

# REDUCING MARKETING RISK: A CUSTOMER CENTERED APPROACH

Karl Foord Ph.D. MBA  
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## **Introduction**

Marketing risk falls into three basic categories, customer awareness, market and competitive awareness, and boldness. Businesses assume risk when they do not: understand their customers, keep an eye on marketplace trends and the competitive landscape, and take reasonable risks testing the status of customer wants.

### **Customer Awareness**

Businesses and their marketing efforts succeed when they understand and address the value that their product brings to their customers. Success continues when the business has a system to both monitor changing customer needs and to respond quickly to those changing needs. The focus needs to remain on the customer and the product need fulfillment. Preoccupation with the features of a product as opposed to the customer benefits of the product is a formula for disaster.

Your customers are your business. All of your assets are liabilities until your customers show up. Your business should be organized around your customers.

The success of your business is a function of discovering the customers who capture the most value from your offerings. Find them. Make them happy. And your business will be satisfying and profitable.

### **Market and Competitive Awareness**

The second area of marketing risk comes from not being watchful and having an acute knowledge of your surroundings. It is a key to survival. One must keep an eye on the competitive landscape and marketplace trends. Trends that can impact your business can be operating at a global level, an industry level, or a local level. Having a way to monitor these trends and a readiness to respond as necessary minimizes the risk of marketplace change.

### **Boldness**

I believe one needs to be optimistic, enthusiastic and, bold. It is optimists that create value not cynics. Represent your product with honest enthusiasm; after all you are bringing value to people with your product and services. There is a need to be bold. There is a market risk associated with falling behind.

### ***The Goal of this Workbook***

This goal of this workbook is to help you reduce your marketing risk. The workbook is divided into two parts. The first part is designed to help you develop information about your customers and your competitive position in the marketplace. The goal of this section is to define your best competitive position and the optimal marketplace niche for your business. Identifying the actual

benefits your customers are buying, and the market segments where your business delivers the greatest value to these customers will help to define this niche.

The second part is designed to help you develop a marketing plan that will aid you in your efforts to improve business performance and reduce marketing risk.

The theme throughout is to explore the perspective of your customers. All marketing efforts should focus on the value of your products and services as perceived by the customer. Understanding and improving this perceived value is the key to marketing success.

# **PART I. DEVELOPING CRITICAL MARKETING INFORMATION**

## **CUSTOMER AWARENESS**

### **KEY # 1: DISTINGUISH PRODUCT FEATURES FROM CLIENT BENEFITS**

Introduction:

People buy things to fulfill a need or want. The most basic needs are biological including attaining security. They also seek to gain status or recognition, lessen anxiety, satisfy aggressions or sensibilities, and save time. People are motivated to fulfill these needs.

People have a biological need for food that can be satisfied by your fruit or vegetable product. Their motivation to purchase at your stand or place of business could be motivated by a satisfaction of the senses provided by your peach. It could be convenient for them to shop at your location. They could take pride in purchasing a product produced locally. They may gain knowledge by a farm or cider press tour. It could be stylish to purchase at a roadside stand. Always consider the emotional benefits involved in the purchase of your products and services.

Businesses are motivated by things that add value to their business. Value can be added by improving the efficiency or effectiveness of their business through dependability, customization, guarantees, and delivery schedules. Value can be added in financial terms through discounts, price and quality relationships or market exclusivity. Relationships with vendors are a key motivating factor. There is also an emotional aspect to the purchase which may not be obvious but will nonetheless be critical.

Whether you are selling to people or directly to other businesses, it will be to your great advantage to understand the needs and motivations driving your customers.

## Worksheet # 1 - What Product Benefits Are Your Customers Buying?

What are the prime motivators for your customers?

**Economic:** Cost; Value

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**Functional:** Selection, Convenience, Comfortable, Easy Shopping, Easy Access

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**Physical:** Taste, Freshness, Smell, Touch, Sight, Experiential

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**Psychological:** Emotional Benefits, Health, Prestige, Intangible Needs, Experiential

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**Social:** Culture, Family, Reference Groups, Social Class

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## **KEY # 2: WHAT CUSTOMERS GAIN THE GREATEST BENEFITS FROM YOUR OFFERINGS?**

Having described your product in terms of customer benefits, we should now further describe those people who get the most value from your offerings. To do this we separate or segment the marketplace to focus our efforts where they will produce the greatest win-win for the customer and the business.

By not segmenting we are assuming that everyone is our customer. The value that customers place on your product is going to vary among the population. You are wasting your resources by attempting to sell to people who do not want your product or do not value it enough for it to be a profitable exchange for you. They will not appreciate it nor will they be willing to pay you for it. The best strategy is to find those who do appreciate it and are willing to pay you for it, and grow your business by serving these people. By focusing your efforts on this segment you are making optimal use of your resources. Focus produces a significant strategic advantage for your business. Should you come close to saturating this segment, then move to the next segment.

This being said how should we proceed to achieve this focus? First we will want to define areas where your offerings will be uniquely valued. Consider the following questions:

### Market Situation

This subsection of the situation analysis section provides information on the size, growth, and trends of the overall market and any relevant segments of the total market or category.

For example, a small business could include local industry sales or volume for the last five years and estimated total market for this year and the following year, with company sales and share of the market.

Rationale should be provided for estimating the trend of the market, including key industry developments, introduction of new technology or new products, increased marketing spending by key competitors, etc.

## Worksheet # 2 - Customer Focus: Finding the Segments from Heaven

What customer group is the best fit for you?

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Where you can provide unique value?

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Where you can dominate due to unique strengths?

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Where you can build strategic relationships?

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Where you can get high margins?

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Is there a way to increase the customer perceived benefits of your product at minimal expense?

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Where you can build sales at lowest cost?

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Where are the highest potential markets for the type of business you want to run?

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## KEY # 3: IDENTIFY THESE CUSTOMER SEGMENTS

### Worksheet # 3 - Customer Traits: What Do You Know About Your Customers?

Who are your premier customers? The ones you would give a platinum frequent buyer card. It is this group that sustains your business.

Name ten of your top customers:

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Do these top customers have demographic similarities as noted below?

#### *Demographic Variables:*

Age:

Gender:

Income: High, Medium, Low

The better you understand how your customers think and behave, the better you are able to match your business operations to their needs. The closer your offerings match the needs of your clients the greater the value to your customers. The greater the value to your customers the more price will be a lesser part of the purchase decision. The more value exceeds price the greater your profitability. Can you describe your customers as to how they think and behave?

#### *Psychographic Variables:*

Motivation & Unmet Needs: Economic; Functional; Physical; Psychological; Social

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Buying Behavior/ Attitudes: Time; Criteria; Comfort; Decision-makers; Urgency; Price

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Trendsetters: Innovators (Adventurous); Early Adopters (Opinion leaders; Respected); Early Majority (Deliberate); Late Majority (same); Laggards (Traditional – why change)

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Interests: What interests do they have that might link to your business?

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Key purchasing criteria: Quality, Service, Price

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description of target buyers or end users in demographic, psychographic, and lifestyle terms  
target buyer/end user wants, needs, attitudes, and perceptions of category products and services

## MARKET AND COMPETITIVE AWARENESS

### KEY #4: QUALITY IS RELATIVE – HOW DO YOU COMPARE TO THE COMPETITION?

We will want to address this question from two perspectives. The first is how your customers view the competition relative to you. Businesses are often defined by their competition. You can't think of Burger King and not think of McDonald's. The second is how you view your competition from a business perspective. We begin by defining the landscape.

What products and companies compete with you? List two of your major competitors:

	<u>Competitor A:</u>		<u>Competitor B:</u>
Name:	_____	Name:	_____
Address:	_____	Address:	_____
	_____		_____

Do they compete with you across the board, just for certain products, certain customers, or in certain locations?

#### Nature of Competition:

Across the Board:	_____	_____
Degree of Product Overlap:	_____	_____
Customer Overlap:	_____	_____
Location Overlap:	_____	_____

### Worksheet # 4 - Direct Competitors: The Customer Perspective

The purpose of this exercise is to project what you think your customers are thinking. Because what determines whether they bring their money to you is how they think. Identify those factors that you believe your customers would think are the strong or weak parts of the benefits you deliver to them. For example, if you have a location that offers great convenience, both of these benefits would provide strength to your offering. Then give your self and your competitors scores on that character. Score 5 for high = outstanding and 1 for low = poor. Then score how important you believe this is for the customer.

**Worksheet # 4 - Direct Competitors: The Customer Perspective**

<b>Feature/Benefit</b>	<b>Strength</b>	<b>Weakness</b>	<b>Your Company</b>	<b>Competitor A</b>	<b>Competitor B</b>	<b>Importance to customer</b>
<b>Products</b>						
<b>Convenience</b>						
<b>Cost/Value</b>						
<b>Price</b>						
<b>Speed</b>						
<b>Quality</b>						
<b>Selection</b>						
<b>Service</b>						
<b>Reliability</b>						
<b>Stability</b>						
<b>Expertise</b>						
<b>Experience</b>						
<b>Reputation</b>						
<b>Location</b>						
<b>Appearance</b>						
<b>Sales method</b>						
<b>Credit policies</b>						
<b>Advertising</b>						
<b>Image</b>						
<b>Warranty</b>						
<b>Performance</b>						
<b>Prestige</b>						

## *Analysis and Interpretation of the Customer Perspective Competitive Matrix*

As you look at the completed matrix, what jumps out at you? Do you see ways to differentiate your business from your competitors? Where in the matrix do you have an edge? Do you have a quality or unique feature advantage? What are your competitive advantages and disadvantages? Is this an attractive customer segment? What are the overall implications for your business?

What are your competitor's strengths and weaknesses? Can you visualize their strategy? Do you believe they have a strategy? Do they compete on quality or price?

The key question here is: Are you well positioned – and here is the sticky part – in the mind of your customers? Your customers have memories and behavioral patterns. You want them to think of you first and buy from your establishment. Competition is a reality. The better you position your business relative to your competitors the more competitive you will be.

Take a little time and write in a few words what you think the table tells you. Do you see a strategy? What actions might you take?

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## **Worksheet # 5 - Direct Competitors: The Business Perspective**

Competition is not just a function of the customer's perspective. It is also a function of the other companies attempting to serve the same customer segment. Rank you and your competitors from a business function perspective. Score 5 for high = outstanding and 1 for low = poor.

**Worksheet # 5 - Direct Competitors: The Business Perspective**

<b>Characteristics</b>	<b>Grower</b>	<b>Competitor A</b>	<b>Competitor B</b>
Size			
Market Share			
<b>Financial Strength</b>			
Profitability			
Pricing			
<b>Operational Strength</b>			
Operations/ Cost			
<b>Technological Strength</b>			
Proprietary Advantage			
<b>Marketing Strength</b>			
Sales/ Distribution			
Growth Rate			
<b>Management Strength</b>			
Segment Strategy			
<b>Consumer Perceptions</b>			
<b>Overall Competitive Score</b>			

***Analysis and Interpretation of the Business Perspective Competitive Matrix***

As you look at the completed matrix, what jumps out at you? Do you see ways to differentiate your business from your competitors? Where in the matrix do you have an edge? Do you have a quality or unique feature advantage? What are your competitive advantages and disadvantages? Do you have great organizational skills but get tired at the thought of one on one customer interaction at the retail outlet? Do you have better people or communication skills? Do you like the finance and accounting side of the business? Know strengths of your company and the reasons for its success.

What are your competitor's strengths and weaknesses? Can you visualize their strategy? Do you believe they have a strategy? Do they compete on quality or price etc? How do you see their actions impacting your company?

The key question here is: Are you well positioned in the business sense? Does this position look like a fit for your company? Can you achieve your business and personal goals from this position?

If you are a ten person operation and competing against larger companies, can you develop a strategy of collaboration vs. direct competition? Is there a service you can provide that would be unprofitable for them and that they would gladly give you. Could you send business their way when they are better suited? In this way your niche is more defined and you have moved from "stealing" customers to profitable referral.

Take a little time and write in a few words what you think the table tells you. Do you see a strategy? What actions might you take?

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### *Conclusions from Competitor Analysis*

Where is your company best positioned in the marketplace? This position can be defined by determining those customers who gain the most value from your offerings. Is this segment of the market growing or declining? Will it be easy to communicate with these people? The efficiency of your marketing efforts will require a good communication channel. High value delivered positions you for maximum contribution and greater profit. This position is also defined by the other companies in the marketplace. How they match up to your company in the mind of your customers, and the degree to which they run an efficient business.

In one short paragraph review your previous work, and define your niche, your unique corner of the market.

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The marketplace is dynamic and your actions will be continually defining and refining your niche. Be flexible everything changes.

## **PART II. DEVELOPING A MARKETING PLAN - STRATEGIES TO REDUCING MARKET RISK**

### *The Ultimate Goal – Not to be Forgotten!*

The ultimate goal is to have your company number one in the memory banks of your customers. It is to develop a customer group who's established behavior patterns include a lifetime of purchases from the company. All positioning is in the mind of the customer – it is their perception of your reality that counts. This group perceives the value the product and services at a point greater than the price established by the company and this price point is in the company's acceptable profit range.

This is the Competitive Position. This is a position based on customers' needs and thinking about their options including needs not adequately satisfied by the competition.

The marketing effort seeks to reinforce the benefits of this customer business relationship by continuing to communicate the value of your products and services. The goal is to continue to keep the core group happy and to expose new potential customers to the value inherent in establishing a relationship.

As the theme of this workbook is customer awareness, the approach to creating a marketing plan stems from this theme. The marketing plan can be created in seven steps as follows:

- Step 1: Craft a Marketing Message Reflecting a Deep Understanding of the Customer
- Step 2: Develop Active Information Flow Systems between the Customer and the Company
- Step 3: Review the Alignment between Customer Needs and Company Products and Services
- Step 4: Set Marketing and Sales Goals Consistent with Customer Alignment
- Step 5: Develop a Marketing Strategy to Achieve the Sales and Marketing Goals
- Step 6: Develop a Marketing Action Plan
- Step 7: Develop a Marketing Budget to Support Goal Achievement

In each of these arenas we will always pair a company function and the customers' perception of the function. Without this perspective how can a company be truly customer driven?

## **Step 1: Craft a Marketing Message Reflecting a Deep Understanding of the Customer**

A marketing plan defines the communication plan and how it will forward the business. It starts with the crafting of a marketing message and determining which array of communication options will most efficiently deliver the message of value to these customers. This plan is tied to the business through sales goals and a marketing budget aimed at delivering on the projected goals. Refined in this way the marketing effort will give you're the greatest return to your marketing dollar.

You should develop two types of marketing messages. Your first marketing message should be short and to the point. Some may call this your elevator speech or your audio logo. It's your response to someone who asks you, "So, what do you do?"

The second type is your complete marketing message that will be included in all your marketing materials and promotions. To make your marketing message compelling and persuasive it should include the following elements:

- Explaining the prospective client's problem
- The advantages of an immediate solution
- Why your qualifications make you an excellent choice to solve the client's problem
- The benefits derived from your solution.
- Testimonials from ecstatic customers
- An explanation about prices, fees, and payment terms.
- Your unconditional guarantee.

### ***Consider an Educational Component to your Marketing Message***

Marketing with an educational message of value to the customer is a gift from you. It avoids the pitfalls of hard sell and builds trust. You interact with potential customers in the information gathering phase of their purchase process. This is an advantage because this is one of the beginning phases. This adds value to your offering because it is often a critical part of the solution to the customer's problem. In truth you are not selling products and services but rather solutions to customer problems which are usually a combination products and services. This also works to accomplish a goal we have mentioned throughout this workbook. To give your client an experience of your product or service that creates a memory and captures a position in the customer's mind. When the customer thinks of a need, you want them to think of you as the solution – first.

## Understand the Customers View on Pricing and How They Determine Value

### Key Points to Pricing

#### The Exchange – Something of Value for an Amount of Satisfaction

People are exchanging something of value, in this case dollars for an amount of satisfaction. Satisfaction is usually difficult to quantify, so the customer has a perception of the value of your product or service as a projected satisfaction. These perceived value determinations can have a multitude of factors. People have price sensitivity based on their personal history and present financial status. Perceived value is greatly enhanced within the context of immediate need.

#### The Emotional Nature of the Purchase Decision

Purchase decisions are emotional decisions backed by cognitive justification. So the go / no go of a purchase decision is largely behavioral not mathematical. Although there may have been a great deal of cognitive math prior, the final decision is an emotional decision and behaviorally driven. Consider the Men's Warehouse time factor and an example of buying behavior. Also the concept of offering three options of product and pricing as an adaptation of your offering to people's buying behaviors. "Consumers may sincerely believe their own stated thoughts, but they may not consciously understand the opposing forces that drive their behavior."

#### **What price and or buying behaviors have you observed? How do you see them impacting your business?**

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#### Common Price Concepts

People correlate price with quality. People consider things that are unique to have greater value and expect a greater price. People's sense of fairness is tied to price. But what everyone thinks is fair varies quite a bit.

The fact that people value things differently, that they react emotionally in different ways and have a long history of pricing experiences means that there is a swirling of unconscious factors beneath the conscious mind when it comes to price and the purchase decision. This makes pricing decisions complex and difficult.

#### The Pricing Goal

How can we approach the problem and determine best pricing for the product and customer segment? We shall endeavor to identify the important behavioral drivers in your customers purchase decisions. We shall also endeavor to know what your customers value, and understand how they came to that determination. This is one side of the equation. The other side of the equation is to be clear about our Pricing Objective? We can then seek to provide customer value

greater than our price while meeting our profit target. Let us explore strategies to achieve this outcome.

### ***Pricing Strategies***

Strategies can be based on cost, demand, competition, or value. Value based pricing is the future.

#### Cost Based Pricing Strategies

Many businesses base their prices on their costs to do business, and add what they consider to be a “fair return”. In its simplest mode it does not consider value to the customer or competitor’s prices. This is the easiest approach because the cost numbers are completely in your possession.

If you choose to compete on price, you will have chosen the low price strategy. The low price strategy is a poor strategy for most small businesses because you cannot develop the economies of scale that fit with this strategy.

If you price in the median range, you are in essence choosing to compete on value and quality. The problem with this strategy is that it assumes that average prices are profitable and create an attractive business.

If you price in the high range, you must demonstrate greater value to command higher prices.

#### Demand Based Pricing Strategies

The demand pricing strategy fits here in terms of emergencies, even if they are only in the mind of the consumer. This pricing is basically a communication that I will modify my priorities to meet your urgent needs but there will be a cost associated with changing priorities. Make sure that you understand the “fairness” issue here.

#### Competition Based Pricing Strategies

Many businesses price relative to competitor’s price. They can let the big player set the price and match to give the sense of equal quality. Or they can use the competitor’s price as an “anchor” and price relative to that price in acknowledgement of their position in the marketplace. It is good to know the prices of your competition, and the degree to which price plays as a competitive factor.

#### Value Based Pricing Strategies

This strategy seeks to position the business where it can deliver the greatest value meeting the needs of a particular market segment. This means that price is based on both cost and value. One must differentiate one’s offerings. Avoid like the plague the perception that your offering is a commodity. Undifferentiated products and services make for small unattractive margins. Always look for things which will add value to the customer permitting you to command better prices and margins. Always ask if there are other concerns. Become a teacher for those who want to learn. Set up a system to track prices. Price connotes image and quality – don’t become a commodity.

Work to understand the value of the benefits to your customers. Then be prepared to justify your prices on the basis of value delivered. Know your cost structure and the competitor's prices, but deliver and price on value.

Does your pricing strategy fit with what was revealed in your competitive analysis?

What is the profit target?

Distinguish Value Creation from Value Extraction. This means that you can do great work and create value for your customer, but if you under price your work you will have created value but not extracted value. Being a successful business means doing both well. Great value delivered will render price a smaller part of the value determination. Don't forget that price is just one factor of many in the value calculation – it just happens to be the easiest one to negotiate.

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## Worksheet # 6 – Perception Factors in Pricing

The company's view and goals are different from the customer's view and goals. The goal of this exercise is to understand and develop the gold section of the customer's perspective.

1. What are the most important perception factors in your product or service?
2. How have you determined these factors?
3. What perception factors can you improve at the least expense? In other words what things can you do to improve the perceived value of your offerings?
4. What is the emotional aspect of your product or service?
5. Are you marketing with an understanding of this component?
6. How can you best market the emotional value of your product or service?
7. Are you attempting to maximize the customer experience throughout the transaction?

### The Mind of the Customer

8. Do you understand your customer's motivation and buying criteria?
9. Do you understand your customer's views on pricing and how they determine value?
10. Can you see describe the value that your products and services bring to your customers?
11. Can you see how these values add up to a more logical price structure than your costs?
12. Can you see yourself moving to a value based pricing system?

The power and effectiveness of the marketing message is a reflection of the understanding of the customer.

## Step 2: Develop Active Information Flow Systems between the Customer and the Company

Establish a systematic method of capturing customer information. One of the major marketing risks is not keeping up with changing customer preferences.

### Worksheet # 7 – Customer Information Flow

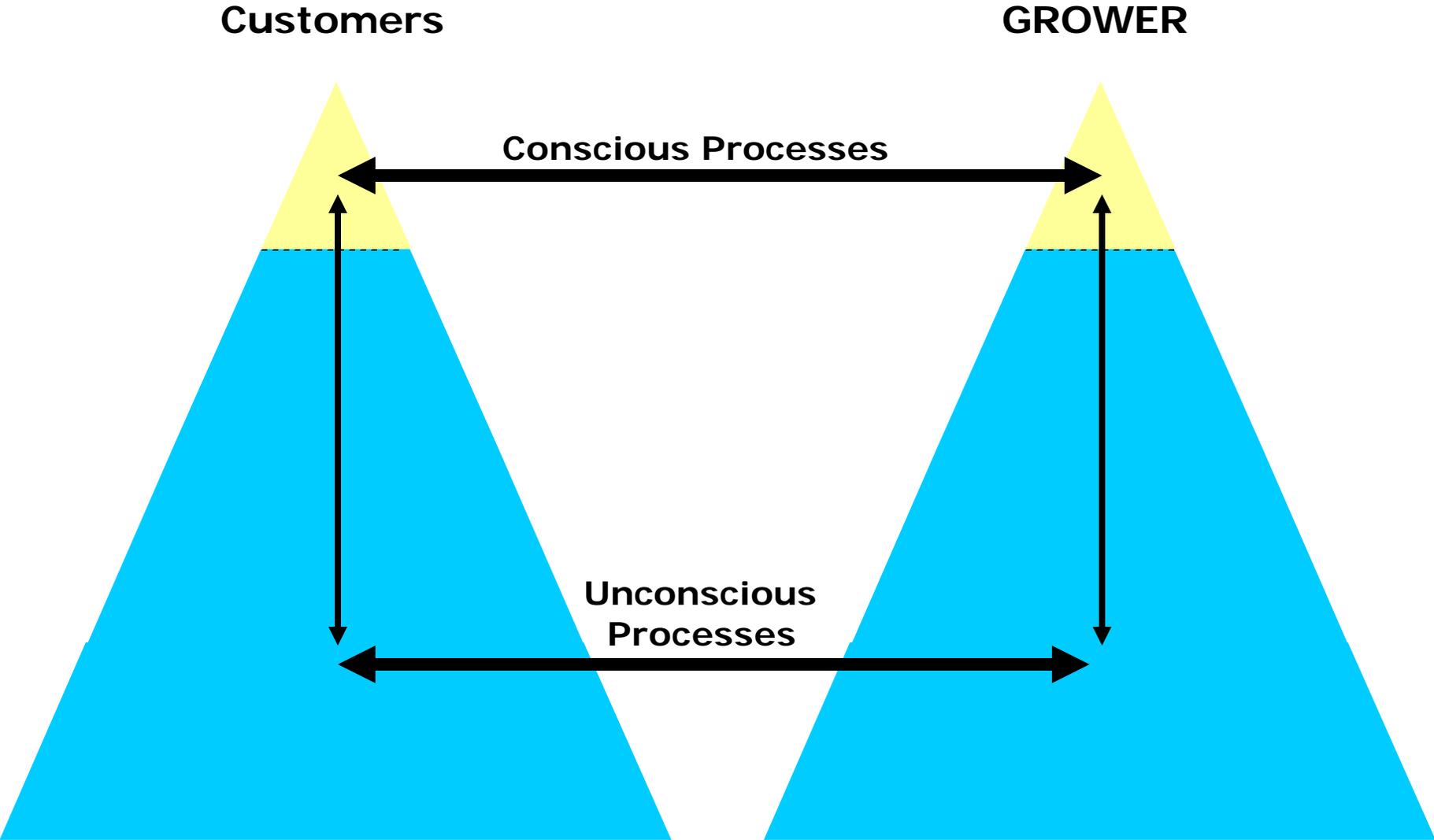
1. How do you stay in touch with your customers?
2. Do you have face to face time?
3. Do you ask them what they want or need that they are not getting from anyone else?
4. If you market wholesale, how often do you talk with the end users of your product?
5. If you have a sales force, how do they communicate about customer needs and trends? Do they report about their observations in the marketplace? How do they rank competitive products? Tap this source of information for all it is worth.
6. Use your suppliers as a resource. They have a stake in your success. What improvements have they made? How can they help you improve customer service?
7. Visit with your buyers. Customer feedback to them is critical to you. Visit with your buyer's customers.
8. Do not underestimate the value of informal research. Never miss the opportunity to gather customer satisfaction or need data. Three questions can keep it very simple. What did they like? What didn't they like? What would they like?
9. Continue to develop your listening and communication skills
  - a. Take a communication class. Don't forget that words are 7%, tone is 37% and body language is 64% of the communication. (See figure 1.)
10. Consider the total experience of your customer from initial contact through product discovery purchase decision payment delivery and post purchase service.

Customers value authentic experiences that engage them in a personal way. The goal is for the experience to create a strong memory. The memory is such that whenever the client thinks of a topic associated with your product, the memory of their experience with your product and or service is released by the mind first. The experience of the customer is occurring throughout not just during product utilization. See Joseph Pine II "The Experience is the Marketing" in the reference section.

11. Become deeply grounded in the customers' perceived value of your products and services. Make improvements through a deeper understanding of their wants, expectations, perceptions, and experiences.
12. Develop a system to produce promoters of your business and a way track the promoter percentage of your customer base. See Exercise 2.

Exercise 2: "The One Number You Need to Grow!" A Customer Satisfaction Methodology that Translates to Business Success

Figure 1 – Lines of Communication



## **Step 3: Review the Alignment between Customer Needs and Company Products and Services**

What is happening in the markets, in which the company competes, and the company's product and distribution trends?

### Product Situation

This is the time to review your sales and profit figures determine the status of each product line.

### **Worksheet # 8 – Analyze your Product and Service lines**

1. What trends do you observe in product sales? Are sales growing, declining or unchanged?
2. What trends do you observe in the costs of inputs (cost-of-goods, COGS)? Are costs growing, declining or unchanged?
3. What trends do you observe in the profitability of the product lines?
4. If these have increased, have your prices maintained an acceptable profit level?
5. What product or service is the best contributor to your overhead costs and profits?
6. What product or service is the biggest drain on your overhead and profits?
7. What modifications look profitable?
8. What would you like to accomplish in each of your product lines in terms of sales, profits, and percentage of your portfolio if you have different product lines.

A sales projection would attempt to answer the above question. One acceptable format includes the last three years of data and a projection for next year in the form of three scenarios: expected, low and high.

There are many computer software programs both free and for a fee that can capture, maintain, and provide analysis of this data. Web sites in the reference section provide access to both if you do not presently have a system in place.

Marketing, spending history (five years of advertising, promotion, PR spending), description of the sales organization (e.g., company or brokers)

### **Worksheet # 9 – Analyze your Distribution Channels**

1. What trends do you observe in the distribution channels through which you market your products? Are sales growing, declining or unchanged through these various channels?
2. What trends do you observe in the costs of distribution through these channels?
3. Are certain distribution channels more profitable than others?

4. What percentage of sales and volume of product goes through each channel?
5. What is the growth potential of the various channels?
6. What is the competitive status of the various channels?
7. Have you optimized the fit of the distribution system to your business or are there changes you would like to make?

The various ways that your product gets to market is a critical part of the environment in which your company operates. The relationships involved are customer relations regardless of whether you deliver your product to the end user or not. Given the customer focus theme of this workbook, one should ask, how are your distribution efforts adding value to your customers in the distribution channel? Traditionally viewed this is an operations issue addressing delivery schedules, volumes and timeliness and so on. However, when viewed from a customer focus a number of important questions arise.

### **Worksheet # 10– Ease of Doing Business from the Customer’s Perspective**

The company’s view and goals are different from the customer’s view and goals. The goal of this exercise is to understand and develop the gold section of the customer’s perspective in the Operations Strategy Chart.

1. How easy is it to do business with you?
2. Can you save your customers’ time by changing the way you do business? How?
3. Can you save your customers’ money by changing the way you do business? How?
4. Where are friction frustration generators in your interactions with your customers
5. What can you do to oil these areas and reduce frustration?
6. Is your company organized around your customer’s needs beyond the value of the products themselves?
7. Are your operations efficient, effective from the customer’s perspective
8. Are all company functions aware of the ways that they impact the total customer experience?
9. Where are the key customer interface points?
10. Can you see opportunities to differentiate the company and add value through improved customer experience at these various interface points?
11. Can operations reinforce the position you want to achieve in the mind of your customer?
12. What can you do to improve the customer’s perceived value of your products and services through the way your company functions separate from the actual product?

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## Step 4: Set Marketing and Sales Goals Consistent Customer Alignment

Goals are critical to your success. A "wish" is a goal that hasn't been written down. If you haven't written your goals, you're still just wishing for success. When creating your goals, use the SMART formula. Ensure that your goals are, (1) Sensible, (2) Measurable, (3) Achievable, (4) Realistic, and (5) Time Specific.

If the analysis of your product line distribution channel or customer oriented operations has suggested changes you would like to make, it is now time to get specific about what those changes might be.

Traditional marketing plans restate major company goals in terms of how the company presents itself to the marketplace or how it functions in the marketplace. This is a marketing function because the image the company seeks to portray is a key part of the marketing effort.

Marketing objectives reflect the company's financial objectives, in marketing terms and are generally described in quantitative terms for at least three years in the future. All objectives should be carefully quantified, where possible, especially in terms of an achievable time or date. Objectives should be reasonable and attainable.

### Worksheet # 11 – Financial Marketing Goals

1. What sales levels would you like to achieve with your present product array?
2. Would you like to add new products or new markets to your business? (We will address the risk and strategic implications in the next section)
3. What profit goals do you have associated with the above products?
4. Do you plan a change in pricing?

Use a forecast spreadsheet to prepare a month-by-month projection. Base the forecast on your sales history. Keep comment sections noting assumptions and any reasons for significant differences between historical sales and projected sales. A generic forecast sheet is included in Appendix # 1.

Bracket the annual forecast totals with numbers based on pessimistic and optimistic scenarios. Forecasts are never right. It is just a question of how wrong they are. Such a sensitivity analysis is a more reality based forecast than a single number.

Not all marketing goals are financial. What non-financial goals would you like to achieve?

### Worksheet # 12 – Non-Financial Marketing Goals

1. Clients retained
2. New Clients acquired
3. Do you anticipate making any changes in distribution channels?

## **Step 5: Develop a Marketing Strategy to Achieve the Sales and Marketing Goals**

Let's assume that as a wholesale nursery grower you have just begun to sell nursery plants to a nearby retail nursery. They are impressed with the appearance and quality of your plants and have asked for more. A marketing goal might be to cultivate this customer and increase sales of plants to this nursery by 10% a year for the next three years. It also might include increasing the client list by locating other buyers in the same geographic area if this did not compromise relations you are trying to build with the first nursery. This could mean exploring their needs for other plants that might be in short supply or their needs for higher quality materials than they can get with their present suppliers. The strategy could include a pricing strategy i.e. our materials are priced higher than the competition because the quality is superior and that the retail nursery does not have trouble moving plants of such quality.

### ***Strategy Statement Tests***

Test your strategy statements in the following ways:

1. Is the statement measurable and can it be attached to an action plan with a timetable?
2. Does the statement reinforce and define your niche in the marketplace?
3. Does it define the ways you will differentiate your company from the competition?
4. Does it define the ways you will differentiate your products from the competition?
5. Is the plan easily communicated? If your employees need to execute the plan, can they understand its terms?

Corrections to the above might be to include numbers of new customers in the region and find ways to differentiate the company through service functions.

Strategy statements that pass the above tests are powerful and will serve you well.

Once marketing strategies have been decided, all company actions should be consistent with the achievement of these goals. For example, if it was decided to cultivate three new customers in the region and treat all equally, company actions should not favor one over the other. The marketing strategy is a written guideline that can be used to judge the appropriateness of each action that the business takes.

The above was only one of a number of possible marketing strategies. If your previous analysis suggested new products or new markets, be aware of the risks associated with the different strategies.

## ***Growth and non-growth Marketing Strategies***

Marketing strategies can be grouped into two classes, growth and non-growth. Sometimes growth is not the appropriate strategy. Non-growth strategies are aimed at improving efficiencies or maintaining the present market share and product array. Efficiencies can be achieved by eliminating inefficient distribution systems and less profitable products. This strategy permits focus on more profitable segments within the marketplace.

Growth strategies involve one of four different possibilities as noted in the diagram below. The risks associated with each strategy are noted in the square. Growth of sales with the same customers and the same products is the least risky. The risks increase with the unknowns. How will a new product be received? How will these new customers behave? The greatest risk comes from having both the unknowns operating at the same time in quadrant II.

<p><b>New Customers</b> <b>New Markets</b></p>	<p><b>Existing Products for New Customers</b></p> <p>Can you find new segments?</p> <p>(risky)</p>	<p><b>New Customers &amp; New Products</b></p> <p>(most risk)</p>
<p><b>Existing Customers</b> <b>Core Markets</b></p>	<p><b>Existing Customers &amp; Existing Products</b></p> <p>Is growth rate adequate?</p> <p>(lowest risk)</p>	<p><b>New Products for Existing Customers</b></p> <p>Do you have new products that customers need?</p> <p>(risky)</p>
	<p><b>Existing Products</b></p>	<p><b>New Products</b></p>

## **Worksheet # 13 – Strategic Marketing Statements**

Make Strategic Marketing statements that pass the above mentioned Strategy Statement Tests.

## Step 6: Develop a Marketing Action Plan

This is a communication strategy with the goal being customer memory establishment and reinforcement leading to repeat buying behavior that captures the lifetime value of a repeat customer.

Previous exercises have described our unique position in the marketplace where the targeted customers place the highest value on our products and services. Improvement is focused on increasing the value as perceived by the customer.

What communication tools should we use to achieve the goal of the lifetime customer?

The number of options available can make this part of the plan a dizzying affair. The solution is to break all of the options down into workable pieces to create a marketing action plan.

1. Publicity Plan– How will you use the traditional news media? News articles, radio spots, television etc.
2. Promotional Event Plan – What events such as trade shows will you enter?
3. Referral Plan – How can you systematically build referrals?
4. Internet Plan – How can the Internet inform your customers?
5. Advertising Plan – Has advertisement been effective?
6. Customer Retention Plan – How will you cultivate repeat customers?
7. Networking Plan – How will you build your network?
8. Other – many other possibilities exist
  - a. Public Speaking
  - b. Associations
  - c. Volunteer Organizations

### *Develop a systematic contact plan to build loyal customers*

Of all of these one deserves special mention. Most businesses have identifiable repeat customers who are the heart of the business and the true source of profits. Development of a systematic contact plan is one of the most effective and cost-efficient marketing strategies. The goal is to produce long-term loyal customers. These people know your business and interface efficiently reducing operational costs. They are with you in good times and bad, being especially appreciated in the latter. They can help to reduce marketing costs by being marketers themselves (See exercise # 2). They can be a great source of referrals as well.

***Track your promotional expenses and get the best return on your promotional time and dollars***

The critical thing about the action plan is to track the effectiveness of each channel. Is one channel more effective than the others? Is one mix of channels better than another mix? Make sure you are getting the best return on your promotional time and dollars!

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## Worksheet # 14 – Develop your Marketing Action Plan

1. How will you communicate with your customers?
2. What are the best communication pathways?
3. What pathways will you use?
  - a. Publicity and media
  - b. Promotional Events
  - c. Referral Plan
  - d. Internet Plan
  - e. Advertising Plan
  - f. Customer Retention
  - g. Networking
4. Focus on the orange section of the Marketing Strategy Chart
  - a. Does your marketing message improve the perceived value of your offerings to your customers?
5. How can you continue to build the loyal returning customer segment by reinforcing their purchasing behaviors with you?
6. Are you clear about the image of your company that you want imprinted in the minds of your customers?
7. Is your marketing message focused on the perceived value by your customers?
8. Brainstorm what potential problems you might encounter to your marketing efforts such as:
  - a. Cash
  - b. Personnel
  - c. Product
  - d. Pricing
  - e. Competitor
  - f. Quality

## **Step 7: Develop a Marketing Budget to Support Goal Achievement**

How much will you spend on the communication channels mentioned above?

Do you have a system to track effectiveness permitting you to mold the plan to give you the greatest return on your advertising dollar?

Develop a timeline for execution, and present the plan to cover a calendar year, broken down by month or by quarter.

## **Part III. Strategies to Remain Competitive**

### **Competitive Positioning is in the Mind of the Customer**

How do you achieve this position in the mind of your customers? Memories are established through human experience. The customer is experiencing and sensing throughout your transaction. To improve your competitive position: Maximize the customer experience throughout the transaction. Remember the customer is recording on all 5 sensory tracks throughout their interaction with you. Play the role of one of your customers (see exercise 1 in appendix) and experience the whole transaction from need discovery, to need solution options, to choice of solution, to contacting a provider (by electronic means i.e. voice or (web) visual means), to travel including travel ease and time, to parking, to viewing purchase options, to making a purchase decision, to the financial transaction, to using the product, and finally post-purchase service. By considering the improvement on all these dimensions you can improve the value to the customer. By differentiating your service you gain a better position in the mind of your customer.

Your best competitive position is where you and your customer optimize the profit / benefit equation. Companies which can build relationships with customers for mutual benefit without losing their competitive advantage are more likely to grow faster. This collection of people is your optimum market segment. The key is to stay focused on this segment and not get drawn into less profitable areas where you deliver less perceived value.

### **Communicate about Product Benefits**

Understand the product's benefit. People do not buy a product they buy the benefit or the solution that the product provides them. Understand the solution provided by your product. Can you anticipate unmet customer needs? How do you respond to customer needs?

### **Understand Customer's Motivation and Buying Criteria**

Understand the customer's motivation and the criteria which influence the buying decision. Why are they buying? What other options might the customer have to solve their problems? Are there alternative existing or potential substitute products to lure your customers?

## ***Navigation***

The market place is dynamic and always changing. It is the one thing you can count on. What are some of the prime moving factors in the market that could impact your business?

Consider this question starting with the local area in which you compete and its demographic structure. Next consider the Industry as a whole and how it might be impacted by economic forces, technological developments, and social trends.

### **Local Trends:**

#### ***Competitor entries & exits***

What is happening on the local stage in your determined geographic area of business? Do you see competitors approaching retirement? Would you be interested in buying their business? Would your business come under pressure depending on who the business was sold to? What are the strengths of entrants and why did they decide to enter the marketplace? What are the reasons that some people have chosen to exit the industry? How can you minimize the impact or take advantage of the opportunities provided by changes in the competitive landscape?

#### ***Barriers to Entry***

Can you continue to develop and define your niche in such a way that it appears unattractive to competitors? What barriers to entry can you create to keep potential new competitors from flooding into your market? Barriers can be strengths in capital, marketing, consumer acceptance, training or skills, unique technology, or Unions to name a few.

#### ***Turn Competitors into Collaborators through Niche Definition***

Can you form loose collaborations through cooperation? Can you turn a competitor into a collaborator by a clearer definition of the best niche occupied by each of your businesses? This focuses both of your effort and you can then market for each other to mutual advantage.

#### ***Demographics***

Know your local demographics. As the baby boomer generation approaches retirement their needs shift. Does this have any implications for your business?

## **Industry Level Trends**

### ***The Economy***

How do changes in the economy impact your business?

### ***Technology***

Technology can change situations in a hurry. Consider the advance of digital technologies. Are there new technologies coming in your industry?

### ***Political and Legal***

Health care, handicap, and environmental legislation can have significant implications.

### ***Social and Cultural***

Baby boomers and Gen-Xers have different views of the world. How might these social trends impact your business?

### **Spot trends ahead of competitors**

Changes present opportunities that should be considered. Changes can also bring problems and solutions should be considered. Consider contingency plan for minimizing the impact of unfavorable developments in each area on the success of your company?



## Exercise # 1 – Determine your Promoter Score

### **“The One Number You Need to Grow!” A Customer Satisfaction Methodology that Translates to Business Success**

#### **How many of your customers would recommend you to a friend or colleague?**

People will come to your place of business with a series of expectations about service and product quality. They will leave with perceptions of service and product quality. If there is a big gap between what people expected and what they got there is a quality problem from that consumer's perspective. Often these thoughts are not consciously conceived. When you go to a place of business you probably have the expectation that if you need help someone will be pleasantly responsive to your needs. Quality gap studies have been done and the results are fascinating and stress the need for knowledgeable and responsive sales people. These studies probe deeper into the reasons for customer satisfaction or dissatisfaction. The problem is that customer satisfaction ratings are not a good predictor of people's behavior. They might be happy and not be coming back for good reasons. They might be unhappy and coming back for good reasons. The real goal is identifying, cultivating and growing the loyal customer segment of your business. These are the people whose behavioral patterns link tightly with your business.

Is there a simple way to get at the real issue? Is there a question that you could ask your customers, the answer of which would correlate to profits and growth?

Recent research suggests that there is (Reichheld, F, 2003). **“How likely is it that you would recommend our company to a friend or colleague?”** When customers recommend you, they are putting their reputations on the line. This is a risk they take only if they are intensely loyal.

One way to do this is to ask your customers the above question.

Based on a 0 to 10 rating customers can be grouped into the following categories: 1. “promoters” 9 -10 rating - extremely likely to recommend, 2. “passively satisfied” 7 - 8 rating, and 3. “detractors” 0 – 6 rating - extremely unlikely to recommend. Subtract the percentage of detractors from the percentage of promoters.

For example, Southwest Airlines has a net promoter score >50 and its growth rate reflects this high score. Most of the other airlines cluster back around 10. This question was found to be effective across many different industries. The real question is, “Could this be an effective tool in your business?”

The simplicity of the system is a big plus. People are tired of being surveyed. A short survey is welcomed by the customer because it not only acknowledges interest and caring but also shows respect for their precious time. The results can be analyzed quickly and acted upon.

Would you recommend the business and product to your best friend? This is a black and white question. If you are equivocal, then you cannot. If you can, then you become a promoter of the organization and a key part of their marketing effort.

1. What would it take to make you a promoter?
2. What happened that might make you be equivocal or a detractor.
3. How can you improve the total experience of the customer? How can you operate to save your customers time, money (while being profitable), and frustration? Is your business organized for their convenience?

Reward of such efforts: Businesses with a high percentage of promoters to detractors are highly successful, profitable, and growing.

### **References**

Reichheld, Frederick F., The One Number You Need to Grow, Harvard Business Review, December 2003. pp. 1-11.

## **Exercise # 2 – Be a Customer for a Day**

Shop your company and the two competitors identified earlier. Either do this yourself or assign this task to an observant employee. Consider the total experience.

### **Part A. Competitive Positioning**

Did the experience claim a position in your mind?

Think about the benefits you are really buying with your purchase. What was the motivation? What was the need? Did you consider buying something because you wanted it as opposed to whether you needed it?

Be aware of all of your experiences. Were the experiences good enough to be recorded in non-erase memory?

### **Part B. Did you get the feeling that the business was organized for your convenience?**

Was it easy to find not only the business but also the product you wanted? Did you get help when and if you needed it? Was the financial transaction easy? Did you leave with an overall impression of being valued?

### **Part C. Pricing**

Did you know the cost structure of anything you bought? Did you care? Did you buy anything whose price seemed higher than the value you perceived? How did you assign value to the product? Was there an emotional part to the decision?

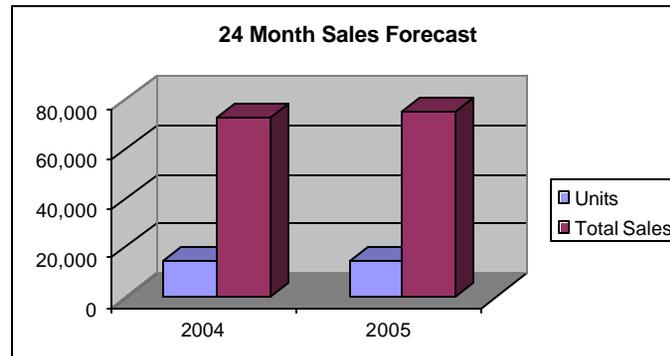
Appendix 1

## 24 Month Sales Forecast

Fiscal Year 1      2004

2004													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Product Name													
Units	1,000	1,500	1,000	1,000	1,000	1,000	1,100	1,200	1,300	1,400	1,500	1,600	14,600
Selling Price	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
Total Sales	\$5,000	\$7,500	\$5,000	\$5,000	\$5,000	\$5,000	\$5,500	\$6,000	\$6,500	\$7,000	\$7,500	\$8,000	\$73,000
% of Total	6.85%	10.27%	6.85%	6.85%	6.85%	6.85%	7.53%	8.22%	8.90%	9.59%	10.27%	10.96%	100.00%

2005													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Units	1,200	1,500	1,000	1,000	1,000	1,000	1,100	1,200	1,300	1,400	1,500	1,600	14,800
Selling Price	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	\$5.10	
Total Sales	\$6,120	\$7,650	\$5,100	\$5,100	\$5,100	\$5,100	\$5,610	\$6,120	\$6,630	\$7,140	\$7,650	\$8,160	\$75,480
% of Total	8.11%	10.14%	6.76%	6.76%	6.76%	6.76%	7.43%	8.11%	8.78%	9.46%	10.14%	10.81%	100.00%



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