

Reverse Marketing: Synergy of Purchasing and Relationship Marketing

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Abstract

Firms increasingly realize that dramatically changing market conditions require significant changes in their purchasing function. In more and more firms, purchasing is becoming pro-active and of strategic importance. This phenomenon has been referred to as 'reverse marketing'. As the term implies, there are clear similarities with the marketing concept. This paper explores this concept by describing how companies can implement reverse marketing by making use of well known marketing concepts and tools. A detailed description of a fictitious case illustrates how basic marketing principles can be used to realize pro-active purchasing.

During the last few decades many technology- and sales-oriented companies have transformed themselves into competitive customer-driven organisations. Many others need to follow their example as we approach the twenty-first century. Fast technological developments, growing globalisation of markets and higher customer requirements have resulted in cutthroat competition in many consumer and industrial markets:

- Integration of the European market, tumbling trade barriers in countries such as Mexico and China, and democratization of eastern European countries and the former Soviet Union result in increasing investments by Japanese and American firms.
- For years now, American giants such as IBM, Gillette, Dow Chemical, Hewlett-Packard and Xerox get the major part of their sales from outside the U.S.
- In industries like telecommunications, new technologies and deregulation eliminate traditional monopolies and create global markets.
- Emergent global markets are populated by stateless companies that try to position themselves as local firms by emphasizing local content.

In this continuously changing world the importance of price is being reduced and quality becomes a significant means of realizing sustainable competitive advantage (Burt 1989a). Detailed studies have shown that product quality is a major factor in successful new product development (Cooper 1986), while others report that the measurable elements of quality determine 50% or more of the purchasing decision (Hutchins 1992) and a high level of product quality often goes hand in hand with high market share and ROI (Lemmink 1991). Good product quality can only be achieved through incorporating quality requirements in the design of new products (Rosenthal 1992) and in the purchase of existing ones (Hutchins 1992). Increasing levels of specialisation has led many firms to concentrate on their key activities and outsource the production of many parts and components. This development has had a major influence on the tasks, responsibilities and role of Purchasing.

The existing literature emphasizes the changing character of purchasing. As early as 1966, Leenders mentioned the need for active supplier development. In the 1980s many recommended the use of single sourcing (e.g. Morgan 1987, Segal 1989), whereas others went on to point out the long term dangers of relying on just one supplier (Newman 1989, Ramsay 1990). Leenders and Blenkhorn (1988) introduced the term reverse marketing for an aggressive kind of purchasing that they had encountered in the U.S. and Japan. Reverse marketing describes how Purchasing actively identifies potential suppliers and offers suitable partners a proposal for long term collaboration. Burt (1989a) noted a similar phenomenon, that he called proactive procurement, while Oumlil and Williams (1989) used the term market-driven procurement.

Purchasing and Marketing

The current development of the purchasing function shows remarkable similarities to the development of the marketing concept. The product/production orientation, that dominated management practice for many years, can be compared to traditional purchasing's focus on product and price. The subsequent sales orientation emphasizes the efforts of sales representatives to get customers to buy their products. This is very similar to the purchasing department that directs its efforts at identifying suitable suppliers that can deliver the desired products at the right time. Only when the whole organization is focused on serving the customer optimally (integrated effort), it employs the marketing concept. Similarly, successful reverse marketing requires a concerted effort. Cammish and Keough (1991) remarked that the development stage of purchasing depends on both the industry and the country.

This conceptual parallel between purchasing and marketing can also be found within individual firms. First of all, purchasing and marketing are basically comparable activities directed at facilitating exchange transactions and relationships with external parties. Accordingly, the purchaser's and marketer's tools and methods are more similar than might be expected at first glance. Secondly, Purchasing and Marketing are clearly interdependent. A market-driven strategy can only be successful if Marketing's ideas are translated into a fitting outsourcing strategy and if the opportunities identified by Purchasing are integrated with the development of new products. The implementation of integrated logistics (such as MRP and JIT) further increases this internal interdependency (Ansari and Modarress 1990).

In this article we will elaborate on the parallel between marketing and reverse marketing, and provide marketing tools for purchasing. First, we establish that the recent attention to reverse marketing cannot be regarded in isolation from a number of other recent developments. Next, we briefly describe what Leenders and Blenkhorn (1988) meant with reverse marketing. The main body of the article is devoted to a detailed description of the reverse marketing process, by analogy with the marketing planning process. The article concludes with a succinct evaluation.

Worldwide Trends

A number of worldwide trends can be identified that stimulate the development of the purchasing function. These concern the reduction of the number of suppliers, upgraded demands on suppliers, increasing cooperation with suppliers, emphasis on time to market, and the strategic view on purchasing.

Reduction of the number of suppliers

In various industries, firms try to increase product quality through drastically reducing their supplier base, with reductions of more than 50% becoming the norm, rather than the exception. A lower number of suppliers increases control, simplifies management, reduces costs of communication and clarifies responsibilities.

Upgraded demands on suppliers

Because firms are faced with increasing competition and become dependent upon fewer suppliers, they will upgrade their demands. Rejection levels are being formulated in parts-per-million (PPM), while some strive for zero defects. In

addition, firms demand that their suppliers get certified. Suppliers that do not comply may be removed from the approved vendor list.

Increasing cooperation with suppliers

The upgraded demands and reduced supplier roster lead to the substitution of traditional arm's length relationships by close and long term partnerships, characterized by mutual trust and interdependence and mutual benefits (Magnet 1994). Suppliers are provided with functional specifications rather than detailed product specifications drawn up independently by the customer, and are frequently involved in new product development efforts (Burt 1989b, Nonaka 1990, Asmus and Griffin 1993). The best suppliers (world-class suppliers) become an extension of the firm in terms of having similar management policies, structure, information systems, quality levels, delivery schedules and costing practices.

Time to market

Increasing competition leads to shortening product life cycles, pressure on product development activities and the need to reduce the time to market. Time becomes a critical factor in obtaining competitive advantage (Stalk and Hout 1990, Kotler and Stonich 1991, Meyer 1993). Particularly Japanese firms have proven to be adept at cutting product development times in half. Their techniques are currently being applied by an increasing number of western firms (Smith and Reinertsen 1991). The much-desired reduction of development cycles necessitates close collaboration, both internally (cross-functional teams that include Purchasing) and externally (with key suppliers and major customers).

Purchasing as a strategic weapon

Closer relationships with a limited number of carefully selected suppliers contribute to the increasing strategic relevance of purchasing (Kraljic 1983, Reck and Long 1988, Burt 1989a, Cammish and Keough 1991, Keough 1993). In many firms Purchasing no longer serves to squeeze an extra dime out of suppliers but employs professionals to negotiate critical partnerships. In addition, Purchasing personnel maintain frequent contact and good working relationships with other essential departments, such as Production, R&D, Human Resources and Finance. This network of relationships makes them a critical asset in the cross-functional teams necessary for successful product development (Burt and Soukup 1985, Williams and Smith 1990).

Together, these trends cause sweeping changes in the field of purchasing. Successful firms realize substantial benefits through an efficient organization of their purchasing function. A recent study of McKinsey & Co. quantified some remarkable results (Table 1). Cammish and Keough (1991) report that the strategic management of purchasing may trim total spending between 5 and 15% over a three-year period.

Table 1. Results of efficient purchasing

Parameters	Typical company	World-class company
Cost factors		
- Suppliers per purchasing agent	34	5
- Agents per \$100 million of purchases	5,4	2,2
- Purchasing costs as a percentage of purchases made	3,3%	0,8%
Time factors		
- Supplier evaluations (weeks)	3	0,4
- Supplier lead times (weeks)	150	8
- Time spent placing an order (weeks)	6	0,001
Quality of deliveries		
- Late	33%	2%
- Rejected	1,5%	0,0001%
- Materials shortages (No. of instances per year)	400	4

Source: McKinsey & Co.

Reverse Marketing

In 1988 Leenders and Blenkhorn published Reverse Marketing - The New Buyer-Supplier Relationship, in which they state that the buyer-supplier relationship has changed considerably. The traditional relationship, where the seller takes the initiative by offering a product, is increasingly being replaced by one where the buyer actively searches for a supplier who is able to fulfil its exact needs. Blenkhorn and Banting (1991) consider the industrial marketers' inadequate performance to be the major cause for this changed attitude: 'If those b-t-b marketers really were paying attention to customer's needs, procurement people would not have to develop aggressive materials acquirement strategies'. The supplier is subsequently urged to deliver the product with the required specifications, where the buyer participates in identifying the best solution.

This phenomenon is called reverse marketing. Reverse marketing is not a technique, but a changed perspective on purchasing and supply management, and is found to lead to cost reductions of 5 to 30 percent. In addition, reverse marketing may result in improved product quality, delivery performance and service support. The traditional purchaser and the reverse marketing oriented one can be regarded as two extremes, each with its own characteristics (Table 2). The characteristics of the reverse marketing oriented purchaser have far-reaching implications for suppliers.

A supplier needs to assess the purchasers with whom its wants to do business and translate this into strategy and action. One direct consequence for the supplier is an increasing attention to the use of relationship management, which may lead to the implementation of account management. Developments such as these are also found in retailing and caused e.g. Black & Decker Corp. to set up divisions with a dozen or so staffers from logistics to finance dedicated to serving such power retailers as Home Depot (Business Week International 1992).

Table 2. Purchaser profiles and implications for industrial marketers

Traditional purchaser	Reverse marketing oriented purchaser	Implications for industrial marketers
<ul style="list-style-type: none"> - responsive - unidimensional thought - adversarial attitude toward supplier: 'them vs. us' - looking for immediate and satisficing solutions; short time perspective - passive negotiation approach - accepts status quo 	<ul style="list-style-type: none"> - proactive - multidimensional thought - cooperative attitude toward supplier: partnership - looking for continuing and optimizing solutions; long term perspective - assertive negotiation approach - highly motivated 	<ul style="list-style-type: none"> - acknowledge active role of purchaser, listen carefully and react on initiatives - demonstrate the effect of offered solutions on other operations, decisions and issues within the organization - focus on long term relationships; sacrifice short term profit for long term profitability; relationship marketing - combine solutions to immediate problems with long term planning and execution; look at future developments, needs and problems; attention to after sales service; willingness to adapt - prepare for negotiations meticulously; thorough presentations; be sensitive and adaptable to the buyer's requirements and objectives - reciprocate the enthusiasm encountered; demonstrate willingness to 'go the extra mile'

Source: Based on Blenkhorn and Banting (1991)

Such a strategic approach to purchasing obviously requires other capabilities than traditional purchasing does. As with every significant organizational change, the successful implementation of a reverse marketing strategy requires (1) personnel with the right education and attitude, (2) sufficient commitment and support from the organization and (3) practical guidelines, that show reverse marketing

oriented purchasers how to implement such a strategy. Existing personnel and present attitudes may prove to be an important obstacle.

For instance, Cammish and Keough (1991) provided the rather grim estimation that the implementation of strategic purchasing frequently means that more than half of the purchasing managers need to be replaced. Organizational commitment and support should be fostered by top management and can be demonstrated by elevating Purchasing's position in the organization and involving it formally in various critical strategic decision making processes. Finally, the practical guidelines for implementation of reverse marketing are the subject of the balance of this article.

Marketing Principles for Purchasing

Leenders and Blenkhorn identified eleven phases in the reverse marketing process, starting with fundamental research and ending with an evaluation of reverse marketing options. However, these eleven phases can be grouped into four general stages which show great resemblance to the familiar stages of the marketing planning process. We will present these four stages and demonstrate how marketing principles can guide purchasing by describing a fictitious case. The case revolves around Pat Jordan, at present Purchasing Manager at BroadBent Industries, but who used to hold a marketing position at another firm in the same industry. Jordan was specifically hired to make BroadBent's purchasing function more market-driven. The case describes how Jordan uses her knowledge of basic marketing principles to initiate, design and assist in the implementation of reverse marketing in her company. Table 3 provides a summary:

Table 3 Marketing principles for purchasing

Marketing principles	Translation to purchasing
Stage 1: Analysis and purchasing strategy selection	
SWOT analysis	Analysis of general developments and the organization's position on supply markets
Strategic marketing plan	Strategic purchasing plan that describes the firm's desired supply position and the strategy to realize it
Pareto analysis	Classification of purchased products according to their strategic importance
Market research	Analysis of both existing and potential suppliers
Growth vectors	Supplier development strategies that include present and potential suppliers, as well as current and desired activities
Market segmentation	Grouping of suppliers into categories with similar characteristics
Target segment	
Relationship transaction marketing vs	Determination of the group of suppliers that most closely fit the profile of the ideal supplier
	Determining the right mix of arm's length and partner

	relationships with suppliers
Stage 2: Planning the reverse marketing effort	
Tactical marketing plan Go/no go decisions Integration of functional areas	Plan with reverse marketing objectives and the short term actions needed to realize them Defining decision points and the accompanying criteria to evaluate the reverse marketing effort and decide on future actions Building internal support by emphasizing cross-functional communication
Stage 3: Implementation of plan of action	
Analysis buying centre/DMU Focused selling effort Emphasizing customer benefits Mobilising product champion	Identifying and analysing the relevant decision makers and the decision making process 'Selling' the supplier on the reverse marketing proposal through a personal tailored approach Stressing the various (internal and external) benefits to the supplier during negotiations and in drawing up the contract Mobilising a project champion within the supplier who stimulates the project, creates commitment and ensures continuation
Stage 4: Control and evaluation	
After sales service Relationship marketing Evaluation of marketing results	Assisting the supplier after signing the contract; e.g. through a financial contribution or solving technical problems Building the relationship with the supplier through good communication, supported by careful evaluation of performance on the basis of mutually agreed upon criteria Evaluating the tentative reverse marketing results on the basis of the objectives in the strategic purchasing plan

Stage 1: Analysis and purchasing strategy selection

Jordan realizes that first she should (1) analyze the company and its supply markets, (2) analyze the suppliers and (3) develop a reverse marketing strategy. The objective is to carry out a general analysis of the situation and to determine the appropriate reverse marketing strategy.

Analysis of organization and market

To ensure long term profitability, firms continuously monitor their organization and environment and investigate both problems and opportunities. Frequently, one person or department (e.g. Market Research or Strategic Planning) is assigned the responsibility for such continuous research with a long term perspective. Similarly, BroadBent should analyse developments and positions on

its supply markets. However, until now, pressing short term problems have always precluded such a long term purchasing perspective. Jordan recognizes it as her responsibility to make sure that continuous purchasing research is carried out, preferably by Purchasing, but possibly by Market Research or Strategic Planning who can modify existing methods of analysis to reflect purchasing issues. Jordan identifies three marketing tools that may be used in this context.

The first useful tool is the SWOT analysis (cf. Leenders' and Blenkhorn's first stage of the reverse marketing process: fundamental research), which Jordan uses to identify Broadbent's supply position as well as general developments in its supply markets. Broadbent's organizational strengths and weaknesses encompass costs, technology, quality, service, flexibility, customer relationships and environmental issues. Analysis of the supply markets concerns issues such as market structure, market growth, capacity utilization, competitive structure, unique product advantages, entry barriers, regulation, and availability of resources. Such a purchasing-oriented SWOT-analysis provides Jordan with an initial understanding of supply problems and possible solutions. Jordan realizes that continuous scanning of the supply environment could be done more efficiently with the help of a structured information system.

Such an information system is similar to the existing market information system and the two may even be integrated. Jordan notes this as the first issue for future investigation. Finally, Jordan finds that the identification of future organizational needs requires the involvement of Purchasing in long term decision making and the establishment of frequent cross-functional consultation at a high level within the organization. Whereas Purchasing's position within BroadBent's organizational hierarchy presents no problems, there is definitely a need for more intensive cross-functional consultation. Jordan decides to put this on the agenda of the next management meeting.

Next, Jordan formulates BroadBent's desired supply position, and the strategy to realize it, and makes them the heart of a strategic purchasing plan, which is similar in purpose and nature to a strategic marketing plan. This plan also defines the relationship and coordination with other departments and Purchasing's contribution to Broadbent's critical organizational goals and processes (i.e. cost reduction, quality improvement and reduced time-to-market).

After having analysed positions and developments on supply markets, Jordan uses the basic principle of Pareto-analysis to assign priorities to the broad range of purchased products. She bases her analysis on Kraljic's (1983) classification of purchased items into strategic, bottleneck, leverage and non-critical items. In principle, all products, except the non-critical ones, may be considered for the application of reverse marketing. A market analysis, which relates the suppliers' bargaining power to BroadBent's organizational strengths from a buying perspective, presents Jordan with a number of issues, each of which represents an option for the application of reverse marketing. Next, Jordan needs to select the specific issue to address.

The decision can be based on expected long term benefits in terms of improved quality, cost reduction, technical improvements etcetera. Other possibilities are to address the most urgent problem first, or to explore the opportunities of reverse marketing by starting with a small project and gaining experience without running substantial risks, before tackling the major issues. Jordan decides to apply reverse marketing to the strategic products only (cf. Kraljic 1983) and start with the most pressing issue: viz. increasing the general performance and compatibility between a number of related products bought from six outside

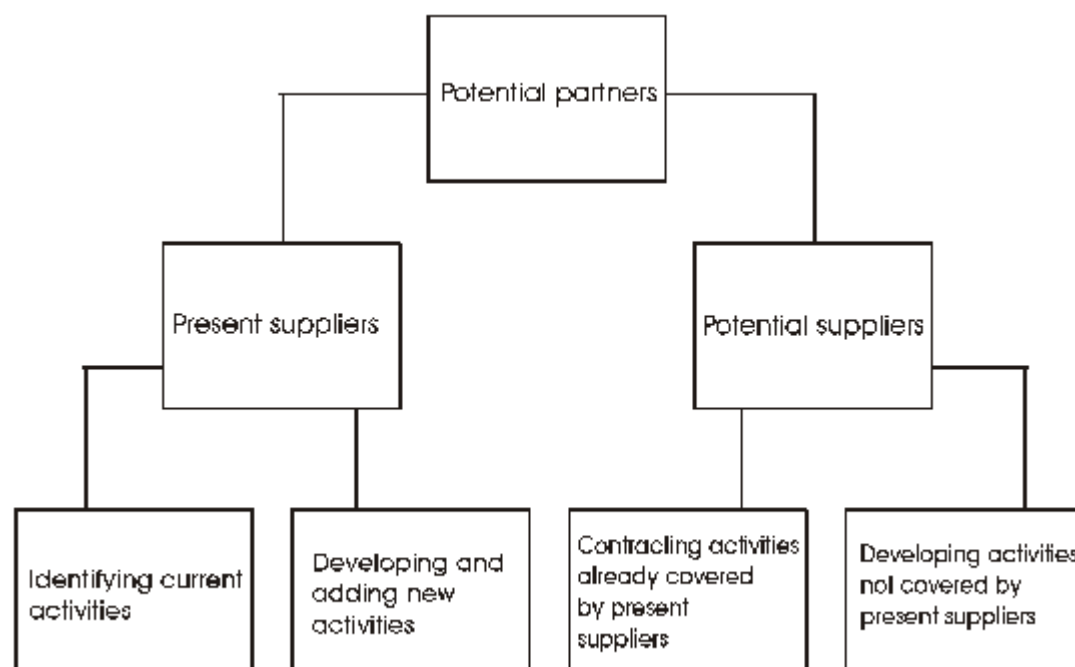
suppliers, primarily by reducing the number of suppliers and increasing the fit of the products with BroadBent's production process.

Analysis of suppliers

As the next step, Jordan analyses the purchasing requirements for an increased compatibility between the related products, resulting in a general description of the ideal supplier. She realizes that the variables used and degree of detail are determined by the situation and develops a suitable profile by combining Moriarty's and Kosnik's (1989) general partner profile consisting of five dimensions (resources, relationships, reputation, capabilities, and chemistry and culture) with many of the specific quality-related criteria to evaluate suppliers, mentioned by Hutchins (1992). Subsequently, Jordan compares this ideal profile to information about potential supplier partners. Although some of the required information is available from previous experience and co-workers (who possess experience gained in other jobs and belong to other networks), most is collected by traditional market research methods.

Trade shows, trade journals, business press, newspapers, trade organizations, competitors, distributors, customers and present suppliers prove to be useful sources of information. In gathering information from present suppliers, Jordan realizes that new partnerships may constitute a threat to existing relationships. Nevertheless, she wants a complete picture before she commits herself to any course of action. Therefore, as Figure 1 illustrates, Jordan includes both present and potential suppliers in the analysis, as well as current and desired activities. The various supplier development strategies are analagous to the growth vectors described by Ansoff (1957).

Figure 1: Supplier development strategies



Next, Jordan uses the concept of market segmentation to group the suppliers into a number of segments, with every segment having a different profile and therefore a different potential to solve the selected issue. At this stage, she makes a distinction between arm's length relations and potential purchasing

partners, with only the potential partners (the ones who resemble the profile of the ideal supplier) being considered for the application of reverse marketing. This target segment she then further analyses with the help of tailor-made supplier evaluation tools to identify suitable partners. Pat Jordan uses BroadBent's experiences with supplier evaluation tools to develop a reverse marketing evaluation tool. In so doing she is also inspired by the Dutch Philips Electronics's evolution of supplier evaluation tools. In the 1960s Philips Electronics already used approved suppliers, a system that was later substituted by preferred suppliers and key suppliers. The key suppliers consisted of app. 800 suppliers that were urged to obtain the ISO 9000 certificate.

At present, Philips Electronics evaluates all suppliers with the help of 15 critical performance indicators (in the areas of innovation, delivery, communication, certification, packaging etc.). The detailed analysis of potential partners is further enhanced by the application of other existing tools, such as the experience curve, value analysis and life cycle costing. Inspired by the management literature on partner selection for strategic alliances, Jordan includes the potential partner's management style and culture as additional variables that determine a candidate's suitability (see also Magnet 1994). Based on these analyses, Jordan selects a number of suitable partners and ranks them in order of preference. The first four prospective partners are evaluated in even more detail through a self-administered survey and on-site visits by a BroadBent audit team.

These comprehensive evaluation efforts make it necessary for Jordan to involve several departments within BroadBent, while the various analyses also require contributions from other departments; e.g. the estimation of experience curves requires the assistance of Production Managers with detailed knowledge of both existing and alternative production methods. (See also Aleo (1992), who describes how Kodak developed the Early Production Supplier Involvement programme, which uses a number of cross-functional supplier evaluation teams to identify suitable partners.)

Reverse marketing strategy

To conclude the first stage of the reverse marketing process, Jordan has to determine BroadBent's reverse marketing strategy. In general, this revolves around the following basic decisions:

1. Do we present a reverse marketing proposal to the best supplier identified?

If the analysis of suppliers resulted in the identification of one potential partner that closely fits the ideal profile and clearly outperforms the other suppliers, Jordan may continue with the initiation of a reverse marketing relationship (i.e. proceed with stage 2). When several suppliers are considered to be suitable partners, BroadBent may start with approaching the top-ranked supplier. However, if the ranking is not clear, Jordan and her colleagues need to identify additional criteria to determine the best alternative. Finally, all analyses may also lead to the conclusion that suitable partners simply do not exist.

2. Do we plan for long-term investments in a supplier to upgrade its quality?

Noted deficiencies in a selected partner may cause BroadBent to decide to invest in supplier development and upgrade the selected supplier's quality (e.g. through financial support, management training or the temporary assignment of technical personnel). Similarly, the absence of a suitable partner may lead to the decision to postpone the reverse marketing project for a while or invest to upgrade the

supplier's quality and thus pave the way for a future reverse marketing relationship.

3. Do we go ahead with applying reverse marketing to the issue under investigation?

If simply no suitable partners exist and the expected benefits of supplier development do not make up for the costs involved, Jordan may decide to abandon the current issue and investigate the application of reverse marketing to other purchasing issues instead.

4. Do we investigate the opportunities of applying reverse marketing to other issues?

Finally, the results may be so discouraging as to lead BroadBent to drop the project and abandon all reverse marketing efforts altogether. Basically, this means that BroadBent will maintain a more traditional approach to purchasing.

Obviously, these decisions depend on the suitability of the potential partners and the investments needed to make the various kinds of relationships profitable. Similar trade-offs are carried out by Marketing when it evaluates the kind of relationships it wants to develop with potential customers (transaction versus relationship marketing; Jackson 1985, Anderson and Narus 1991). To facilitate these decisions, Jordan meticulously estimates the benefits of a successful partnership and the chances of realizing them. For this purpose, she uses the classification of Ellram (1991), who categorized the potential advantages of forming purchasing partnerships versus adversarial relationships into three groups, i.e. advantages related to:

Management: easier to manage, reduced risks through mutual dependence, increased supplier loyalty, joint planning, information sharing, greater cooperation.

Technology: access to technology, joint product development, improved quality, reduced development times.

Finance: shared risks, reduced inventory levels, more stable supply prices. In the case of BroadBent, the results of the analysis are sufficient to warrant continuation of the reverse marketing process. Thus, Jordan formulates a clear-cut reverse marketing strategy and uses it to update the strategic purchasing plan.

Stage 2: Planning the reverse marketing effort

In making one individual (i.e. Pat Jordan, the Purchasing Manager) responsible for the reverse marketing project, BroadBent Industries clearly increased the chances of a successful implementation. It also helps that Purchasing is positioned relatively high within BroadBent's organizational hierarchy. This allows effective communication and support of the strategic decision to develop purchasing partnerships. In planning the implementation of the reverse marketing effort Pat Jordan needs to (1) formulate clear objectives, (2) specify the activities that must be carried out and (3) develop internal support.

Formulation of objectives

Based on her experiences in drawing up a tactical marketing plan, Jordan formulates the objectives of the reverse marketing project as explicit as possible.

For example, the number of suppliers that are currently supplying the related products under investigation needs to be reduced from six to two or three. Thus, they can be used to draw up a detailed plan of action and serve as milestones for the evaluation (stage 4).

Specification of activities and decision points

Based on the objectives formulated, Jordan specifies the activities to be carried out (Ellram 1991). The plan of action is detailed to such an extent that all parties involved know what is expected of them.

Analogous to a product development plan, Jordan's reverse marketing plan of action also incorporates a number of go/no go decisions, which define the milestones where management needs to decide whether or not to continue the reverse marketing effort. Usually, the potential benefits of successful reverse marketing more than compensate for minor initial failures. The examples provided by Leenders and Blenkhorn demonstrate that cost reductions of several hundreds of thousands of dollars per year are not unusual. However, this requires patience and a long term perspective.

Development of internal support

From experience, Pat Jordan knows that a successful marketing strategy depends on the effective integration of various functional areas within the organization (in the marketing literature this is referred to as 'integrated effort'). Similarly, when implementing a basic new way of doing business (which is what reverse marketing represents), success depends on building internal support (internal marketing!) and the right infrastructure. Jordan realizes that the successful implementation of the reverse marketing strategy requires different skills from the purchasers involved and that a suitable training programme needs to be developed. For instance, realization of the objectives requires that purchasers not only possess the usual knowledge about the range of products offered and negotiations with suppliers, but in addition they also need to be familiar with issues such as quality control, statistical process control, just-in-time, production methods and engineering (Hutchins 1992).

The information needed for the training programme is for the most part available within the organization. Finally, Jordan recognizes that she will only realize the required active participation of purchasing staff when their performance evaluations stress broad organizational goals, such as high quality, reliable deliveries and technological innovation, rather than just purchasing expenditures. Therefore, she plans to adjust the procedures for evaluating her staff accordingly. In addition, she realizes that recruitment processes may also need radical revision, and Jordan determines to have a closer look at this as well (Keough 1993).

Naturally, Jordan expects people to display some opposition to the changes involved. However, developing internal support at an early stage makes sure that the necessary psychological infrastructure is present. Jordan's strategy in building internal support revolves around (a) identifying barriers to implementation, (b) locating opposing individuals and (c) eliminating/reducing resistance. Jordan finds that opposition to the implementation of reverse marketing is mostly rooted in fear of new work procedures and changed job descriptions. But negative perceptions of the proposed reverse marketing alternative also need to be addressed. For instance, what will happen with the people involved if the partnership should fail? In allaying these fears, Jordan freely shares information

and stresses that mistakes are part of the learning experience in trying to realize the results envisioned.

Stage 3: Implementation of plan of action

After the plan of action has been detailed and sufficient internal support secured, Jordan continues with the actual implementation of the reverse marketing strategy. This third stage of the reverse marketing process entails (1) analysing the supplier(s) in great detail and identifying a suitable project champion, (2) orchestrating a focused sales effort and (3) conducting negotiations and signing the partnership contract.

Detailed analysis of supplier

The detailed plan of action, strengthened by internal support, enables Pat Jordan to contact EverReady, the first supplier on the list of potential partners with a concrete proposal. However, before doing this, she carefully considers the right individual(s) to mobilize within the firm. Identification of the right person(s) will strongly determine the speed and effectiveness of the initial negotiations, but requires detailed information about the specific problems of the supplier and its internal organization and decision processes. For instance, when the selected supplier is a large multinational organization, direct contact with headquarters may be the right way to proceed. Identifying the right person(s) for initial negotiations is the purchasing equivalent of analysing the structure, size and membership of a decision-making unit, as well as the major buying influencers, in marketing (Bonoma 1982).

Focused sales effort and mobilisation of project champion

After having made the initial contact, Jordan needs to sell the supplier on the reverse marketing proposal. To this end, she uses various well-known sales and marketing techniques. From her marketing background, she knows that a focused selling effort, consisting of good timing, a personal approach (relationship management!), tailor-made information and, when necessary, the assistance of experts, is the key to success. Other concepts she borrows from marketing are (1) customer benefits, which lead her to translate the proposal into concrete advantages for the supplier, and (2) the identification and support of a project champion within the partner organization, who is able to stimulate the project, create organizational commitment and ensure continuation in the face of initial problems. In industrial marketing these activities have proven to be essential in getting potential customers to adopt a newly developed product. For example, Jordan read that Texas Instruments developed a 'key executive' concept, where key suppliers are asked to dedicate a key manager to be the point person for directing the partnership. To support the project champion Jordan provides him with detailed information (ammunition) to sell the project within his own organization. After all, the proposed partnership should offer clear benefits to the supplier. Berry (1980) calls this 'managing evidence'.

In the discussions, Jordan emphasizes that the purchasing partnership will bring the supplier various internal benefits, such as improved product quality and reliability, improved manufacturing, improved ability to comply with regulatory standards, reduced field service costs, reduced liability exposure and reduced inventories. In addition, Jordan considers to offer the potential partner a number of external benefits, such as guaranteed high volumes, a long term contract, an exclusive contract, an award, technical assistance, financial assistance and

certification (Hutchins 1992). Naturally, all these issues were prepared and discussed extensively during the regular management meetings.

Negotiations and signing of contract

Within a reasonable period of time both BroadBent and EverReady have to decide whether the proposed partnership is feasible. Specific conditions are agreed upon and incorporated in a formal written contract. This includes arrangements for the distribution of costs and benefits, handling of unusual situations, and conditions and procedures for termination of the partnership. As is usual in this kind of situation, the strategic partnership is mostly built on trust (Han et al. 1993) and the contract is not very elaborate. Nevertheless, Jordan makes sure that both parties are familiar with each other's goals and requirements, as well as the various conditions, risks and responsibilities of the purchasing partnership. For instance, for the supplier the proposed partnership implies:

- tighter and higher requirements,
- continuous auditing by the customer,
- order levels tied to performance,
- required flexibility, and
- the imposition of operational controls.

Naturally, the selected supplier may still decide not to enter into a purchasing partnership with BroadBent Industries. This means that Jordan needs to return to an earlier stage of the reverse marketing process and perhaps approach the next supplier on her list of candidates. In that case it would be important for Jordan to keep the initiative in order to maintain BroadBent's initial goals and conditions as the basis for new negotiations. Fortunately, EverReady accepts the reverse marketing proposal.

Stage 4: Control and evaluation

For the fourth and final stage of the reverse marketing process, Jordan needs to establish procedures for (1) control of the reverse marketing process and (2) evaluation of the activities carried out.

Control

Although effective purchasing partnerships are characterized by mutual commitment, communication, trust and a synergistic combination of capabilities, Jordan realizes that this does not preclude continuous assessment and monitoring of the supplier's performance. After all, every relationship has its ups and downs. Jordan particularly monitors the start-up of production and the first units produced. Even though EverReady is a certified supplier, they will still be monitored during the full duration of the contract, which is in keeping with the practices of world-class firms. For instance, Motorola teams tour suppliers' plants every two years, while commodity managers rate suppliers monthly on an index that combines cost and quality, in both cases comparing the suppliers with their competitors (Magnet 1994). For the evaluation of suppliers, Jordan considers the whole range of surveys, on-site visits, mechanical product tests, reliability tests, incoming material inspection, failure mode and effects analysis, statistical process control studies, team audits and stepwise certification processes. Unusual

conditions or emergency situations will automatically generate an assessment. Examples of such circumstances are major product failure, customer complaints, chronic quality problems, frequent shortages of material, late delivery of material, defective material and high quality costs (Hutchins 1992). Quick corrective action obviously enhances mutual trust and improves the partnership.

To assist in the case of problems, Jordan makes arrangements for incidental financial contributions (by creating an internal budget and reserving funds) and help with the implementation of techniques for statistical process control (by identifying and gaining the support of an internal expert). This kind of assistance is similar to the after-sales service used in marketing. In addition, Jordan makes sure that BroadBent Industries is able to keep its part of the bargain (e.g. keeping promises regarding purchased volumes, technical support etc.) in order to elaborate on the trust built up during the previous stages. All these activities aimed at building the relationship are part of relationship management, a familiar concept from industrial marketing and the marketing of services.

Evaluation

Finally, after some time the reverse marketing efforts need to be evaluated. Such an evaluation can be carried out after the contract has expired, but after consultation with EverReady Jordan decides in favour of an annual evaluation. After one year, the results and experiences will be compared to the objectives specified during the planning stage. Have the expected benefits been realized? What unforeseen circumstances/problems came up? What new developments have materialized? Again, BroadBent Industries will need to make a strategic decision and decide whether reverse marketing offers the greatest opportunities for the coming years or whether a different kind of purchasing arrangement is to be preferred (cf. stage 1).

In the meantime, one must realize that the reverse marketing efforts will have introduced new elements to the equation. For instance, both BroadBent and the supplier will have made investments with a long term pay-off and the purchasing partnership may not be fully developed yet. Premature termination of a partnership that did not really get the chance to blossom is an inefficient outcome for both partners.

Naturally, the outcome of the evaluation may serve to formulate a new plan of action, or modify the reverse marketing objectives and/or strategy.

One evening, as Jordan sits in her office thinking back to the whole reverse marketing process, she realizes that although it took a lot of effort the preliminary results are really promising. Nevertheless, she knows that a lot of work remains to be done to make BroadBent's purchasing truly market-driven.

REVERSE MARKETING: AN EVALUATION

Both marketing and purchasing are all about developing and maintaining relationships with external parties. In this article, we have demonstrated that marketing principles and tools may be used to develop a strategic purchasing function. As a framework we used the concept of reverse marketing. We also demonstrated that reverse marketing embodies a number of relevant worldwide trends and serves as a conceptual umbrella. This implies that reverse marketing should not be embraced as a completely new purchasing philosophy. In this context, three remarks need to be made.

First, the concept of reverse marketing is not suitable and certainly not profitable for all purchases. The number of products it can be applied to are limited and there will always be room for traditional, adversarial purchasing with an emphasis on individual transactions rather than long term relationships (cf. Jackson 1985, Anderson and Narus 1991).

Secondly, the word 'marketing' may not be entirely appropriate. We have demonstrated that marketing principles may be used effectively in purchasing. In addition, reverse marketing efforts directed at suppliers require an informed and streamlined internal organization. Internal marketing may prove to be the key to having one's own organization function as a single unit. However, this clearly illustrates that the implementation of a reverse marketing strategy has significant implications for the whole organization. Analogous to the field of industrial marketing, where a team of specialists (the 'problem solving unit') address the needs of a group of individuals within the buying organization (the 'decision making unit'), the distinction between marketing and management is not always clear. Therefore, it would probably be better to use the term reverse management.

Thirdly, in the 1990s firms can no longer limit themselves to applying marketing principles only vertically (forwards to customers and backwards to suppliers). The successful firms of this decade develop and maintain close relationships with all relevant external parties, such as competitors, manufacturers of complementary products, government, interest groups and relevant media.

To sum up, the developments sketched in this article lead us to modify Regis McKenna's (1991) provoking statement 'Marketing is everything' into 'Marketing is everywhere'!

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