, which shows an offensive attitude towards the economic crisis, as they are not willing to give up easily when faced with difficulties. The main reason why companies have replaced a number of products in their offer relates to the desire to tackle new markets, some more financially attractive, given the fact that the old ones didn't perform well.

Relative to the *price policy* it was sought to identify the price trends during 2009-2010 as a result of economic crisis, the role of negotiation in determining the selling prices and also to identify key criteria against which they are established. As a main conclusion of the interview, we can mention that the organizations in the B2B market in Romania are using a mix of the three criteria for establishing the selling price, more exactly the cost, the competition and the demand. The basis for determining the list price is the production cost and

establishing a final price and profit margin is also based on the prices offered by the competition for similar products and on the price acceptance by the customer. These aspects are showing a predominantly economic approach in establishing the price policy rather than a marketing approach.

With regards to the modifications on the list prices during 2009-2010, as a follow-up of the crisis these have dropped (in over 80% of the cases). It must also be noted that in the case of two of the companies, the prices increased after the crisis, not due to the increase in demand for their products, but due to the impossibility to cover the unit fixed costs. Most of the companies analyzed are volume manufacturing companies that need a certain level of production in order to be economically efficient. The main criteria to negotiate price on, during the trade transactions, resulted during the interview were the following in the order of their frequency of appearance: quantity ordered, payment terms agreed, complexity of the product delivered, length of relationship with the customer, prices offered by the competition, product delivery term, market type, and delivery conditions.

In the section of the interview devoted to the *distribution policy* the evolution of the relationship with the main distributors was assessed, emphasizing the way the relationships were modified and also how the logistic costs have evolved during the economic crisis. Although most of the companies have stated that their relationship with the distributors did not change essentially, there were a series of modifications determined by the crises, which have particularly focused on: the attempt to increase the share of sales to the direct beneficiaries and not only through distributors, prices have been renegotiated based on the raw material costs diminishing, a series of distributors and agents were dropped as they were considered less profitable, several payment facilities were introduced in the relationship with suppliers, such as acceptance of various compensation categories of products, discounts were offered for payment on delivery and larger payment installment terms were accepted.

In the section of the interview devoted to the *promotion policy* the focus was on the main promotion policies used between 2009 and 2010. The most important differences in the structure of the promotional techniques, as a consequence of the crisis were : in 2009-2010 there is a decrease in the number of companies participating to fairs and exhibitions, most often due to the costs involved by this communication technique; moreover, even if they have opted to use such a method of communication with the customer, the companies started to be more selective with regards to the fairs and exhibitions to participate in; during the crisis, they have used more print promotional materials (flyers, brochures, catalogues) than direct customer contact; the reason for this is that direct contact also assumes a reasonable sale force, but as seen above the tendency was to reduce the number of employees; in 2009-2010 the media advertising was used more and more rarely; giving up the media advertising was done in the favor of Internet advertising, most often through the company website and even more, some of the companies have used specific techniques of this promotion method, such as search-engine placement (search marketing) or web-site optimization.

V. MANAGERIAL IMPLICATIONS

The results emphasized in the present study may be useful to the academic environment, as a good practical instrument to be studied during the masters courses aimed at studying the impact of the economic crisis on the marketing management instruments and to identify the change management behavior in such situations. Moreover, the results may constitute recommendations for the business environment, especially for companies that are experiencing real difficulties in adapting to the new market conditions.

As a practical recommendation emerged from the results of the study, as a follow-up of the crisis, a change management practice within the organizations on the B2B market would assume the following changes under the aspect of marketing management instruments. With regards to the corporate objectives, a reorientation from developing ones towards maintaining and consolidating ones, as well as correlating them with the new market status. A better market segmentation, focusing on traditional customer and identifying the customers aimed on quality and technology, not on price. Creating competitive advantage is advised to be performed on technological differentiation and quality, not on price. On the aspect of the marketing mix, it is recommended to: reorganize the range of products and focus on the products that have got a higher value added and high level of technology, a good ratio between quality and price, flexibility in negotiation, focusing on own direct sales force, reducing the distribution channels, giving up the traditional (costly) promotional techniques and focusing on the B2B field specific techniques (fairs and exhibitions, own sales-force, demonstrations and product testing).

ORIGINALITY

The presented research, considering the implications of the economic crises over Romanian companies acting on the B2B marketing, is the first one of its kind, analyzing on one side the impact of the economic crises over the competitive environment and on the other side the way in which companies change their marketing management strategies.

The study can represent a first step in developing, testing and validating a model of change management in crises which will allow companies to identify correlations between the conditions of the competitive environment in crises situations and the associated marketing management strategies.

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