



REDUCING MARKETING RISK: A CUSTOMER CENTERED APPROACH

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Marketing Risk

- **Customer awareness**
- **Market and competitive awareness**
- **Boldness**



Customer Awareness

- Businesses and their marketing efforts succeed when they understand and address the value that their product brings to their customers.
- Your customers are your business. All of your assets are liabilities until your customers show up. Your business should be organized around your customers.

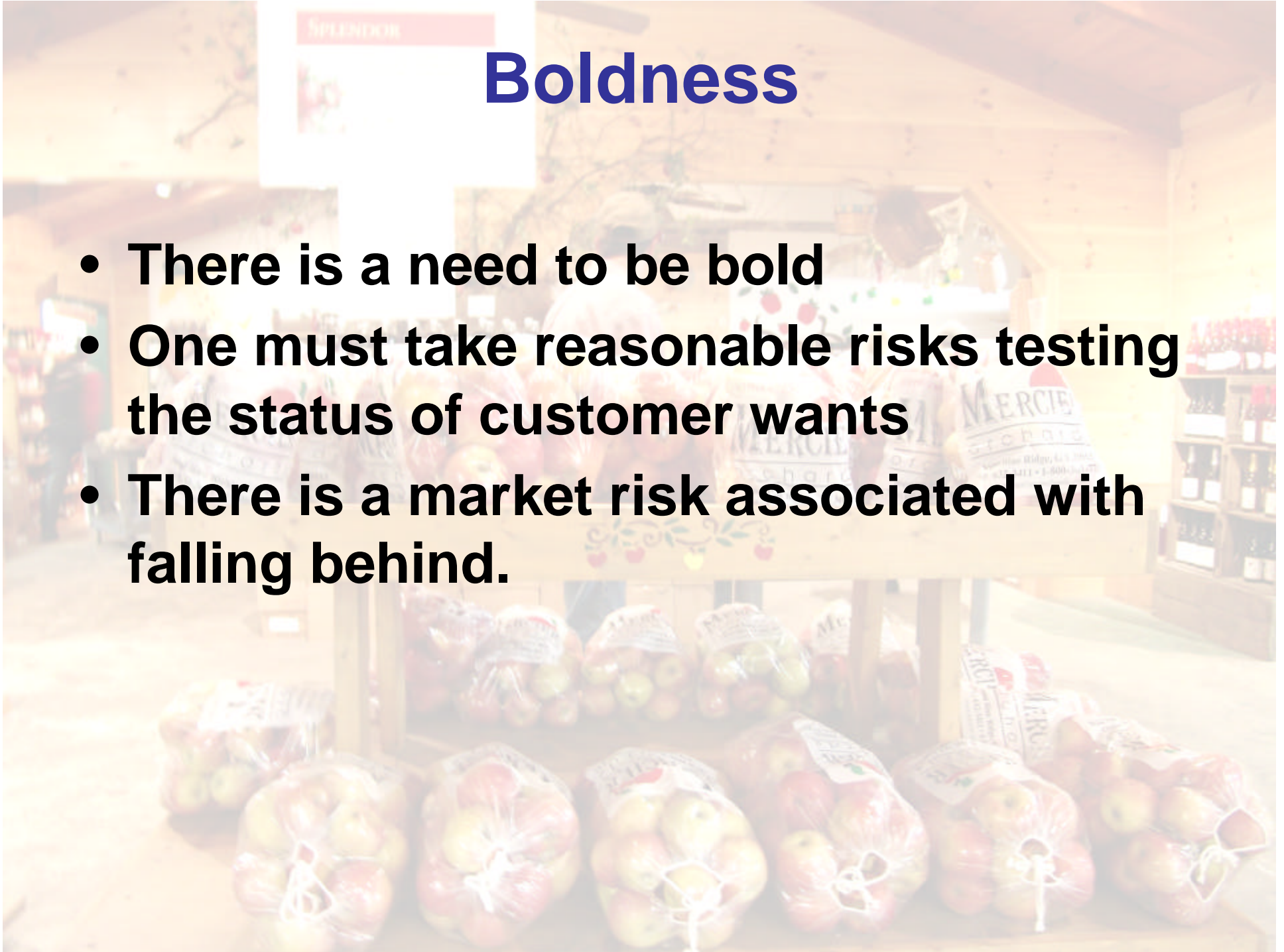
Market and Competitive Awareness

- 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.



Boldness

- **There is a need to be bold**
- **One must take reasonable risks testing the status of customer wants**
- **There is a market risk associated with falling behind.**



CUSTOMER AWARENESS



- Distinguish Product Features from Client Benefits
- What Product Benefits Are Your Customers Buying?
- What are the prime motivators for your buying customers?

Needs

- Biological Needs
- Security
- Status
- Recognition
- To satisfy aggressions (golf?)
- To satisfy sensibilities (golf?)
- To lessen anxiety
- To save time



Wants

- **Satisfaction of the senses**
- **Profit**
- **Convenience**
- **Knowledge**
- **Comfort**
- **Fear**
- **Pride**
- **Curiosity**
- **Self expression**



Institutional Motivations



- **Dependability**
- **Price and quality**
- **Relationship with current vendors**
- **Customization**
- **Market exclusivity**
- **Value**
- **Delivery schedules**
- **Guarantees**
- **Discounts for bulk orders**



Retail vs. Institutional

- **Retail**
 - Impulse purchases
 - Fulfilling wants before needs
 - Emotional decision backed by cognitive reasoning
- **Institutional**
 - Disciplined
 - Subject to review and criticism
 - On the face cognitive
 - Need to find the emotional component – it is there!



The Logic Flow of this Customer Focused Marketing Plan

- Understand your customers
- Understand your market and competition
- Identify your best position in the marketplace
- Develop short clear compelling communications in client terms describing how your business delivers the benefits sought by your market segment
- Determine the best way to deliver these communications to your market segment
- Set Sales and Marketing Goals
- Develop a budget to achieve these goals
- Strategies to remain competitive



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

- What are the prime motivators for your customers?
- **Economic**: Cost; Value
- **Functional**: Selection, Convenience, Comfortable, Easy Shopping, Easy Access
- **Physical**: Taste, Freshness, Smell, Touch, Sight, Experiential
- **Psychological**: Emotional Benefits, Health, Prestige, Intangible Needs, Experiential
- **Social**: Culture, Family, Reference Groups, Social Class

Market Segmentation

- **What Customers gain the greatest benefits from your offerings?**
- **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.**

The Advantage of Focus

- You are wasting your resources by attempting to sell to people who do not value your products at a level where it is a profitable exchange for you.
- By focusing your efforts on those who place high value on your offerings you are making optimal use of your resources. Focus produces a significant strategic advantage for your business.



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

- **What customer group is the best fit for you?**
- **Where can you provide unique value?**
- **Where can you dominate due to your unique strengths?**
- **Where can you build strategic relationships?**
- **Where can you get high margins?**

Best Fit Segment

- **The best market segment is that group of people who place the highest value on your product or service.**
- **Finding ways to increase the customer perceived benefits of your product at minimal expense solidifies your optimal niche in the marketplace.**



Customer Traits: Why?

- **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.**

Customer Traits: Descriptors

- ***Demographic Variables:***
 - *Age, income, gender*
 - *People grouped by these variables often have similar needs and wants*
- ***Behavioral Variables:***
 - *Motivation and unmet needs*
 - *Buying Behavior and Attitudes*
 - *Purchasing criteria*

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

- **Motivation & Unmet Needs**: Economic; Functional; Physical; Psychological; Social
- **Buying Behavior/ Attitudes**: Time; Criteria; Comfort; Decision-makers; Urgency; Price
- **Trendsetters**: Innovators (Adventurous); Early Adopters (Opinion leaders; Respected); Early Majority (Deliberate); Late Majority (same); Laggards (Traditional – why change)
- **Interests**: What interests do they have that might link to your business?
- **Key purchasing criteria**: Quality, Service, Price



MARKET AND COMPETITIVE AWARENESS

- **Quality is relative.**
- **How do you compare to the competition?**
- **First, how do your customers perceive the competition?**
- **Second, how do you assess the competition from a business perspective**



The Customer View

- How do your customers view the competition relative to you.
- Businesses are often defined by their competition.
- If you are thinking of Burger King, how can you not think of McDonald's.
- Mohamed Ali and Joe Frasier

Worksheet # 4 - Direct Competitors: The Customer Perspective

Feature/Benefit	Strength	Weakness	Your Company	Competitor A	Competitor B	Importance to Customer
Products						
Convenience						
Cost/Value						
Price						
Speed						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Experience						
Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						
Warranty						
Performance						



Worksheet # 4 - Direct Competitors: The Customer Perspective

- **Decide if your customers think that a particular benefit is a strength or weakness for your company**
- **On a scale from one to five with 5 the best, score your company and two of your most direct competitors**
- **Develop an Overall Competitive Score**
- **Interpret the score**



Worksheet # 4 - Direct Competitors: The Customer Perspective Client Benefits / Product Features

Products

Convenience

Cost/Value

Price

Speed

Quality

Selection

Service

Reliability

Stability

Expertise

Experience

Reputation

Location

Appearance

Sales method

Credit policies

Advertising

Image

Warranty

Performance

Prestige



Analysis and Interpretation of the Customer Perspective Competitive Matrix

- **Do you see ways to differentiate your business from your competitors?**
- **Do you have a quality or unique feature advantage?**
- **What are your competitive advantages and disadvantages?**
- **What are your competitor's strengths and weaknesses?**
- **Can you visualize their strategy?**
- **Do they compete on quality or price?**
- **Are you well positioned in the mind of your customers?**
- **Do you see a strategy?**
- **What actions might you take?**

Worksheet # 5 - Direct Competitors: The Business Perspective

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



Worksheet # 5 - Direct Competitors: The Business Perspective

- **Score your company and two of your competitors**
- **Develop an Overall Competitive Score**
- **Interpret the score**

Worksheet # 5 - Direct Competitors: The Business Perspective

Business Characteristics

- **Size**
- **Market Share**
- **Financial Strength**
- **Profitability**
- **Pricing**
- **Operational Strength**
- **Operations Cost**
- **Proprietary Advantage**
- **Marketing Strength**
- **Sales/ Distribution**
- **Growth Rate**
- **Management Strength**
- **Segment Strategy**
- **Consumer Perceptions**
- **Technological Strength**



Analysis and Interpretation of the Business Perspective Competitive Matrix

- **What are your competitor's strengths and weaknesses on business traits from your perspective ?**
- **What are your competitive advantages and disadvantages from a business perspective?**
- **Is there a way to better position your company given what you have observed?**
- **What actions might you take?**

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. This positions you for maximum contribution and greater profit.**

STRATEGIES TO REDUCING MARKET RISK

- **Develop a Plan**
- **Developing strategies to address those risks is part of the challenge and fun of running a business**
- **If your are strong on doing and less strong on planning, a little planning will make your doing more effective.**
- **The goal of this approach is to keep it simple and motivational.**
- **Do not get bogged down in the process.**

The Customer Perspective

- We will always be aware of the company or our perspective on various aspects of the business
- When appropriate we will always pair a company function and the customers' perception of the function
- An understanding of their view is the key to effective change

The Logic Flow of a Marketing Plan

- **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 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**

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

- **Competitive Positioning is in the Mind of the Customer**
- **Communicate about Product Benefits**
- **Understand Customer's Motivation and Buying Criteria**
- **Understand the Customers View on Pricing and How They Determine Value**
- **Pricing Strategies**
- **Value Based Pricing Strategies**

Crafting a Marketing Message

Develop two types of marketing messages:

- **The Elevator Pitch** – short and compelling. "So, what do you do?"
- **The Complete Marketing Message:** a persuasive message on all marketing materials and promotions.
- 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.



The Educational Marketing Message

- **An educational message of value to the customer is a gift from you.**
- **Avoids the pitfalls of hard sell and builds trust.**
- **Interact with potential customers in the information gathering part of their purchase – early in the process.**
- **Adds value to your offering because education is often a critical part of the solution to the customer's problem.**
- **In truth you are selling solutions - a combination of products and services**
- **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.**



Worksheet # 6 – Perception Factors in Pricing

- **What are the most important perception factors in your product or service?**
- **How have you determined these factors?**
- **What perception factors can you improve at the least expense?**
- **Do you understand your customer's motivation and buying criteria?**
- **Do you understand your customer's views on pricing and how they determine value?**



**Worksheet # 6 – Perception Factors in Pricing –
The emotional component of the purchase**

- What is the emotional aspect of your product or service?
- How can you best market the emotional value of your product or service?
- How can you maximize the customer experience throughout the transaction?



Worksheet # 6 – Perception Factors in Pricing – Pricing based on Value Delivered

- Can you describe the value that your products and services bring to your customers?
- Can you see how these values add up to a more logical price structure than your costs?
- Can you see yourself moving to a value based pricing system?
- Focus on the orange area.

Pricing Decision Chart

PRICING DECISION CHART				
Pricing Goal (\$)	<u>COMPANY VIEW</u>	<u>OUR ASKING PRICE</u>	<u>CUSTOMER VALUE DETERMINATION</u>	<u>CUSTOMER VIEW</u>
	<u>OUR COSTS - OUR GOALS</u>			<u>SATISFY A NEED</u>
Profit	<u>Profitable Enterprise</u>			Customer's Pricing Goal Perceived Value > Price
			NO EXCHANGE	→ PERCEIVED VALUE ← FOCUS OF MARKETING EFFORTS
		WIN - WIN EXCHANGE		
Fixed Costs	Total Costs	LOSE - WIN EXCHANGE	<u>EMOTIONAL BENEFIT</u>	<u>Perception Factors</u> Convenience Reference Prices Context - Urgency Other Key Perception Factors: Saves Customer's Time Confidence in Product Quality Reputation No Frustrations
	Overhead		<u>FUNCTIONALITY</u>	
	Salaries, Etc...			
Variable Costs	Direct Costs			
	Materials			
				Low Perceived Value

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

Worksheet # 7 – Customer Information Flow

- **How do you stay in touch with your customers?**
- **Do you have face to face time?**
- **Do you ask them what they want or need that they are not getting from anyone else?**
- **If you market wholesale, do you talk with the end users of your product?**
- **Never miss the opportunity to gather customer satisfaction or need data.**
- **Continue to develop your listening and communication skills**

Tapping your Sales Force

- How does your sales force communicate about customer needs and trends?
- Do they report about their observations in the marketplace?
- How do they rank competitive products?



Cultivate Promoters of your Business

- **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.**
- **Develop a system to produce promoters of your business and a way to track the promoter percentage of your customer base. See Exercise 1.**

Exercise # 1 – Measure Promoters

- **“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.
- Sample a statistically valid number of your customers.
- 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.
- Southwest Airlines has a net promoter score >50 and its profitability and growth rate are a reflection of this high score. Most of the other airlines cluster around a score of 10.
- This question was found to be effective across many different industries.
- Could you develop a promoter score of 75?



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

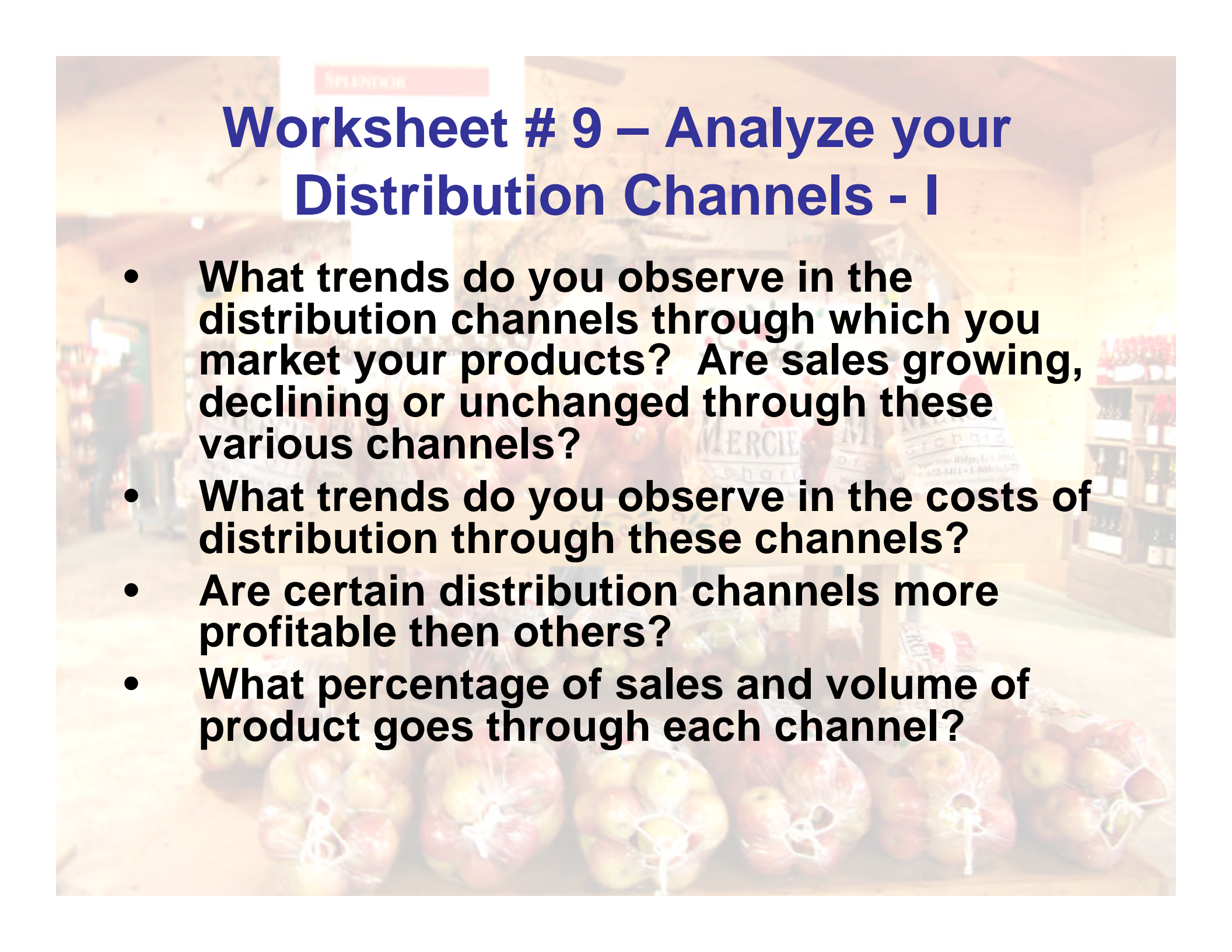
- **This step involves an analysis of your:**
- **Product and Service lines**
- **Distribution Channels**
- **The Ease of Doing Business with you - from the Customer's Perspective**

Worksheet # 8 – Analyze your Product and Service lines- I

- **What trends do you observe in product sales? Are sales growing, declining or unchanged?**
- **What trends do you observe in the costs of inputs? Are costs growing, declining or unchanged?**
- **What trends do you observe in the profitability of the product lines?**

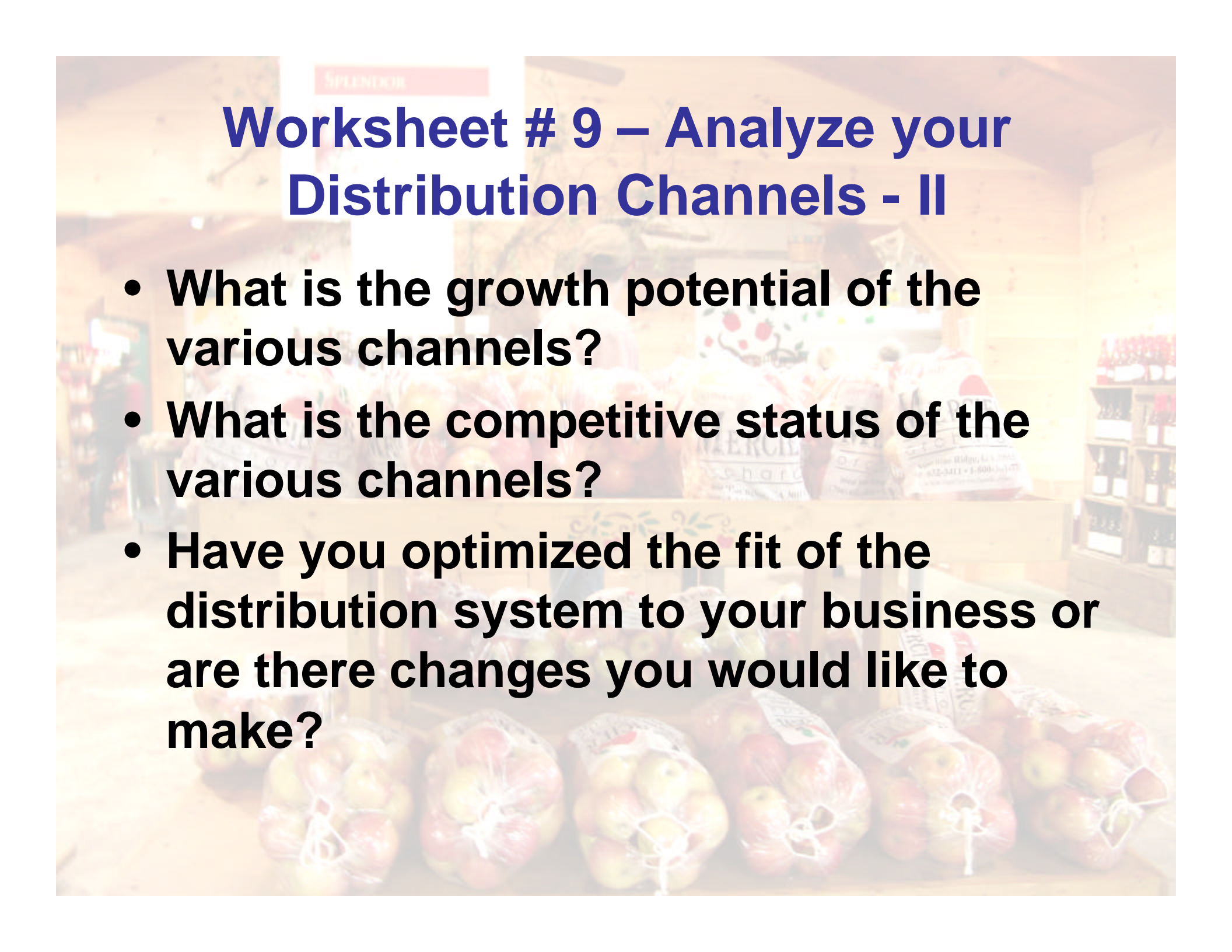
Worksheet # 8 – Analyze your Product and Service lines - II

- **What product or service is the best contributor to your overhead costs and profits?**
- **What product or service is the biggest drain on your overhead and profits?**
- **What would you like to accomplish in each of your product lines in terms of sales and profits?**



Worksheet # 9 – Analyze your Distribution Channels - I

- **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?**
- **What trends do you observe in the costs of distribution through these channels?**
- **Are certain distribution channels more profitable than others?**
- **What percentage of sales and volume of product goes through each channel?**



Worksheet # 9 – Analyze your Distribution Channels - II

- **What is the growth potential of the various channels?**
- **What is the competitive status of the various channels?**
- **Have you optimized the fit of the distribution system to your business or are there changes you would like to make?**

Worksheet # 10– Analyze the Ease of Doing Business with you - from the Customer's Perspective - I

- **How easy is it to do business with you?**
- **Can you save your customers' time by changing the way you do business? How?**
- **Can you save your customers' money by changing the way you do business? How?**
- **Where are friction frustration generators in your interactions with your customers**
- **What can you do to oil these areas and reduce frustration?**
- **Is your company organized around your customer's needs beyond the value of the products themselves?**

Worksheet # 10– Analyze the Ease of Doing Business with your - from the Customer's Perspective - II

- **Are your operations efficient, effective from the customer's perspective**
- **Are all company functions aware of the ways that they impact the total customer experience?**
- **Where are the key customer interface points?**
- **Can you see opportunities to differentiate the company and add value through improved customer experience at these various interface points?**
- **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?**

How are your operations improving perceived value?

OPERATIONS STRATEGY CHART

HOW ARE YOUR OPERATIONS IMPROVING PERCEIVED VALUE?

OPERATIONS STRATEGY CHART				
HOW ARE YOUR OPERATIONS IMPROVING PERCEIVED VALUE?				
Pricing <u>Goal</u> (\$) Profit	<u>COMPANY VIEW</u> <u>OUR COSTS - OUR GOALS</u>	<u>OUR ASKING PRICE</u>	<u>CUSTOMER VALUE DETERMINATION</u>	<u>CUSTOMER VIEW</u> <u>Is it easy to do business with them?</u>
		<u>Efficient and Effective Operations</u> <u>Minimum cost associated with High Quality Delivery</u>		<u>NO EXCHANGE</u>
		<u>WIN - WIN EXCHANGE</u>	<u>NO EXCHANGE</u>	<p>—————→ <u>PERCEIVED VALUE</u> ←————</p> <p><u>FOCUS OF MARKETING EFFORTS</u></p> <p><u>Perception Factors</u></p> <p>Convenience</p> <p>Make life easy for your customers.</p> <p>How You Operate?</p> <p>From your Customers' Point of View?</p> <p>Redesign How You Work</p> <p>How can you save them time?</p> <p>How can you save them money?</p> <p>How can you save them frustration?</p> <p>Run Your Business for Their Convenience!!</p> <p>NOT YOURS!!</p>
Fixed Costs	"ENGAGED" Staff	<u>LOSE - WIN EXCHANGE</u>	<u>EMOTIONAL BENEFIT</u>	
	<u>Efficient Use of Time</u> Sound Systems <u>Effective Use of Time</u> Doing the Right Things		<u>FUNCTIONALITY</u>	
Variable Costs	High Quality Materials Good Supplier Relations			



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

Worksheet # 11 – Financial Marketing Goals

- What sales levels would you like to achieve with your present product array?
- Would you like to add new products or new markets to your business?
- What profit goals do you have associated with the above products?
- Do you plan a change in pricing?
- Use a forecast spreadsheet to prepare a month-by-month projection based on sales history.
- Bracket the annual forecast totals with numbers based on pessimistic and optimistic scenarios. A range is more realistic than a single number.



Step 4: Set Marketing and Sales Goals
Consistent Customer Alignment
Worksheet # 12 – Non-Financial Marketing Goals

- **Clients retained**
- **New Clients acquired**
- **Changes in distribution channels?**
- **Media articles published**
- **Network goals**
- **Increase promoter percentage**



Step 5: Develop a Marketing Strategy to Achieve the Sales and Marketing Goals - I

- **Non-growth marketing strategies are aimed at improving efficiencies or maintaining the present market share and product array.**
- **Eliminating inefficient distribution systems**
- **Eliminate less profitable products.**
- **Focus on more profitable segments within the marketplace.**



Step 5: Develop a Marketing Strategy to Achieve the Sales and Marketing Goals - II

Marketing Strategies focusing on growth

- **Existing Customers & Existing Products (lowest risk)**
- **Existing Products for New Customers (risky)**
- **New Products for Existing Customers (risky)**
- **New Customers & New Products (most risk)**

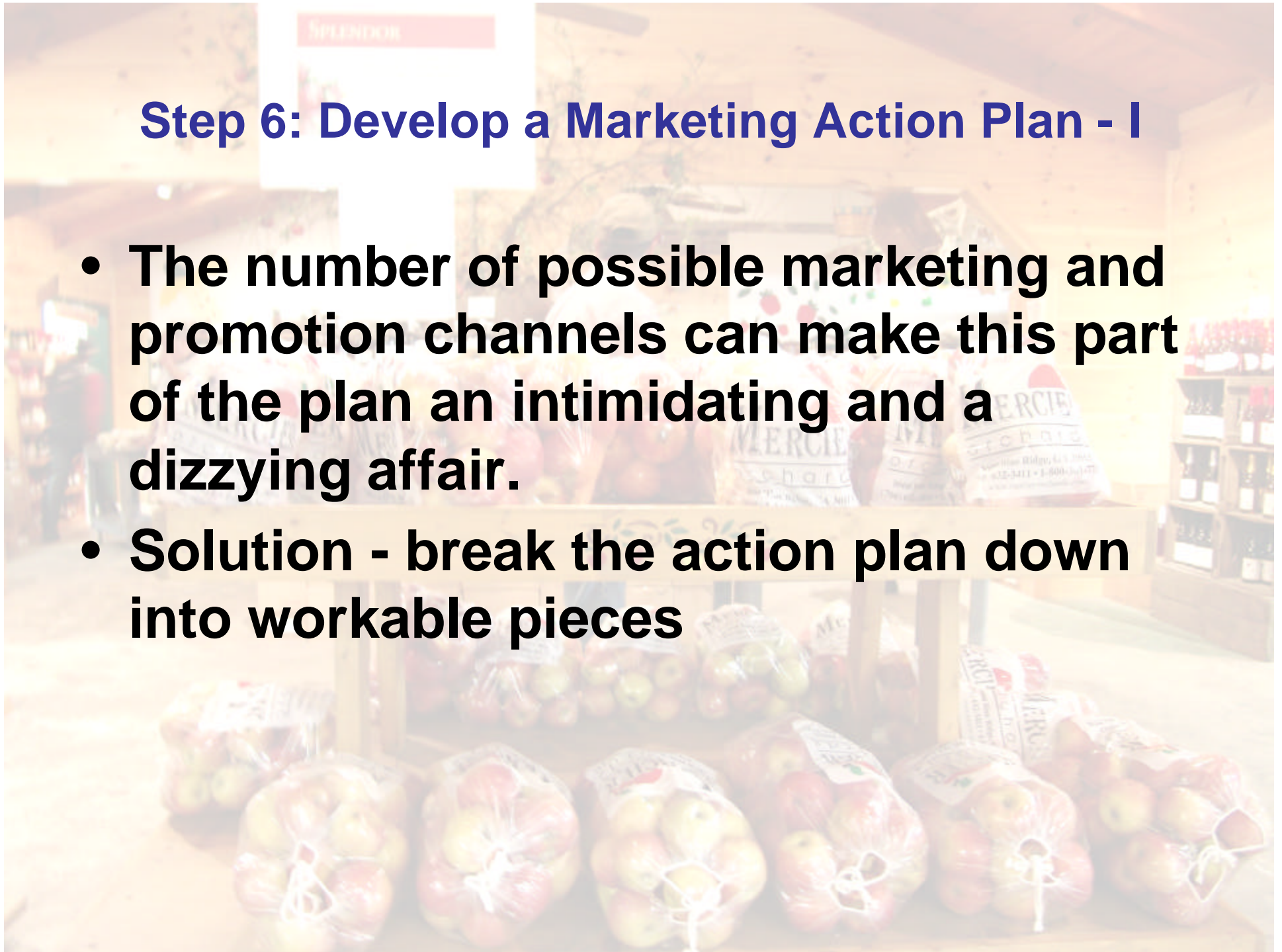


Step 5: Develop a Marketing Strategy to Achieve the Sales and Marketing Goals - III

- Worksheet # 13 – Test your Strategic Marketing Statements
- Is the statement measurable and can it be attached to an action plan with a timetable?
- Does the statement reinforce and define your niche in the marketplace?
- Does it define the ways you will differentiate your **company** from the competition?
- Does it define the ways you will differentiate your **products** from the competition?
- Is the plan easily communicated? Can your employees understand the plan need to execute the plan, can they its terms?

Step 6: Develop a Marketing Action Plan - I

- **The number of possible marketing and promotion channels can make this part of the plan an intimidating and a dizzying affair.**
- **Solution - break the action plan down into workable pieces**





Step 6: Develop a Marketing Action Plan - II Workable Pieces

- **Publicity Plan**– How will you use the traditional news media? News articles, radio spots, Television etc.
- **Promotional Event Plan** – What events such as trade shows will you enter?
- **Referral Plan** – How can you systematically build referrals?
- **Internet Plan** – How can the Internet inform your customers?
- **Advertising Plan** – Has advertisement been effective?
- **Customer Retention Plan** – How will you cultivate repeat customers?
- **Networking Plan** – How will you build your network?

Develop a systematic contact plan to build loyal customers

- ***Repeat customers 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***
- ***They can be a great source of referrals as well.***

Brainstorm potential problems to your marketing efforts

- Cash
- Personnel
- Product
- Pricing
- Competitor
- Quality



How is your marketing improving perceived value?

MARKETING STRATEGY

HOW IS YOUR MARKETING IMPROVING PERCEIVED VALUE?

		MARKETING STRATEGY		
		HOW IS YOUR MARKETING IMPROVING PERCEIVED VALUE?		
<u>Pricing</u> Goal (\$) Profit	<u>COMPANY VIEW</u> OUR COSTS - OUR GOALS Efficient and Effective Communications	<u>OUR</u> VALUE COMMUNICATION	<u>CUSTOMER</u> VALUE DETERMINATION	<u>CUSTOMER VIEW</u> Is it easy to do business with them? Perceived Value > Price
		Getting to the right people with the right message in an over communicated society	NO EXCHANGE	PRICE EXCEEDS VALUE
		WIN - WIN EXCHANGE	VALUE EXCEEDS PRICE	
		LOSE - WIN EXCHANGE		
Fixed Costs				
Variable Costs	High Quality Materials Good Supplier Relations			



Step 7: Develop a Marketing Budget to Support Goal Achievement

- **How much will you spend on the communication channels mentioned above?**
- **Track your promotional expenses by marketing channel**
- **Is one marketing channel more effective than the others?**
- **Is one combination of channels better than another?**
- **Get the best return on your promotional time and dollars!**
- **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 - Customer Issues

- **Competitive Positioning is in the Mind of the Customer**
- **Communicate about Product Benefits**
- **Understand Customer's Motivation and Buying Criteria**





Part III. Strategies to Remain Competitive – Market Place and Competition

- ***Competitor entries & exits***
- **Barriers to Entry**
- **Turn Competitors into Collaborators through Niche Definition**



Part III. Strategies to Remain Competitive – Spot trends ahead of competitors

- ***Demographics***
- ***The Economy***
- ***Technology***
- ***Political and Legal***
- ***Social and Cultural***

Exercise # 2 – Be a Customer for a Day

- Competitive Positioning
- Did you get the feeling that the business was organized for your convenience?
- Pricing

