

Analysis of the Customers of Kados, s.r.o. in the Industrial Market

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Teoretická část

Provedte průzkum literárních pramenů a zpracujte teoretické poznatky týkající se zákazníků a průmyslového trhu.

Analytická část

Analýzujte zákazníky ve firmě Kados, s.r.o.

Na základě provedené analýzy zhodnoťte zákazníky ve vybrané firmě.

Závěr

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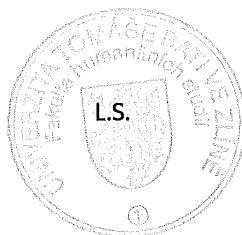
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ABSTRAKT

Cílem této bakalářské práce je analyzovat současnou situaci týkající se zákazníků vybrané firmy a na základě této analýzy zhodnotit tyto zákazníky. Práce je rozdělena na teoretickou a praktickou část. Teoretická část se zabývá otázkou důležitosti průmyslových zákazníků, vytváření vztahů s nimi, jejich nákupním chováním. V praktické části je krátce představen podnik. Hlavní část se zabývá analýzou současných průmyslových zákazníků vybrané společnosti. Na závěr je provedeno zhodnocení obchodních partnerů společnosti.

Klíčová slova: Zákazník, průmyslový zákazník, průmyslový trh, spotřebitelský trh, průmyslový marketing, nákupní chování, vztahy se zákazníky, spokojenost zákazníka, hodnota zákazníka, loajalita zákazníka, spolupráce.

ABSTRACT

The aim of this bachelor thesis is to analyze the current situation concerning customers of selected company and evaluate these customers on the basis of the results of this analysis. The thesis is divided into two parts – theory and analysis. The theoretical part deals with the importance of business customers, creation of relationship with these customers, their buying behavior. In the practical part, there is a short introduction of the company. The core part deals with the analysis of current business customers of the chosen company. Finally, there is an evaluation of the business customers.

Keywords: Customer, business customer, business market, consumer market, business marketing, buying behavior, customer relationships, customer satisfaction, customer value, customer loyalty, cooperation.

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CONTENTS

INTRODUCTION	11
1 THEORY	12
1 CUSTOMERS	13
1.1 Customer needs, wants, and demands	14
1.2 Marketing offers – products, services or experiences.....	14
1.3 Consumer behavior	14
1.4 Building customer relationships	15
1.4.1 Relating with more carefully selected customers	16
1.4.2 Relating for the long-term	16
1.4.3 Relating directly.....	16
1.4.4 Business and organizational customers	17
1.5 Customer relationship management	17
1.5.1 Customer value	18
1.5.2 Customer satisfaction	18
1.5.3 Customer loyalty.....	19
2 THE BUSINESS MARKET.....	20
2.1 Characteristics of business markets	20
2.1.1 Market structure and demand	20
2.1.2 Nature of the buying unit	21
2.1.3 Types of decisions and the decision process	21
2.2 Classification of business customers	22
2.2.1 Business and commercial organizations.....	22
2.2.2 Reseller organizations.....	22
2.2.3 Government organizations.....	23
2.2.4 Institutional organizations	23
2.3 Business-to-business marketing.....	24
2.3.1 Nature of business markets.....	24
2.3.2 Business-to-business versus business-to-customer	25
2.3.3 B2B goods classification	26
2.4 Importance of relationships in B2B market	27
2.4.1 Buyer-seller relationship.....	28
2.4.2 Buyer-supplier relationship	29

2.5	Business buyer behavior	29
2.5.1	Environmental factors.....	30
2.5.2	Organizational factors.....	31
2.5.3	Interpersonal factors	31
2.5.4	Individual factors	31
2.6	B2B advantages and disadvantages of EU membership.....	31
2.7	Future of business marketing.....	32
2.7.1	Globalization	32
2.7.2	Changing technology	33
2.7.3	Increased visibility	33
II	ANALYSIS	34
3	KADOS COMPANY PROFILE.....	35
3.1	Basic information.....	35
3.2	History of the company.....	35
3.3	Company objectives.....	36
4	ANALYSIS OF CUSTOMERS	37
4.1	Goal of research.....	37
4.2	Methodics	37
4.3	Current customers.....	39
4.3.1	Basic division of customers	40
4.3.2	Beginning of cooperation	42
4.3.3	Length of cooperation.....	44
4.3.4	Importance of customers – Czech customers	46
4.3.5	Importance of customers – foreign customers.....	48
4.3.6	Reliability of customers.....	49
4.3.7	Willingness and customer requirements.....	50
4.3.8	Conclusion of contracts	51
4.3.9	Services for customers.....	51
4.3.10	Customer satisfaction	52
5	EVALUATION OF CUSTOMERS	53
5.1	Reliability of customers	53
5.2	Financial solvency	54
5.3	Frequency of purchases.....	54
5.4	Customer requirements.....	55
	CONCLUSION	56

BIBLIOGRAPHY	57
LIST OF FIGURES	60

INTRODUCTION

The core topic of this bachelor thesis is the analysis of the customers of the chosen company. Nowadays, there are a lot of companies which vie the better position in the industrial market. It is quite difficult to keep the position and their customers. Every organization tries to choose and keep suppliers and also has the good relationships with their customers. Most of us think about individual final consumers when hear the term customers. But many marketing managers focus on the customers who are not final customers. In fact, more purchases are made by businesses and other organizations than by the final customers.

The thesis is divided into theoretical and analytical section. The theoretical part aims at the customers as the core of the market. This part concentrates on the differences between business and consumer customers, their values, satisfaction and also customer loyalty. I also mention the customer relationship management as one of the method how organizations manage customers relationships. The following part summarizes the business-to-business market where is crucial the understanding of firms as the customers. I also mention information about the B2B advantages and disadvantages of European Union membership and about future of the business marketing.

The analytical part is focused on the company Kados, s.r.o. Their main activities are in the metal-working industry. I analyze the customers in the concrete firm. This part is also concerned with the history, development and the present situation of this company.

The goal of my bachelor thesis is to analyze the current situation concerning the customers in the selected company and on the basis of carried out analysis I try to evaluate business customers of this company.

I. THEORY

1 CUSTOMERS

The broad definition of „customers“ is anyone with whom we exchange value. We have to know that customers are very important. Building our relationships with them will have a powerful impact on our career success. Loyal customer is company's most valuable asset. Without customers, no organization can exist for a long time.

Today's successful company knows that the primary element of the organization's success is *the satisfied customer*. Every company share a mania for satisfying customer needs in well-defined markets. The study of consumers helps firms and organizations improve their marketing strategies by understanding how customers think, feel, select between two alternatives (brands or products), how are influenced by environment, limited by insufficient knowledge of information about products, customers motivation of buying certain product, and study how marketers can improve their marketing campaigns for better selling of their products or services. (Kotler and Armstrong 2005, 5)

What is marketing? We know that marketing deals with customer and a lot of people think that marketing is also about selling and advertising. Today, marketing is also about satisfying customer needs. We have to know if marketer does a good job of understanding customers, prices, distribution, and propagation effectively, his products will be sold very quickly. Selling and advertising are only part of „marketing mix“ which help to satisfy customer needs and build customer relationships.

Marketing is associated with exchange and the most common definition of marketing is: 'Marketing is study of exchange processes especially with those which are connected with the provision of goods or services.' (Adcock, Hallborg, and Ross 2001, 11). The exchange of products or services is influenced by customers. Every company tries to develop and retain their customers for ensuring that customer satisfaction creates the business between the supplier and chosen customers. Today, good marketers understand their customers, try to ensure that the best offering is developed and good marketers regard their customers as partners in the exchange process. This was led to the development of relationship marketing which focuses on holding customers rather than achieving the sale. (Adcock, Hallborg, and Ross 2001, 11).

Marketing influences almost all aspects of our daily life and we can say that marketing is important to every customer. We have a lot of choices among the goods and services which we buy and the shops where we can buy. Marketing guides organizations to focus on

us, the customers. Most of the things that customers want are available when and where we want or need. (Perreault and McCarthy 2005, 5)

1.1 Customer needs, wants, and demands

The profitable marketing begins with the discovery and understanding of consumer needs. Every marketer needs to understand customer needs and wants and also marketplace where they are situated. Almost every company tries to get feedback and ideas from their customers. The basis of understanding customers is the human need. The need is an imbalance between the consumer's actual and desired states. (Kurtz and Boone 2006, 167) The human needs are states which should be excised. These needs include basic physical needs like food, sleep, clothing, and safety. Social needs mean affection or belonging, and individual needs are for knowledge and self-expression. (Kotler and Armstrong 2005, 6)

Wants are usually form of the human needs and are shaped by one's society. An American *needs* food but *wants* a Big Mac, and Coca-Cola but a person in Mauritius *needs* food but *wants* a mango, rice, and beans. Then, wants become demands that are backed by buying power. People demand products with benefit for their satisfaction. (Armstrong et al. 2009, 8)

1.2 Marketing offers – products, services or experiences

Customers try to satisfy their needs or wants through a marketing offer which include certain combination of products, services, information, or experiences. They also include services, activities or benefits such as airline, tax preparation, or home repair services. Many sellers make the mistake when they concentrate too much attention to the specific product which they offer than the benefits and experiences produced by these products. They forget that the product is only an implement which solve a consumer problem. (Kotler and Armstrong 2005, 6)

1.3 Consumer behavior

Consumer behavior has changed dramatically. Today, consumers have more and better options how to buy products that satisfied their needs. If a product has benefits that customer want, then they probably buy. We can use the online buying where they buy

almost everything ranging from the small piece of equipment to family houses. Online sources provide countless information which serve to customers for their better decision. Many have replaced daily newspapers. Nowadays, students choose a university through to all university webpage than the advertising brochures. They have online access to information about university's courses and professors and can make decision much easier. Consumers who want to buy some books do not have to visit out-of-the-way bookshop with hundreds shelves, they can visit internet webpage where they can easily find desired book. (Schiffman and Kanuk 2006, 2)

Consumer behavior is one of the most important parts of marketing. Especially, consumer behavior is about customer's decision making about buying. This decision making usually contains selecting, securing, using, evaluating, and disposing of products, services, experiences, or ideas to satisfy needs, and the impact of evaluations on future purchases. (Blythe and Zimmerman 2006, 22-23)

We, as individuals, are unique. Despite a lot of differences which are among us we are consumers. We use or consume regularly food, clothing, transportation, education, equipment, or services. Customers play important role in the health of the economy, affect the demand, and that is why every organizations need to know everything about their customers – especially what they want, what they think, what influenced consumer decisions and how these decisions are made.

The term *consumer behavior* includes two different kinds of consumers: the personal consumer and the organizational consumer. The *personal consumer* buys products or services for their own use, for the use of the household, or as a gift for a friend. These products or services are therefore bought for the final use by individuals who are also called as end users or ultimate users. The second kind of consumer – the *organizational consumer* – usually includes profit and non-profit businesses, government agencies, and institutions (schools, hospitals, charities) which purchase products, services, or equipment in order to run their organizations. (Schiffman and Kanuk 2006, 4)

1.4 Building customer relationships

Peter Drucker said: “The purpose of a business is to create customers.” Importance of keeping customers is crucial for functioning business processes. The function of a firm's marketing activities is to interconnect buyers and sellers, to create customers. Acquisition

of new customers is basis for business success but keeping customers is more important. Only long-term relationships with the customers is right way how to become successful. The term relationship management (or relationship marketing) pose the idea that a major goal of a businesses is to deal with long-running relationships with customers. (Zikmund, McLeod, and Gilbert 2002, 2)

1.4.1 Relating with more carefully selected customers

Firms only rely on the mass marketing which means selling for every customer who comes along. Today, most marketers know that they do not business with every customer but it is not so important for them. They want do the business with profitable customers who are carefully selected by companies. (Kotler and Armstrong 2005, 15)

Companies are also finding the new ways how to deliver more and more value to the customers. This is called *selective relationship management* which is used on the basis of customer analysis. Firms identify profitable customers, and then can create attractive offers and special handling to acquire these customers and deserve their loyalty. (Armstrong et al. 2009, 18-19)

1.4.2 Relating for the long-term

As we mentioned earlier, companies rather choose the profitable customers. Just as companies selected the “better” customers for them, they usually try to deepen relationships with them. These organizations usually use customer relationship management to keep current customers and build profitable, long-term relationships with them. Nowadays marketing is defined as the science and cleverness of finding, retaining, and growing profitable customers. (Armstrong et al. 2009, 19)

1.4.3 Relating directly

Customers have the chances to buy products or services via the different possibilities – by telephone, e-mail, or online. Regarding to this, many organizations in B2B market try to buy their products more directly. Direct marketing is booming. We can say that direct marketing played and will be played the key role in the selling of products or services. (Kotler and Armstrong 2005, 19)

1.4.4 Business and organizational customers

Most people think about final customer when they hear the term *customer*. In fact, there are too much purchases or operations which are made by business or other organizations rather than by final consumers. Business and organizational customers are such buyers who buy for reselling or producing other goods or services from another company. There are different types of organizational customers which we will discuss later, including:

1. Producers of goods and services – including manufacturers, farmers, real estate developers, hotel operators, bankers, even doctors and lawyers.
2. Middlemen – containing wholesalers and retailers.
3. Government units – state and local governments.
4. Nonprofit organizations – includes national organizations, museums or churches.

Not all organizational customers are business firms. They are also referred to as business buyers, intermediate buyers, or industrial buyers – but almost every marketing managers refer to organizational customers collectively as the “business-to-business” market, simply, the B2B market. (Cannon, Perreault, and McCarthy 2008, 178)

1.5 Customer relationship management

Customers are the most valuable that every company has and that is why the most important step is to build profitable customer relationships.

Customer relationship management (CRM) is probably the most important concept of modern marketing. CRM is a process to put together information about individual customers in order to maximize customer loyalty. We can say that CRM is a strategy and a tool. Whether your customers are external or internal, consumer or businesses, whether they connect us electronically or face-to-face, CRM is our ticket to success. CRM is a way of thinking about and dealing with customers relationships. (Reynolds 2002, 2)

The power of CRM is usually in the clarity of approach to the customers. CRM is certain kind of our personal planner and organizer. We certainly know too many papers with scribbled addresses and names which complicate our work. CRM system compiles together a lot of information about customers, customer characteristic, sales transactions, effectiveness, responsiveness, and trends in market which help to expand mutually

beneficial relationships. These data usually help to organization evaluate strategic options.

CRM has a major purpose – extend customer service, improve customer satisfaction and keep customer retention by organizing business processes with usage of technology. Businesses can use a database of customer information to help construct a customer satisfaction survey, or decide which new product their customers might be interested in. (Zikmund, McLeod, and Gilbert 2002, 3)

1.5.1 Customer value

Today's customers have too many possibilities how to buy and where to buy. Organizations produce a lot of products, in more sizes, versions, and packages and every customer can choose from the enormous amount of different goods or services. Customers usually buy from organizations which offer the highest *customer value*. This customer value is usually defined as difference between the customer's perceived benefits (economic, functional and psychological) and all the costs of a marketing which is relative to the competing offers. (Armstrong et al. 2009, 16-17)

McDonald's restaurants offer four main aspects for their customers: quality, service, cleanliness, and value. We can say that customers are continually visiting this restaurant because of their uniformity, customers exactly know what to expect, and they also feel that they get value for the resources which they use. (Schiffman and Kanuk 2006, 9)

The goal of every company is to increase the customer loyalty and to reduce the customer defections and the retention. When the customer loyalty is increasing we can say that customer profitability will also increase. Some researches defined the customer value as a trade-off between quality and price, and later as difference between benefits and victims. (Brennan, Canning, and McDowell 2007, 97)

1.5.2 Customer satisfaction

Customer satisfaction should become a central part of the marketing strategy. Many companies focus on the control of product quality to reach customer satisfaction.

The competition is really high and we, as customers, know that exist a broad array of products which can satisfy our needs. A satisfied customer is worth for every organization. Only satisfied customer buys again and tells others about their good purchases and experiences with the product. (Armstrong et al. 2009, 9)

We can say that customer satisfaction is customer's sensation of the certain product or service which relate with his or her expectations. A customer whose experience with product or service will fall below expectations will be dissatisfied and the customer whose expectations are overcome will be very satisfied or pleased with it. (Schiffman and Kanuk 2006, 9)

Various studies of customer satisfaction dissociate customers into different types:

- Loyalists – who keep purchasing.
- Apostles – whose experiences exceed their expectations and who provide very positive feedback about the company to others.
- Defectors – who feel neutral and can stop doing business with the company.
- Terrorists – who have negative experiences with the company and provide negative feedback.
- Hostages – these customers are dissatisfied but stay with the company because of their low prices.
- Mercenaries – who are very satisfied but with no loyalty to the company and may defect elsewhere.

These studies show that companies should try to create mainly apostles, create better satisfaction of defectors and turn them into loyalists, try to avoid having terrorists or hostages, and decrease the amount of mercenaries. (Schiffman and Kanuk 2006, 9)

1.5.3 Customer loyalty

Customer satisfaction is positively associated with customer loyalty. The term 'loyal customer' usually includes customers who continue to purchase the products of organization, have positive experiences with products and services and also recommend these products or services to others. Then we can say that loyalty is caused by overall satisfaction. (Timm 2007, 13)

An important of each company should be to keep their existing customers than to win new ones. No business can be successful without building and developing customer satisfaction and loyalty. Customer satisfaction is important part but every customer can be satisfied but not loyal to our company. Retaining customer loyalty provides benefits for the company. The company can magnify their revenues, reduce costs and increase achievement because of increasing the numbers of loyal customers. (Alexander and Hill 2006, 13)

2 THE BUSINESS MARKET

Market Definition

In marketing, the term market includes the group of consumers or organizations that are interested in the product. One of the definition of market claims that market is the place where buyers and sellers interact to each other to trade in goods or services for money or barter. It is also called as the mapping of certain products which enter to certain consumer group. Market is formed of existing and potential customers. (Michel et al. 2003, 30)

Business markets

Business market is huge. Business markets consist of all organizations that acquire goods and services for their own goods and services. These goods or services are then offered to their customers – other firms. Business market comprises fewer customers than consumer market but these customers are larger and are involved in the production of new goods or services. (Vitale and Giglierano 2002, 5)

Business marketing

The most important way how to stun your customers is the art of combination. Business marketing is the process of combining the abilities of the supplier with the desired product of customer. Business firms can create the unique relationships with their customers on this level of satisfaction. (Vitale and Giglierano 2002, 5)

2.1 Characteristics of business markets

We can say that business markets are similar to consumer markets in some ways. These two markets include people who purchase products to satisfy their needs. (Brennan, Canning, and McDowell 2007, 8)

2.1.1 Market structure and demand

The business marketer usually cooperates with *far fewer* but *far larger* buyers than the final consumer marketer. Business markets are *more geographically concentrated* and business *demand is derived* - from the demand for consumer goods. The demand for computer chips

is derived from the demand for personal computers. (Kurtz and Boone 2006, 198)

Consumer usually buys the products which satisfy needs, whereas businesses only buy things which facilitate their production of goods or services. Consumer demand expresses the quantity of goods or services which customers desire to buy but desired demand is experienced by the chain of suppliers who develop a total offering. Without customer demand, there is no derived demand. (Fill and Fill 2004, 5-6)

The word derived expresses that the demand for something is existing only in case of there is a demand for the products that it helps to produce. Businesses do not want lift trucks or machines in the same way that customers want computers or fashion clothes. The demand for the lift trucks is derived from the demand for the products that they help to deliver. (Brennan, Canning, and McDowell 2007, 8)

2.1.2 Nature of the buying unit

A business purchase includes more decision participants and more professional purchasing effort than consumer market. The large business organizations usually trained their own purchasing agents who learn how to buy effectively. These organizations usually create specific kind of buying committees consisting technical experts and top management which cooperate in the buying of more significant goods.

On the basis of this, companies are upgrading their purchasing operations to “supply management” or “supplier development” functions. What does it mean? Supplier development is networks of supplier-partners ensuring reliable and suitable supply of products and materials that will be used in making other products or to resell to others. Nowadays, B-to-B marketers meet with better-trained supply manager who knows more about their supplier than know about itself. For this purpose business marketers must have well-trained people to transact with these buyers. (Kotler and Armstrong 2005, 173)

2.1.3 Types of decisions and the decision process

Business buyers usually implement *more complex* buying decisions than consumers. Their purchases include a lot of money, very complex technical and economic considerations, and a wide range of interactions among many people. The business buying process is also *more formalized*. Large companies usually enquire about more detailed product specifications, write purchase orders, and careful supplier databases.

Finally, the business buying process includes *more dependent* relations between buyer and seller. B-to-B marketers can cooperate closely with their customers during the buying process – starting with defining problems from customers, finding shared solutions, and supporting after-sale operations. These marketers can customize their offerings to individual customer needs. (Kotler and Armstrong 2005, 173)

2.2 Classification of business customers

Customers enter the market with the sole aim – to buy the desired product. The business market is unique in this case because the customers are not the final customers. The business and also organizational customers buy for resale or to produce other goods and services. The business market consists of four broad segments:

1. business and commercial organizations
2. reseller organizations
3. governmental organizations
4. institutional organizations

2.2.1 Business and commercial organizations

This is the largest group of the business market. This category includes all individuals and firms that acquire products to support directly or indirectly, the production of other goods and services. (Kurtz and Boone 2006, 190). The business and commercial organizations include equipment manufacturers, users and aftermarket customers. The commercial organizations purchase foundation, entering and facilitating goods which are used to make other product and are incorporated directly into the final product. (Blythe and Zimmerman 2005, 22)

2.2.2 Reseller organizations

Trade industries include retailers and wholesalers, known as resellers, who sold almost everything of the manufactured goods. Most resale products, such as clothing, appliances,

and sports equipment are finished products which are sold by buyers to end users. Reseller organizations are driven by their customers. It means they buy the goods which is desirable for their ultimate consumers. Reseller organizations implement a lot of functions, such as to negotiate with suppliers, carry out the promotion, to ensure warehousing, transportation and also long-distance shipments, inventory control, to provide price and market information, especially about competitors and consumers. (Fill and Fill 2004, 10)

2.2.3 Government organizations

This important market segment includes a wide range of purchases, from highways to social services. Government organizations are usually marked as major buyers of products or services. The basic motivation of government purchasing is to provide the certain form of public benefit, such as national defense or pollution control. The government organizations are characterized by the tendering system. It means that these organizations make an offer for contracts to the firms. (Blythe and Zimmerman 2005, 23)

We can mention that the government buying is quite unique despite of attention of publics, ranging from parliament to the private groups which are interested in how the government spends taxpayers' money. Because of their spending money which is the subject to public review, government organizations require detailed paperwork from suppliers. (Kotler and Armstrong 2005, 185)

2.2.4 Institutional organizations

Institutions are the fourth segment of the business market. This category includes hospitals, charities, prisons, museums, universities, and non-profit organizations. These institutions are underfunded and that is why do not represent generous market but in practice have a very high spending power. These types of organizations usually provide goods and services for other people in their care. Institutional organization mainly differs from others in their sponsors and their goals. (Blythe and Zimmerman 2005, 23)

2.3 Business-to-business marketing

Marketing is the most important part of the business. Marketing tell us how to communicate with the consumers and how to sell our products. Marketing has its roots in understanding consumers as the most important part of the market.

Behind every consumer buying there is a network of business-to-business transactions. The cosmetician who provides the services for clients uses cosmetic products. These products were manufactured by a certain cosmetics company from materials that were bought from chemical manufacturers. (Brennan, Canning, and McDowell 2007, 1)

When we buy from local supermarket, we can take a think about their suppliers. For example the supermarket need to help with decision where to locate their store and uses the professional consultation by geo-demographic consultancy firm. There is also IT systems company that installed the point of sale equipment. There are a lot of transactions, largely invisible to the final consumer. (Brennan, Canning, and McDowell 2007, 1)

2.3.1 Nature of business markets

Understanding the differences between marketing to customers and marketing to businesses is the key step how to organize your selling. We, as the final consumers, might purchase a cell phone for our personal usage but company purchase this cell phone as an instrument of entire communications system – which involves greater customization, more decision making, and also more decision makers. It means that buying and selling process is more complex. (Kurtz and Boone 2006, 188)

The biggest difference of a business-to-business market is that the customers are the organizations rather than the final consumers. Both, organizations and final consumers buy the same products but for the different usage. There are a lot of products that are bought by organizations and never by individual consumers, such as industrial cranes or different kind of industrial machines. (Brennan, Canning, and McDowell 2007, 2)

The generally accepted term for the marketing of goods or services made by organizations is 'business-to-business marketing' (B2B). This replaced the older term 'industrial marketing' in the 1980s and 1990s. The term business-to-business marketing is synonymous with 'business marketing'. But there is another expressions - 'organizational marketing' and this is advocated as superior to 'business marketing' because includes all organizations, while 'business marketing' includes only 'businesses'. However, the

expression 'organizational marketing' is not so much popular as 'business-to-business marketing' and 'business marketing'. (Fill and Fill 2004, 8)

2.3.2 Business-to-business versus business-to-customer

Business-to-business (B2B) and business-to-customer (B2C) are different markets with the same goal – customers. The customers are the best that every organization has. It means organizations try to understand the customer needs, to implement their requirements and to retain their satisfaction.

The differences between business-to-business and business-to-customer are very important for the better understanding of the B2B transactions. As we saw earlier there are a lot of products that can be purchased by organizations or consumers but these products have different usage. The selling products into retailers are intended for the end consumers but can include also products for the running of the business. The best example is the 'giant' Tesco. Tesco covers plenty of products that are intended for the final consumers and also for the businesses. The selling soups into Tesco are products which serve for the total final consumption for the end consumer but the selling shelves into Tesco is B2B. A good example is also car. Selling cars into the showrooms for the end consumers are B2C but the selling fleet cars are B2B. (Wright 2004, 4)

2.3.2.1 Business-to-customer market

Business-to-customer market can be defined as market where business organizations sell finished consumer product to final customers. This distribution of finished products might be direct, through a wholesaler or a detail sector. The final products might be sold through direct mail, door-to-door or the internet. It can be purchased from a department store, a supermarket, a chain store or independent store. (Wright 2004, 3)

2.3.2.2 Business-to-business market

Business-to-business market is quite different. The products are purchased and sold by one organization to another organization for its own use or to be sold to another organization. A stainless steel washing drum may be a consumer product but it will be bought by the other manufacturer, perhaps Whirlpool, for its own use.

B2B markets could be said to be more complex, the buying process more complicated and the sales value of each products is larger. The advertising plays smaller role but personal selling is more important than in the consumer market. A distribution channels are shorter, customers relationships are usually longer, and purchase decisions can involve a lot of decision makers. The B2B market is also diverse. This market includes a wide range of transactions from the small box of paperclips to the massive productions for an automobile manufacturer.

We can say that the organization purchases products for the same reason as the final consumers – to fill needs which mean their goals (making profit, reduce costs). The primary need is usually interference of business demand with its customers. A manufacturer buys raw materials such as fabric for creating the company's product. A wholesaler or retailer buys the manufactured products – clothing – to resell to final customers for their personal use. (Wright 2004, 3)

2.3.3 B2B goods classification

Organizations buy a different, highly complex and interconnected range of goods and services as inputs to their own products and services. (Baker 2003, 143) A product is an output of the firm which satisfies the needs of customers. We have emphasized that B2B goods are different than consumer goods which is usually divided into convenience, specialty and shopping goods. The classification of the business product is usually divided by the use to which the products will be put.

There is the common classification of these products:

- *Entering goods and services* – this category includes products and services which become part of other product
 - raw materials – basic material for the manufacturing (crude oil, metal ores)
 - component parts - material that have been used (automobile windscreens)
 - manufactured materials – raw material that have been processed (finished steel)

- *Foundation goods and services* – products which make other products
 - installations – major investment items (heavy engineering equipment)
 - accessory equipment – includes the smaller items of equipment (hand tools)
- *Facilitating goods and services* – consist things that are essential for the running of the organization (lubricants, abrasives, cleaning supplies, office supplies)
(Baker et al. 2000, 104)

2.4 Importance of relationships in B2B market

An extremely important part of the business marketing is customer and building relationships. Only good business marketer knows how to establish a profitable relationship and develop it. One of the definitions of marketing says that marketing is about establishing, maintaining, enhancing, and commerce of customer relationship. This is usually done by exchange of promises. The seller gives the promises about products, services, contacts and other obligations. The buyer gives the promises about payment and use of the products. When these promises are fulfill on both sides they acquire benefits, deepen co-operation and mutual relationships. (Blythe and Zimmerman 2005, 11)

B2B market is characterized as a sector where organizations working together. Commercial companies work with other commercial companies. This transaction is usually called supply chain. Organizations cooperate together and their relationships add value to their operations. B2B suppliers and buyers form the long-term relationships than the B2C sellers and final consumers. (Wright 2004, 50)

Customer has unimaginable significance for every organization. Every customer wants to buy such another product which satisfies his needs and the business market is not exception. The relationship between marketer and customer is the basis of understanding and sustaining value creation in exchange and we can say that relationships are central to business marketing. Through relationships companies achieve their goals and all of these relationships are the certain kind of network within all firms are incorporated. This 'network' is something in which every organization must operate and enable the company to grow or to develop. (Brennan, Canning, and McDowell 2007, 78)

Relationships between customers and suppliers are more and more closed and kindly. Many customers companies practice *supplier development* as we mentioned earlier. Through this supplier development can buyers and suppliers deliver profitable value for both of them. (Kotler and Armstrong 2005, 173)

2.4.1 Buyer-seller relationship

Buyer-seller relationship comprises important part of business transactions. This type of relationship is often more complex than consumer relationship. (Kurtz and Boone 2006, 195) Organizations try to develop long-term, value-added relationships with other firms that operate at many levels. B2B relationships try to provide advantages – lower prices, quicker delivery, better quality, reliability, customized product features or more favorable financing terms. (Kurtz and Boone 2006, 195)

This type of relationship includes key issues which are typical for the relationship between buyer and seller.

- *Trust versus formality* – this category includes relationships which are bounded by mutual agreements. This issue is usually influenced by culture. Different culture means different attitudes and most negotiators rather cooperate with people from their own cultural background than foreigners. Japanese dispense written contract as important as good relationship of trust. In Germany the written contract is usually regarded as the basis of the agreement and their business tend to be more formal than in Japan.
- *Power and dependence* – means the mutual dependence on other firm. If one firm is dependent on other firm, this other firm can dictate the conditions for the relationship.
- *Complexity* – is the function of closeness of the relationship. When more and more interaction between buyer and seller proceed, the relationship usually becomes closer.
- *Supplier relations* – includes cooperation of suppliers and potential relationship which can develop from it.
- *Conflict and cooperation* – conflict can occur when companies with different goals or backgrounds work together. If the conflict is solved, cooperation is the result of it. Also adaptations can be result of conflict resolution.

- *Relationships as investments* – every company must give some money to develop their relationships. These relationships are considered as a long-term investment. Companies should expend effort for obtaining the benefits from their relationships. (Blythe and Zimmerman 2005, 244)

2.4.2 Buyer-supplier relationship

The most important aspects of buyer-supplier relationships are power and dependence. This relationship usually includes large volumes of goods or materials, but usually with low volumes of key suppliers. B2B marketers try to develop the long-term relationship with their suppliers which can create the risk to become over-dependent on these suppliers. (Blythe and Zimmerman 2005, 247)

2.5 Business buyer behavior

We know that the business buyers behave differently from the consumers. The understanding how business organizations purchase is the major step in developing the best business selling strategy. (Hair, Lamb, and McDaniel 2008, 194) Business buyers are influenced by many factors. Organizations claim that the main influences are economic. They think that buyers prefer the suppliers who offer the lowest price, the best product, the most service. These suppliers are usually concentrating on offer of potential economic benefits for buyer. (Kotler and Armstrong 2005, 178)

Nowadays, too many organizations know that emotion plays very important role in business buying decisions. Let us mention the advertisement of Volvo truck where emotion played important role. This Volvo truck advertising precedes objective factors, such as efficiency and ease of maintenance. But this advertisement also stressed emotional factors such as the raw beauty of the truck, its comfort and capaciousness, features that make “drivers a much more possessive.” (Armstrong et al. 2009, 178)

Business buyers have usually too many options how to buy. When suppliers offer almost the same products, buyers have little basis for their rational choice. We can say that a key role plays personal and economic factors in their decisions. Competitor’s products can differ greatly, and in this case business buyers are more responsible for their choice and

incline to pay more attention to economical factors. We can see different kinds of influences on business buyers on the picture below. (Kotler and Armstrong 2005, 179)

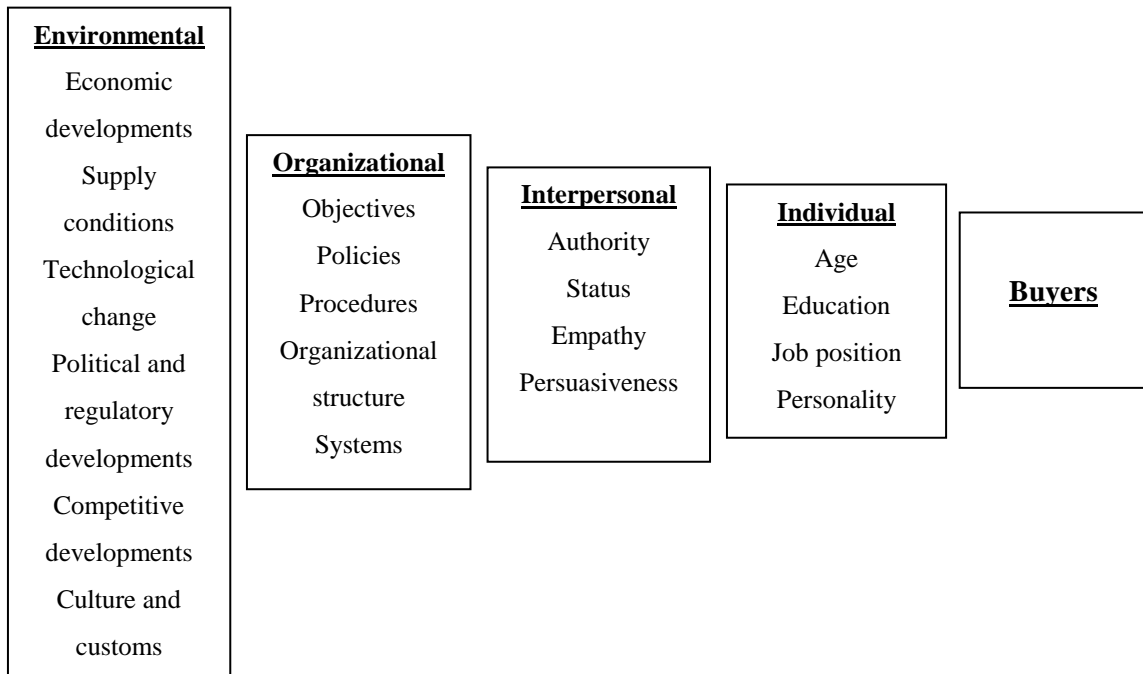


Figure 1. Major influences on business buyer behavior (Kotler and Armstrong 2005, 179)

2.5.1 Environmental factors

This category contains such influences which are affected by factors in the present *economic environment*, such as level of demand, the economic perspective, and the cost of money. We can say that business buyers decrease their new investments and trying to reduce inventories when economic uncertainty rises.

Environmental factor includes also lack of key materials which is necessary for production. Nowadays, many companies are more and more willing to buy larger inventories of materials to provide for sufficient supply. Business buyers are also affected by technological, political, and competitive factors in the environment. Buyer reactions to the marketer's behavior and strategies can be influenced by culture and customs. The business marketers have to pursue these factors, decide how they will affect the buyers, and try to make opportunities from these challenges. (Kotler and Armstrong 2005, 179)

2.5.2 Organizational factors

We can say that every organization has their objectives, policies, procedures, structure, and also systems. The business marketers have to know these factors very well. After that good businessman can achieve better results and can answer the questions such as: What are the company's limits on buyers? How many people are involved in the buying decision? (Kotler and Armstrong 2005, 179)

2.5.3 Interpersonal factors

Interpersonal factors influenced buying process through many participants who affected each other. Sometimes is difficult to assess these interpersonal factors. Most managers do not wear labeling of them as important or unimportant participants. Usually the highest participant has the most influence in the buying process. Participants can influence the buying decision process because they are popular, have close relationships with other important participants and usually control some kinds of punishments and rewards. (Kotler and Armstrong 2005, 179)

2.5.4 Individual factors

We can say that exist a lot of people who can affect the buying. Business buying-decision process includes participants who are influenced by individual factors, such as age, education, personality, or risk attitudes. Different buyers have different buying styles. The technical buyers usually make detailed analyses of suppliers before choosing one of them. Other buyers can pick the potential supplier according to intuitiveness or other factors of the supplier. (Kotler and Armstrong 2005, 179)

2.6 B2B advantages and disadvantages of EU membership

Our republic, as the member of European Union, has a huge opportunity for trading with other members of EU. One of the major advantages is cancellation of barriers, such as taxes. The membership also imposes certain obligations especially to accept EU law which is superior to national law. In this case we lost our sovereignty but the membership has a lot of advantages which we can utilize. Members of EU can increase their economic activity and also laws for improving social and moral prosperity. (Wright 2004, 23)

Advantages

- One single market with over 370 million customers
- Possibilities for learning and experience economies
- Abolition of barriers to trade
- Flexibility and free movement for goods, services, people and businesses across the whole EU
- A single currency (Euro) for better pricing and costs

Disadvantages

- Loss of state sovereignty
- Movement of interest rate which is made by central organizations
- Restrictions with countries outside the EU (USA)
- A single EU currency will not be able to represent national needs
- Different countries need the different governmental approach

2.7 Future of business marketing

Business marketing was, is and probably will be influenced by different trends. Some experts claim that business marketing will be affected by globalization, changing technology, and also growing visibility. Rapidly changing technology influenced globalization and these changes in technology increased the visibility of marketing actions as well as the globalization cause the better visibility of companies. (Blythe and Zimmerman 2005, 385)

2.7.1 Globalization

“Globalization is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper and cheaper than ever before.” (Blythe and Zimmerman 2005, 385)

We can identify four drivers of globalization – market factors, cost factors, environmental and competitive factors.

- *Market factors* include the world customers who have similar needs which try to satisfy throughout the world.
- *Cost factors* comprise cost efficiencies and the avoidance of duplication of effort as the two important drivers of globalization. When organizations produce new products they will become more and more expensive and that is why they must look for large market where can be justify for the higher costs.
- *Environmental factors*, such as removal of barriers to trade and improving communications, to help firms cooperate globally.
- *Competitive factors* mean that every firm must be able to react on strategies and unassailable advantages of other firms. (Blythe and Zimmerman 2005, 386)

2.7.2 Changing technology

The next important trend which will influence the business marketing is changing technology. This change includes especially electronics and telecommunications. We can say that internet is probably the most technological event influencing business marketing but there is another kind of technology, such as cell phone, which is faster. These technologies help us to improve mutual communications between us and our suppliers or customers.

These modern kinds of communications replace the older types, such as trade shows, catalogues, trade magazine advertising and mailings. Today's every successful company has their own website. A good website is basic weapon how to obtain new potential customers. (Blythe and Zimmerman 2005, 386)

2.7.3 Increased visibility

The internet or webpage allow spreading the facts very quickly around the world. Every organization should provide the correct information about them because the growing number of media increases the number of investors who want to do business with certain firms or organizations. Sustainability is other part of visibility. Certain institutions help to firms to understand what they have been doing when they want to address sustainability or other problem throughout the world. (Blythe and Zimmerman 2005, 387)

II. ANALYSIS

3 KADOS COMPANY PROFILE

3.1 Basic information

Kados Company, based in Hladké Životice, has been founded in 2009 and is the successor firm Karel Šnajdr. The company provides a wide range of business activities in manufacturing and services. The company is managed directly by the owner who is also the manager and the supervisory authority.

The company operates in the consumer and industrial market. Two main business activities are the metal working and the sale of building materials.

These activities include:

- manufacturing
- surface finishing
- welding
- locksmithery
- tool engineering
- trade and services
- preparatory and finishing works
- specialized constructions activities
- brokering in trade and services
- wholesale and retail

(Company internal information)

3.2 History of the company

The roots of Kados Company dates back to 1995 when the firm began trading under the name Karel Šnajdr. There were plenty of reasons why to start a business: specialization in the machining, welding, business facilities and, of course, own ambitions and desire to achieve something.

Karel Šnajdr Company dealt primarily with assembling and welding machine parts and structures in 1995. In 2000, its activities were expanded and machining was included. In 2002 the company started machining on CNC and NC machines. The surface treatment of metal is implemented in the new premises that fulfil all the strict emission limits for this field of activity. The company keeps manufacturing of steel construction that are executed on demand from the supply documentation. Since its foundation, the company has worked for both domestic and foreign suppliers. The company is able to prepare the most exacting parts and products according to the agreement and documentation.

In 2005 the company moved into its new premises where develops its activities and prepares new projects. (Company internal information)

3.3 Company objectives

Currently, the company focuses mainly on customer satisfaction. The company tries to fulfil its motto: “Kados, the construction is joy with us.“ It tries to offer more and more services that will lead to complete customer satisfaction.

From the perspective of the industrial market, the company focuses on acquiring new customers. As the owner said: "Metal working is one of the most difficult trades.“ A lot of us know that engineering industry was hit by a worldwide economic crisis. Due to this situation, one company gradually terminated its activity and other companies lost their customers. Kados tries to prevent this and that is why provides the best services to ensure long term business relationships. (Company internal information)

Logo of the company



Figure 2. Logo of Kados Company

4 ANALYSIS OF CUSTOMERS

As the topic of my bachelor thesis I chose the analysis of the company's customers. This selection was simple because it is a family company which is run by my father. With regard to this situation, I have some knowledge about customers and I know what they required for a period of mutual cooperation.

We can say that every customer has a different value for each company. The most valuable customer may not always be the one who spends the biggest amount of money. This value may depend on long-term potential of mutual cooperation or client's ability to pay.

The customers are different but still have one thing in common - satisfying their needs. Every customer buys just what he uses or consumes. In this respect they can be divided into final and industrial customers who will be discussed in the following analysis.

4.1 Goal of research

The goal of this research is to identify and divide the customers of the selected company. We know that customers can be divided into two main groups – final and industrial. My research focuses on the industrial customers of Kados Company. I try to create basic division of these customers, dissociate them according to the type of business customers, beginning of mutual cooperation, length of cooperation, their importance and reliability.

4.2 Methodics

All this information is provided by the customers of Kados Company. This research is based on written interview with them according to prepared questions. For communication with foreign customers I took the help of the company business partner (and also family friend) who run a business in Germany and Poland.

1. Are you Czech or foreign customer?
2. Where are you located?
3. What type of business customers do you represent?
4. Why did you choose this company?
5. What is the length of cooperation with the company?

6. How did your cooperation start?
7. How often do you purchase from the company?
8. What do you purchase from the company?
9. What is the further use of these products?
10. What conditions do you require?
11. How much do you willing to pay?
12. What is required for conclusion of a contract?
13. How long does it take?
14. Do you get a discount?
15. Do you think you are the biggest customer?
16. Do you think you are the most valuable customer?
17. Are you reliable customer? Why? Why not?
18. What is your financial solvency?
19. What is the level of reclamation?
20. How do you communicate with the company?
21. Do you cooperate with the competitors? Why?
22. Do you satisfied with the company?
23. What changes should the company complement?

4.3 Current customers

Kados Company currently cooperates with the seventeen customers representing the industrial market. As mentioned earlier, every customer is unique. The business partners focus on the production or sale of various parts but they have one thing in common – all customers deal with the mechanical engineering.

The current business partners of the company are:

- Nordic Steel, s.r.o.
- VVM Ipso s.r.o.
- Metal Arsenal s.r.o.
- DK Metal Produkt
- Dotex s.r.o.
- VKV Praha s.r.o. – workplace in Studénka
- Lucco a.s.
- VOP 025 s.p.
- Taforge a.s.
- Primus CE s.r.o.
- Motor Lučina s.r.o.
- Solwe Coom s.r.o.
- Dynamic Piotr Trefon
- Lehmer Maschinentchnik BmbH
- Metallbau Scheuerer
- Z-Pack GmbH
- Vock GmbH

4.3.1 Basic division of customers

Kados Company cooperates with seventeen business partners (customers, clients) including twelve domestic and five foreign customers. This representation is not final; this situation is constantly changing mainly due to fluctuating situation in the engineering industry which is not stabilized yet.

The graph shows that the bigger part is formed by domestic customers. The company operates in the Moravian-Silesian Region that is characterized by a huge proportion of engineering in the Czech Republic and the largest damages which left here a global crisis.

The bulk of these customers are in a close range of the selected firm. This is a great advantage which allows fast and uncomplicated close cooperation in the field of transport. There is only one industrial customer who represents the Central-Bohemian region - Metal Arsenal.

Kados cooperated and also cooperates with foreign manufacturers on the long term basis. Currently, these customers represent mainly Germany and Poland. Kados had customers in the Italian, Russian and Slovak market earlier. Unfortunately, these companies slowed down their production and therefore do not need a business that comes from the Czech Republic and started to concentrate on firms in the domestic market.

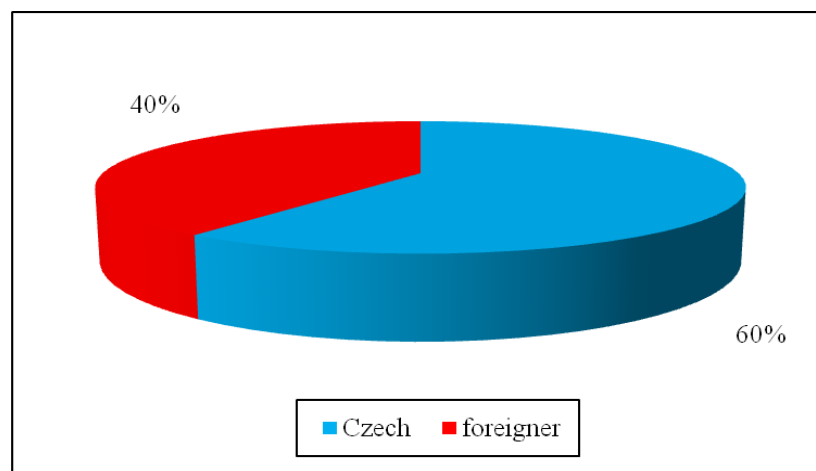


Figure 3. Basic division of business customers (self-created)

As we know industrial customers can be divided into several groups:

- business and commercial organizations
- reseller organizations
- governmental organizations
- institutional organizations

We can say that customers of Kados Company represent wide variety of the industrial customers. Their customers are represented by business organizations, resellers or government organization.

The largest representations of customers, 82%, are formed by organizations that buy products for their further use. These products are directly incorporated to the final product or sold to third party. A minority of customers constituting 12% are resellers who buy products from companies for sale to other companies. These resellers profit from the situation of buying and selling. This group of people or organizations seems to be least affected by the financial crisis because they receive money almost immediately after selling of the products. This group includes the Czech company DK Metal Produkt and the German company Metallbau Scheuerer.

The third group - a government organization - represents only one customer – Vojenský opravárenský podnik 025, state-owned company. This company is allowed to be the most valuable customer and therefore will be mentioned later.

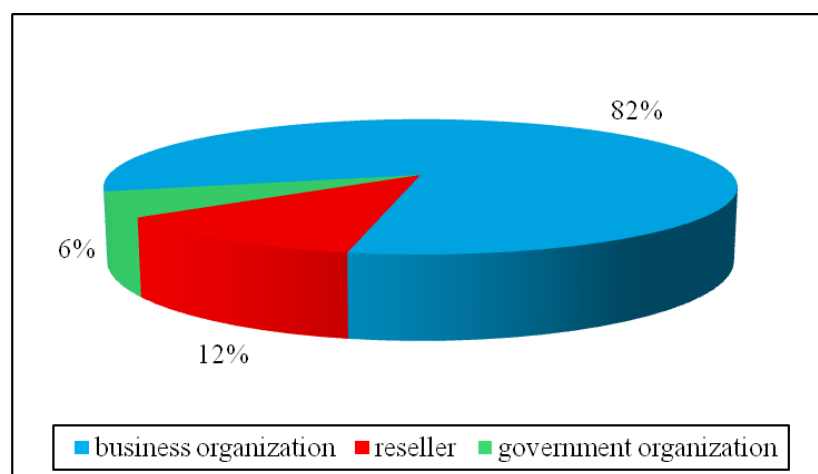


Figure 4. Division of business customers (self-created)

4.3.2 Beginning of cooperation

Every cooperation includes different reasons why started. Every customer appreciates of such suppliers who fulfill given term of completion orders, offer very good quality, and fair price.

Graph clearly shows that major reason why customers selected this company is reputability, quickness and high quality. This point occupies 60% of total amount. As customers said the company is very professional and knows how to improve their mutual cooperation. Thanks to reputability and high quality of the company they have no problem with the searching of potential customers.

Second reason of selecting this company is accessibility and also machine equipment. This equipment is important for different types of cooperation with their customers. Clients require various activities, such as welding or machining on CNC and NC machines and each of these activities must be supported by specialized equipment.

As mentioned earlier, major part of these customers are in a close range of Kados Company. This is a really great advantage which ensures uncomplicated cooperation in the field of transport.

The third group contains ability of the firm to make something extras. Customers treasure the situation when they will need some products on Monday and is Friday. They usually call to owner of the company and try to firm up the execution of products over weekend. The company usually tries to help to the customers in the majority of cases.

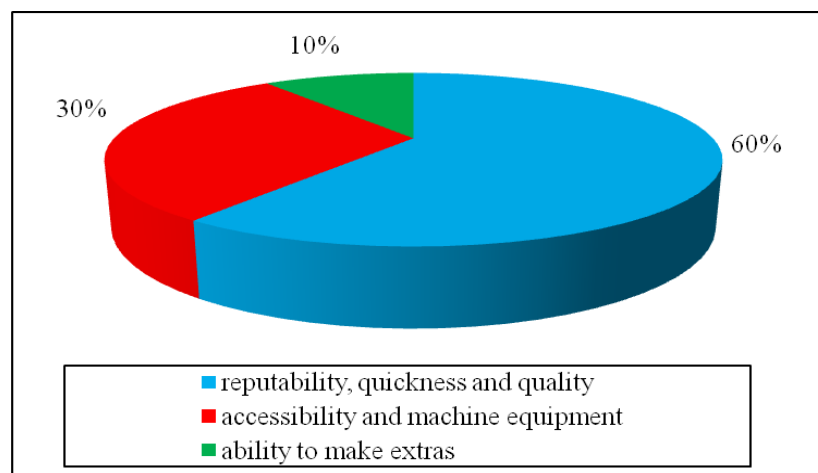


Figure 5. Reasons why customers selected this company (self-created)

4.3.2.1 Ways of beginning of cooperation

The graph clearly shows that the biggest item is self-built contacts which are built during the existence of the company. Every customer tries to find potential suppliers alone. When they find the potential suppliers, try to start the beginning of a new business relationship through the direct address to the owner or representative of the company.

Next point is a recommendation which contains about 30%. Kados Company carefully "jewels" its name during its existence and on the basis of this survey it is clearly demonstrable. Every company who cooperates in some way with other company will report careful references about Kados Company to their potential customers. The permanent clientele of company is based on such a positive recommendation to the company. The availability of the company plays an important role in the recommendations. If Kados Company is recommended by someone, it is clear that has position in the market and more importantly – for potential customers is very well accessible.

Another way how to start cooperate are contacts over internet occupying 15%. The company which needs to find new and better suppliers usually sits on the internet and searches. This system of searching is usually used by huge industrial firms and also final consumers who use the system AAA Poptávky. Customer usually enters the information what he needs and this system sending automatically demand to the companies that meet customer requirements.

The last two smallest components include customers who leave the competition or acquaintance. The change of the competition can be explained simply – Kados Company provides better conditions for cooperation and also better price.

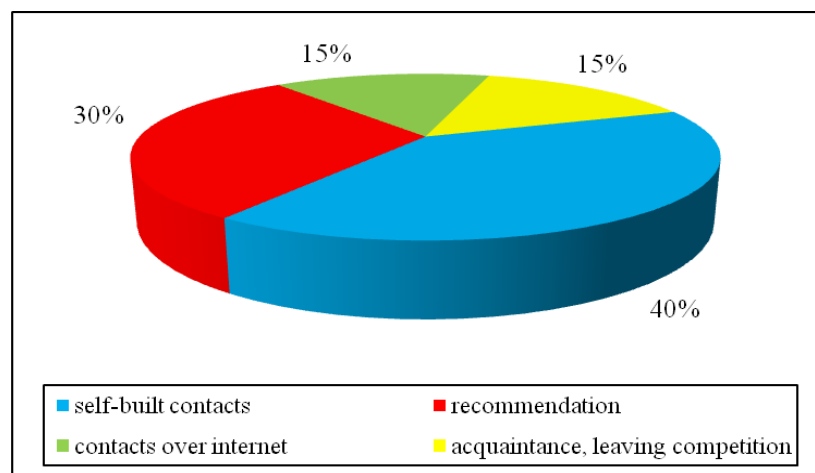


Figure 6. Ways of beginning of cooperation (self-created)

4.3.3 Length of cooperation

Kados Company lost some long-term customers but in fact did not see anything terrible. The loss of the unreliable trading partner may be advantage from the productivity and fulfillment of obligations point of view. The customers come and go away. Each company tries to retain their best customers and Kados is no exception.

As we can see, the business cooperation with their trading partners covers the wide variety of this length of cooperation. The longest cooperation is between 3-5 years. These two categories are represented by 29% and there are ten of these business partners. We can say that "the golden days of mechanical engineering" were between 2005 and 2007. Unfortunately, according to the owner this situation probably never will be again. Despite this bad situation the company successfully maintains mutual contacts and tries to intensify their cooperation with its customers.

The cooperation, which occupies the second place with 24%, is given to existence persisting two years. An annual collaboration involves two clients and its value is 12%.

The business partner who is the long term 'fixed star' client is Vojenský opravárenský podnik 025, a state enterprise. We can say that VOP 025 is one of the most valuable trading partners of Kados Company. Their cooperation persisting 8 years is the longest and least complicated of all. The darkness of the financial crisis also hit this state enterprise and now, unfortunately, the company does not purchase in such vast quantities than 2 years ago.

VOP 025 specializes in the repair and modernization of tanks and is a major supplier for the Czech Army for which produces the upgraded tanks and armored carriers Pandur II. Their cooperation is based on purchasing various types of components which are mounted to the tanks.

"Newcomer" among customers is Primus CE Company which is the leading manufacturer of commercial laundry equipment in Europe. This company also manufactures industrial laundry equipment for hotels, restaurants, hospitals, nursing homes and commercial laundries. Likewise the German company Z-Pack is among the customers with an annual cooperation. Z-Pack is a manufacturer of semi-automatic and fully automatic systems on packaging machines.

The reasons for the establishing commercial relationships may be different. Kados Company was chosen primarily because meet their requirements in equipment machinery. Another criterion was to get acceptable price and to realize speed of delivery of certain

parts which Primus CE mounted to formations used for the manufacture of laundry equipment. In the case that company appears to be a reliable business partner, customers do not need to find someone else.

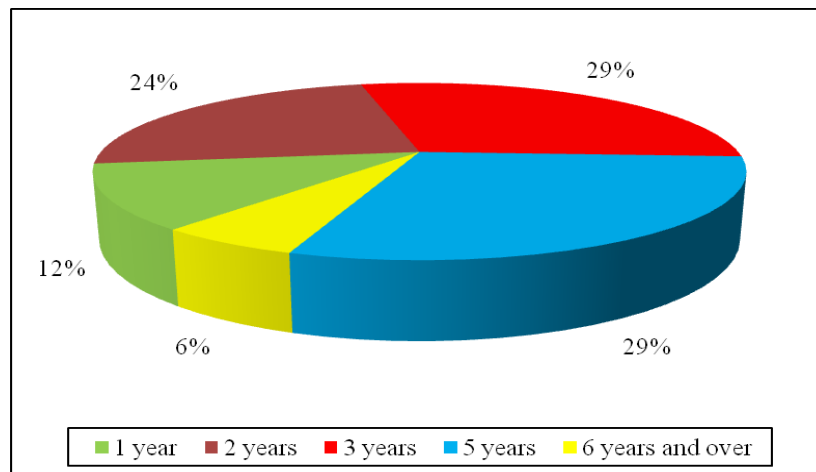


Figure 7. Length of cooperation (self-created)

4.3.4 Importance of customers – Czech customers

Each company has its valuable customers and tries to do well-nigh impossible for them. The importance in this regard is taken primarily from the perspective of the size of the contracts which are very closely linked with the frequency of purchasing of the goods. As is known, the larger contract usually needs the more time for doing it. We can say that customers purchasing the goods in that order. As already mentioned, VOP 025 would occupy the first place of the most important customers a few years ago.

The chart shows that the five largest and most important customers of the company are:

1. Nordic Steel s.r.o.
2. VVM Ipso s.r.o.
3. Lucco a.s.
4. Taforge a.s.
5. VOP 025 s.p.

Nordic Steel Company has been founded in 2008 and operates as the follower company VVM Plus. We can say with certainty that Kados Company is the exclusive supplier of this company because of the very good cooperation which persisting during partnership with his predecessor VVM Plus. This company is mainly focused on processing of sheet metals on CNC machines, welding, and metal- work. The mutual partnership of these two companies proceeds on high level as confirmed very personal and friendly relations between the owners of these two companies. The frequency of purchases is directly related to the utilization of Kados Company. The company usually works on their contracts about 3-4 days a week. We can really see that the cooperation of these two companies is based on trust between trading partners to perform their obligations on time.

Another important customer is VVM IPSO whose priority is the engineering, sales, installation and servicing of industrial and laundry equipment. There is interesting to note that this company and Nordic Steel Company are "fraternal companies" led by one family and located in the same town. Like Nordic Steel Company this company is considered to be very important. Kados is able to work simultaneously on the products of different customers due to its technical facilities. This situation is very positive valued by customers who see that company is able to fulfill their obligations.

Other firms are Lucco and Taforge which is a subsidiary of Terex Tatra in Kopřivnice. Taforge is his whole history from the founding in 1853 associated with the production of cars and trucks TATRA.

These companies mainly purchase products (parts) which are mounted into various configurations which are used for the manufacture of laundry equipment, packaging machines, printing machines and various machine configurations.

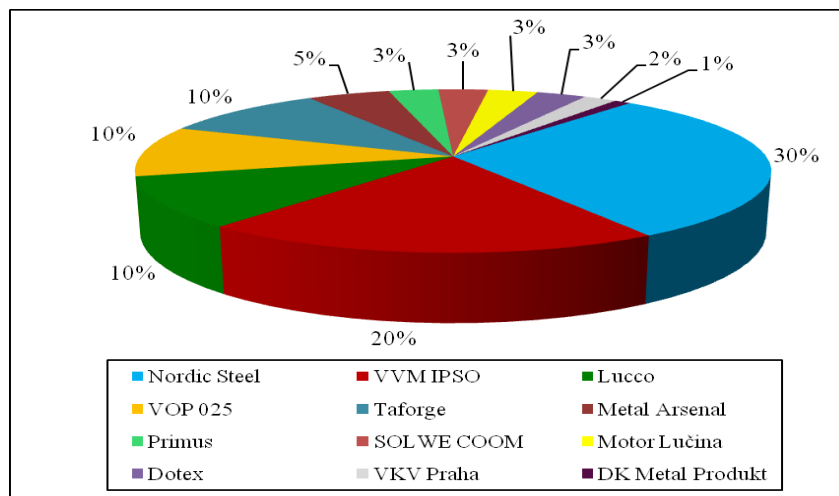


Figure 8. Importance of Czech business customers (self-created)

4.3.5 Importance of customers – foreign customers

As the chart shows the largest foreign customer is the German company Lehmer Maschinenteknik. Kados cooperates with this company three years and as one of the four German customers is this company the most reliable business partner. Lehmer Maschinenteknik is a supplier to the important customers in the German engineering. The company deals with drilling, CNC bending, laser cutting for the beverage industry.

Other companies represent an equal proportion in the importance. It should be noted that the company Metallbau Scheuerer is only a kind of intermediary who buys products in order to sell it to third parties.

Dynamic Company is just one Polish company currently representing the company's clients. The aim of the company DYNAMIC Piotr Trefon is designing and manufacturing instruments used in the automotive industries. These special instruments are used for controlling or formation of the specific automotive parts. Polish company also purchases various machined parts which are needed as part of the application in the automotive industry.

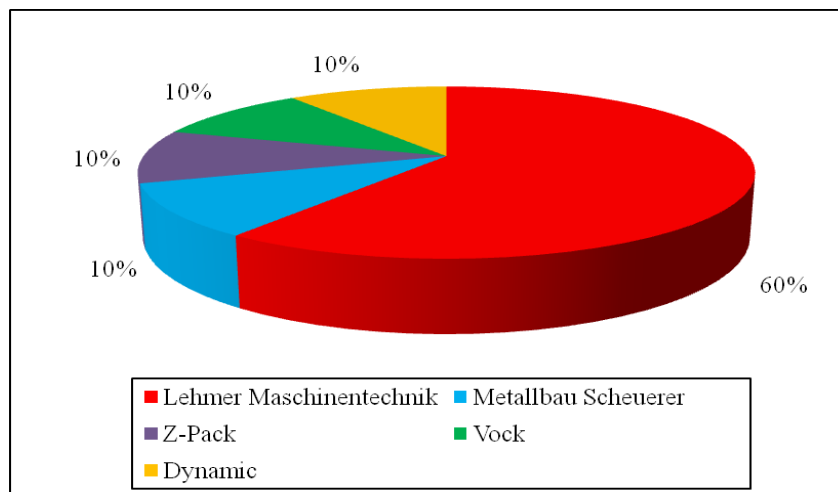


Figure 9. Importance of foreign business customers (self-created)

4.3.6 Reliability of customers

Due to the already mentioned financial crisis we can say that reliability or payment behavior of some customers began to lag. The maturity began to rise up and the company had to deal more efficiently with the funds.

We can see from the graph that only one company - Dotex - is the 'worst' business partner which the company Kados has. Their ability to pay is more than 3 months. Now we can ask why the company cooperates with him. Kados Company invested considerable amount of finances into the preparations for producing the goods which should be needed in cooperation with the firm Dotex. The company needs to get invested financial resources from the investment back and it means the mutual cooperation with this unreliable trading partner.

The largest proportion – 59% - comprises customers who pay roughly to 2 months. Due to the financial crisis the businesses shift their ability to pay till 90 days which includes 18% of the customers. The payment to 1 month tries to keep approximately 17% of the customers of the company. This group includes the already mentioned the German company Lehmer Maschinentechnik. This company fastest fulfills its obligations which can be evaluated as very positive from the company's point of view.

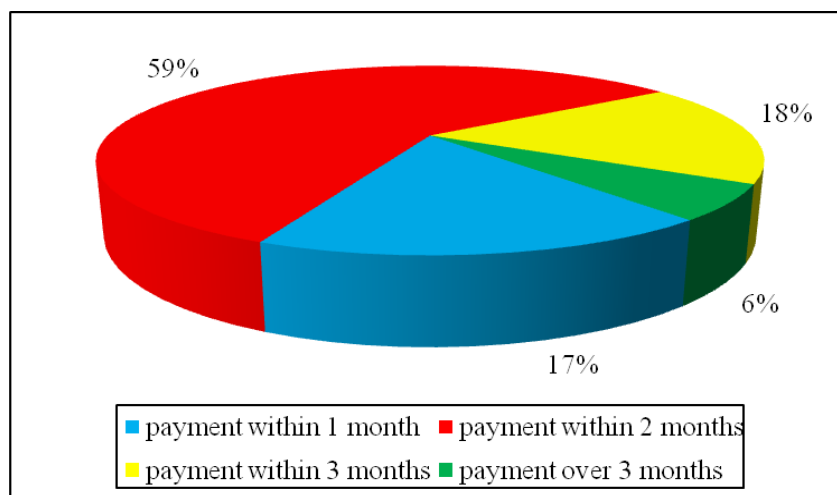


Figure 10. Financial solvency (self-created)

4.3.7 Willingness and customer requirements

Not all customers are alike. Each business partner of the company feels the opportunity to trade differently or determines the other price which is willing to pay for the product. The prices are set after the previous arrangement for 3-6 months in advance with the agreement about unexpected increase of the input material price which will be further discussed and paid. The price is based on supply and demand but also with regard to quality and delivery deadlines. Of course, the price must not be disproportionately high. There are also cases where the clients of Kados Company get a lower price elsewhere but even with regard to long-term cooperation and mutual earnestness ordered products from Kados Company. Based on these facts we can say that the Kados Company builds up very resonant name from the beginning.

It can be said that the company has and maintains its loyal customers who give them more and more confidence despite of the fact that competitors may be cheaper. Each customer is taken as a unique 'instrument' which is necessary for success. Therefore, communication with the customers take place on very high level and contracts are dealt with each customer individually. The business partners usually communicate over the phone with the company. Each request is first handled by phone and then sent an email stating all the information.

Customers make reservations in which they are willing to cooperate. Of course, the cooperation is directly dependent upon the price, quality and the terms of delivery. The big advantage appreciated by the customers is also a wide range of technological equipment, the ability to participate in the production of samples for the new assemblies and regional availability.

The customer satisfaction is given by the very low percentage representing reclamation. At the annual production falls on 1% of reclamations. There is a need to point out that corporate customers collaborate with competitors. It is primarily due to the fact that Kados Company focuses on a particular area in the metal working. It is almost impossible to deal with everything. This situation is not unusual it is common practice which is used among firms in the industrial market.

4.3.8 Conclusion of contracts

The company aim is to satisfy the particular needs of their customers. Every customer is individual and therefore the closing of mutual contracts are different. The conclusion of the contract is simpler with the stable customers. As customers said they are expecting pronouncement of the company if it is possible to realize the product. Then are prepared prices and date for completion of the production parts. After the price control is subsequently concluded the agreement which may not always be written. This fact clearly demonstrates the confidence between business partners which was developed during their mutual cooperation. Then the company gets order where negotiate all the necessary information - number of pieces, date, completeness of manufacturing documentation, price and payment methods, eventually advanced money. During and after completion of the contract firm performs overall control to the complete satisfaction of its customers.

The closing of order may take 1 day or month. It depends on the complexity of the contract, requirements of customers, diversity of input data, speed of production needs and completion of the documentation. The implementation is also dependent on the type and quantity of production. The speed and reliability of delivery is one of the main parameters of successful long-term business cooperation with the customers.

4.3.9 Services for customers

According to major part of customers Kados provides complete services for production. The company is able to draw up the documentation according to customer's request, price control are able to cut down to the minimum, offers the production of components including materials, processing and surface treatment in order to customer requirements. These finalized parts can be immediately used for assembly or dispatch to the customers. The full satisfaction of their customers is accompanied by the services of expeditionary companies with which the company cooperates on the long term basis. Kados Company uses the services of Schenker and DHL.

The providing of the potential discount is already included in the preparing of price quotations where the company tries to "handtailor" the price for its customers.

4.3.10 Customer satisfaction

In the business world is no more "luck" than satisfied customer who buys products from the same company again and again. The survey clearly shows that satisfaction with the company is on the high level. The satisfied customers form 65% of the total amount. This satisfaction is primarily associated with long-term cooperation between the company and its customers. These 65% of the customers would change nothing. They are fully satisfied with the company and services.

Another group comprises customers who would welcome a change in faster communication. This category is formed by amount of 29%. This change is usually necessitated by foreign trade partners with who the communication is more difficult. Due to the language barrier which is slower between local and foreign customers is necessary to use the help of business partner of the firm who operates in these two foreign markets.

Another reason for slower communication is owner's high workload. To the main business activity was added another activity that also requires an attention. The sale of building materials and the metal working are themselves demanding activity. The communication is slightly slower but the documentation is more sophisticated and leads to the full satisfaction of both parties.

The third group consists of one customer who said that would welcome a wide range of services. On the question what kind of new services he would welcome he could not answer.

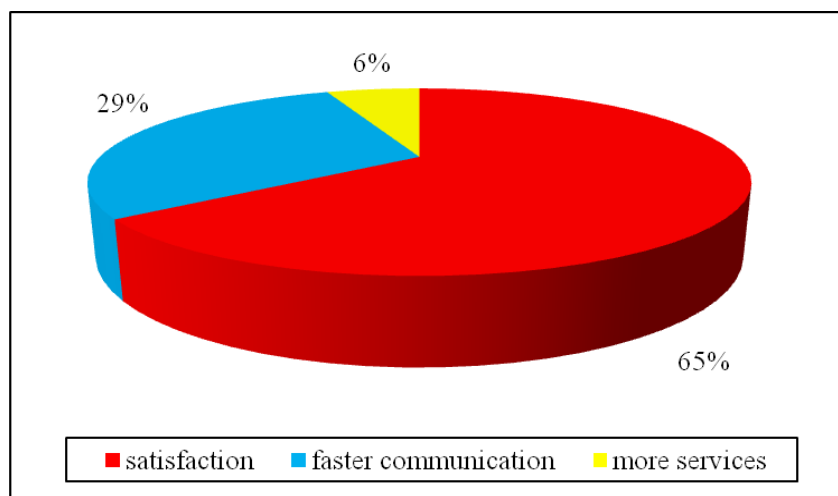


Figure 11. Customer satisfaction (self-created)

5 EVALUATION OF CUSTOMERS

As owner of the company says, customers are not dependent upon firm but firm is dependent upon them. It is simple definition for firms wishing to be successful. Every customer is individual and requires different handling with him.

The biggest problem is money. The business partners do not have finances and as a result they postpone their payments. In consequence of the economic crisis must be the company able to more effectively deal with their finances. This situation is reflected in payments to their suppliers. Each company operates in a "vicious circle". In the event of nonpayment by the customers the company has less finance for paying to its suppliers.

We can say that Kados Company managing their finances effectively. Despite the continued economic crisis the company tries to keep their place in the industrial market and do not lose customers with which built the long-term cooperation. Of course, this crisis has affected also this company and their customers do not purchase in such quantities as earlier.

In this section I will try to evaluate the clients of the company that I see as crucial and which can affect mutual relationships with selected company. I focus on reliability of customers, their financial solvency, also requirements and frequency of purchasing.

5.1 Reliability of customers

Owner of the company knows that only reliable customers are the core of the market. When we evaluate the current customers of this company we should consider different factors. One of the most appreciated characteristic is an ability to keep a promise. Every customer should stand the time of agreed telephone call, appear in meeting or to respond to emails. These conditions are ways of good cooperation between the suppliers and their customers.

As mentioned earlier, Dotex is the most complicated customer who company could ever wish. Their ability to pay and mutual communication lag and therefore Kados Company should lays stress on ending cooperation with the customer who is so complicated. According to the owner of the company, this 'objective' cannot be considered as short-term for the reasons already mentioned – investment in the preparations for the manufacturing of the parts which are needed to the establishing of their cooperation.

I wonder whether the company is aware of the negative aspects that can affect

relationships with their current or potential customers. Another possibility remains that the company was befallen by the crisis and is not able to meet its commitments in the agreed date of the payment.

5.2 Financial solvency

Every company depends on payments from their customers. This is basic difference between industrial and consumer market. While the sale of building material gives money immediately, the payments from customers are generally much longer in the industrial market. It depends on the size of customer and supply of products.

The first and crucial objective of company should be to shortening of the acceleration of payments which significantly affects the functioning of the company. Currently, Kados has only a few clients who are seeking to maintain the financial solvency of the minimum and pay as soon as possible. Unfortunately, other companies are in similar situations and their ability to pay is usually longer and more complicated.

We can say with certainty that every company was damaged by the global financial crisis. An ability to pay is longer than two or three years ago. The situation earlier was less complicated and the payments were paid within two weeks. Now, some customers postpone their payments intentionally. They try to avoid lowering finances needful for their production. From my point of view I evaluate the situation as disastrous.

5.3 Frequency of purchases

As mentioned earlier every business customer of the company was affected by crisis which has caused unimaginable problems for companies. Poor financial situation is reflected in a reduction in the number of employees and also frequency of purchases. The major part of clients of the company cut their production and frequency of their purchases from Kados Company.

This situation can be evaluated as negative however customers and their suppliers know that cannot be managed by them. A stability of the company depends primarily on top managers and their ability to cope with crisis situations.

5.4 Customer requirements

Customers of the company sometimes have exaggerated requirements. They should try to order capacity of manufacture sooner and do not solve this last-minute. Thanks to the situation when customers order some products behind one's time they usually try to hurry up manufacture of the company. This situation not has to be evaluated positively by the company.

Sometimes, customers make demands about pricing. It seems to be normal but business customers should bear in mind that they need professional and high-quality goods. These goods are mounted to the other parts of the whole products and therefore should be without errors which may cause other extra costs. In this case is suitable to pick the potential suppliers according to their reputability and quality of the products.

CONCLUSION

The market is divided into two major parts – consumer and business market. Buying behavior of these two customers is quite different. While final customers buy for their own use, business customers usually purchase products with intention to incorporate into the final product or sold these products to other companies.

The aim of my bachelor thesis was to analyze the business customers of Kados Company and evaluate them on the basis of this analysis.

In the theoretical part of the thesis, I have collected sufficient information concerning customers, business market and business customers.

The analytical part represented an exploration regarding the company which operates in the industrial market. The research was concerned particularly with specific issues concerning business customers such as reliability, satisfaction, and length of cooperation or their basic division.

The analytical part showed that current situation of business companies is rather unsteady and difficult and a lot of companies have problems caused by the global financial crisis. However is not in our power and we should believe in “better tomorrows”.

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LIST OF FIGURES

Figure 1: Major influences on business buyer behavior

Figure 2: Logo of Kados Company

Figure 3: Basic division of business customers

Figure 4: Division of business customers

Figure 5: Reasons why customers selected this company

Figure 6: Ways of beginning of cooperation

Figure 7: Length of cooperation

Figure 8: Importance of Czech business customers

Figure 9: Importance of foreign business customers

Figure 10: Financial solvency

Figure 11: Customer satisfaction