Objectives: Session 4 – Marketing Strategy

In this session you will learn:

- How marketing is different from sales
- How to create a "brand" for your product or service
- How to best reach your ideal customer/target market

OVERVIEW:

Knowing about your market isn't enough. You also need to decide who will be your customer, how you will find new customers, what you will offer and how you will keep them as your customers. Then you will have the strategy you need to market your business.

DEFINITIONS

Advertising: The paid promotion of a product or service, in print, TV, or other media. (Answers.com)

Branding: To create a name, symbol or design for a product which sets it apart from other products. (Entrepreneur.com)

Marketing: The set of planned activities designed to persuade the purchase choices of people for your product or service. (page 367, The Plan-As-You-Go Business Plan)

Sales: Exchange of goods or services for an amount of money or its equal value. (Webster's Dictionary)

Marketing Strategy:

- Choose which groups of people you want to target within your market
- Decide on the message for the target market
- Estimate what it will cost to create the message
- Choose the best method to reach this target market
- Plan the cost to put this strategy to work for you
- Decide how to get your customers to 'Know, Like and Trust' you (John Jantsch, Duct Tape Marketing)

Public Relations: Using the news or business press to carry stories about your company or your products which promote a positive image to your customers and the public. (Entrepreneur.com)

Social Media: A shift in how people find, read, and share news and information. It combines social and technical aspects to go from monologue (one to many) to dialogue (many to many.) (WebProNews.com)

SALES AND MARKETING FUNNEL

A modern purchase funnel concept - Marketing-made-simple.com (2009)

The sales or marketing funnel is a consumer focused marketing model which illustrates the theoretical customer journey towards the purchase of a product or service.

In 1898, E. St. Elmo Lewis developed a model which mapped a theoretical customer journey from the moment a brand or product attracted consumer attention to the point of action or purchase. St. Elmo Lewis' idea is often referred to as the AIDA-model - an acronym which stands for Awareness, Interest, Desire, and Action. This staged process is summarized below:

- **Awareness** – the customer is aware of the existence of a product or service
- **Interest** – actively expressing an interest in a product group
- **Desire** – aspiring to a particular brand or product
- **Action** – taking the next step towards purchasing the chosen product

This early model has been evolved by marketing consultants and academics to cater for the modern customer and is now referred to in marketing as the purchase funnel. Many different consumer purchase models exist in marketing today, but it is generally accepted that the modern purchase funnel has more stages, considers repurchase intent and takes into account new technologies and changes in consumer purchase behavior.

The Purchase Funnel is also often referred to as the “customer funnel,” “marketing funnel,” or “sales funnel.” The concept of associating the funnel model with the AIDA concept was first proposed in Bond Salesmanship by William W. Townsend in 1924.

The purchase funnel concept is used in marketing to guide promotional campaigns targeting different stages of the customer journey, and also as a basis for customer relationship management (CRM) programs and lead management campaigns

PRICING

Pricing is the process of determining what a company will receive in exchange for its product or service. Pricing factors are manufacturing cost, market place, competition, market condition, brand, and quality of product. Pricing is also a key variable in microeconomic price allocation theory. Pricing is a fundamental aspect of financial modeling and is one of the four Ps of the marketing mix. (The other three aspects are product, promotion, and place.) Price is the only revenue generating element amongst the four Ps, the rest being cost centers. However, the other Ps of marketing will contribute to decreasing price elasticity and so enable price increases to drive greater revenue and profits.

Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Automated systems require more setup and maintenance but may prevent pricing errors. The needs of the consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product. Thus pricing is very important in marketing.

What a price should do

A well-chosen price should do three things:

- achieve the financial goals of the company (i.e. profitability)
- fit the realities of the marketplace (Will customers buy at that price?)
- support a product's positioning and be consistent with the other variables in the marketing mix
    - price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product
        - price will usually need to be relatively high if manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and [[promotion (marketing)|promotional campaigns]]
        - a low cost price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by distributors

From the marketer's point of view, an efficient price is a price that is very close to the maximum that customers are prepared to pay. In economic terms, it is a price that shifts most of the consumer surplus to the producer. A good pricing strategy would be the one which could balance between the price floor (the price below which the organization ends up in losses) and the price ceiling (the price be which the organization experiences a no-demand situation).

ADVERTISING

Advertising in business is a form of marketing communication used to encourage, persuade, or manipulate an audience (viewers, readers or listeners; sometimes a specific group) to take or continue to take some action. Most commonly, the desired result is to drive consumer behavior with respect to a commercial offering, although political and ideological advertising is also common. This type of work belongs to a category called affective labor.

In Latin, ad vertere means "to turn toward". The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful. Advertising messages are usually paid for by sponsors and viewed via various old media; including mass media such as newspaper, magazines, television advertisement, radio advertisement, outdoor advertising or direct mail; or new media such as blogs, websites or text messages.

Commercial advertisers often seek to generate increased consumption of their products or services through "branding", which involves associating a product name or image with certain qualities in the minds of consumers. Non-commercial advertisers who spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and governmental agencies. Nonprofit organizations may rely on free modes of persuasion, such as a public service announcement (PSA).

Modern advertising was created with the innovative techniques introduced with tobacco advertising in the 1920s, most significantly with the campaigns of Edward Bernays, which is often considered the founder of modern, Madison Avenue advertising.

In 2010, spending on advertising was estimated at $143 billion in the United States and $467 billion worldwide

Internationally, the largest ("big four") advertising conglomerates are Interpublic, Omnicom, Publicis, and WPP.

DISTRIBUTION CHANNEL
WWW.BUSINESSDICTIONARY.COM

The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributers, agents and retailers. Each intermediary receives the item at one pricing point and movies it to the next higher pricing point until it reaches the final buyer. Coffee does not reach the consumer before first going through a channel involving the farmer, exporter, importer, distributor and the retailer. Also called the channel of distribution.

Channel Stuffing: A deceptive and illegal retail business practice in which a company sends more inventory than could be sold to stores along its distribution channel. Channel stuffing temporarily boosts the accounts receivable for the distributing company since more product is pushed out than normal, but can also result in more items ultimately being sent back to the distributor. Stores with excess inventory are more likely to send excess inventory back to the distributor instead of sending cash payments, which will ultimately deflate the value of the distributor's sales.

Channel Width: Number of different entities available for providing the same distribution function (as a distributor, wholesaler, or retailer) at different stages in a distribution channel. See also channel length.

Channel-based pricing: Method in which the price depends on the means of delivery of a good or service. Merchants usually offer lower than the store prices for items sold through internet.

WHAT IS PUBLIC RELATIONS?
PRSA's Widely Accepted Definition

The formal practice of what is now commonly referred to as “public relations” dates to the early 20th century. In the relatively brief period leading up to today, public relations has been defined in many different ways, the definition often evolving alongside public relations’ changing roles and technological advances. The earliest definitions emphasized press agency and publicity, while more modern definitions incorporate the concepts of “engagement” and “relationship building.”

In 2011/12, PRSA led an international effort to modernize the definition of public relations and replace a definition adopted in 1982 by the PRSA National Assembly. Learn more here. Under the "Public Relations Defined" banner, PRSA initiated a crowdsourcing campaign and public vote that produced the following definition:

“Public relations is a strategic communication process that builds mutually beneficial relationships between organizations and their publics.”

Simple and straightforward, this definition focuses on the basic concept of public relations — as a communication process, one that is strategic in nature and emphasizing “mutually beneficial relationships.”

“Process” is preferable to “management function,” which can evoke ideas of control and top-down, one-way communications.

“Relationships” relates to public relations’ role in helping to bring together organizations and individuals with their key stakeholders.

“Publics” is preferable to “stakeholders,” as the former relates to the very “public” nature of public relations, whereas “stakeholders” has connotations of publicly-traded companies.

As a management function, public relations also encompasses the following:

- Anticipating, analyzing and interpreting public opinion, attitudes and issues that might impact, for good or ill, the operations and plans of the organization.
- Counseling management at all levels in the organization with regard to policy decisions, courses of action and communication, taking into account their public ramifications and the organization’s social or citizenship responsibilities.
- Researching, conducting and evaluating, on a continuing basis, programs of action and communication to achieve the informed public understanding necessary to the success of an organization’s aims. These may include marketing; financial; fund raising; employee, community or government relations; and other programs.
- Planning and implementing the organization’s efforts to influence or change public policy. Setting objectives, planning, budgeting, recruiting and training staff, developing facilities — in short, managing the resources needed to perform all of the above.

TARGET MARKET
Definition: A specific group of consumers at which a company aims its products and services

Your target customers are those who are most likely to buy from you. Resist the temptation to be too general in the hopes of getting a larger slice of the market. That's like firing 10 bullets in random directions instead of aiming just one dead center of the mark--expensive and dangerous.

Try to describe them with as much detail as you can, based on your knowledge of your product or service. Rope family and friends into visualization exercises ("Describe the typical person who'll hire me to paint the kitchen floor to look like marble...") to get different perspectives-the more, the better.

Here are some questions to get you started:

- Are your target customers male or female?
- How old are they?
- Where do they live? Is geography a limiting factor for any reason?
- What do they do for a living?
- How much money do they make? This is most significant if you're selling relatively expensive or luxury items. Most people can afford a carob bar. You can't say the same of custom murals.
- What other aspects of their lives matter? If you're launching a roof-tiling service, your target customers probably own their homes.

Once upon a time, business owners thought it was enough to market their products or services to "18- to 49-year olds." Those days are a thing of the past. Because the consumer marketplace has become so differentiated, it's a misconception to talk about the marketplace in any kind of general way anymore. Now, you have to decide whether to market to socioeconomic status or to gender or to region or to lifestyle or to technological sophistication. There's no end to the number of different ways you can slice the pie.

Further complicating matters, age no longer means what it used to. Fifty-year-old baby boomers prefer rock 'n' roll to Geritol; 30-year-olds may still be living with their parents. People now repeat stages and

recycle their lives. You can have two men who are 64 years old, and one is retired and driving around in a Winnebago, and the other is just remarried with a toddler in his house.

Generational marketing, which defines consumers not just by age, but also by social, economic, demographic and psychological factors, has been used since the early 80s to give a more accurate picture of the target consumer.

A newer twist is cohort marketing, which studies groups of people who underwent the same experiences during their formative years. This leads them to form a bond and behave differently from people in different cohorts, even when they're similar in age. For instance, people who were young adults in the 50s behave differently from people who came of age during the tumultuous 60s, even though they're close in age.

To get an even narrower reading, some entrepreneurs combine cohort or generational marketing with life stages, or what people are doing at a certain time in life (getting married, having children, retiring) and physiographic, or physical conditions related to age (nearsightedness, arthritis, menopause).

Today's consumers are more marketing-savvy than ever before and don't like to be "lumped" with others--so be sure you understand your target market. While pinpointing your market so narrowly takes a little extra effort, entrepreneurs who aim at a small target are far more likely to make a direct hit.