

Marketing in Uncertain Times

Prepared for: SMEAPR

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Three Key Marketing Skills

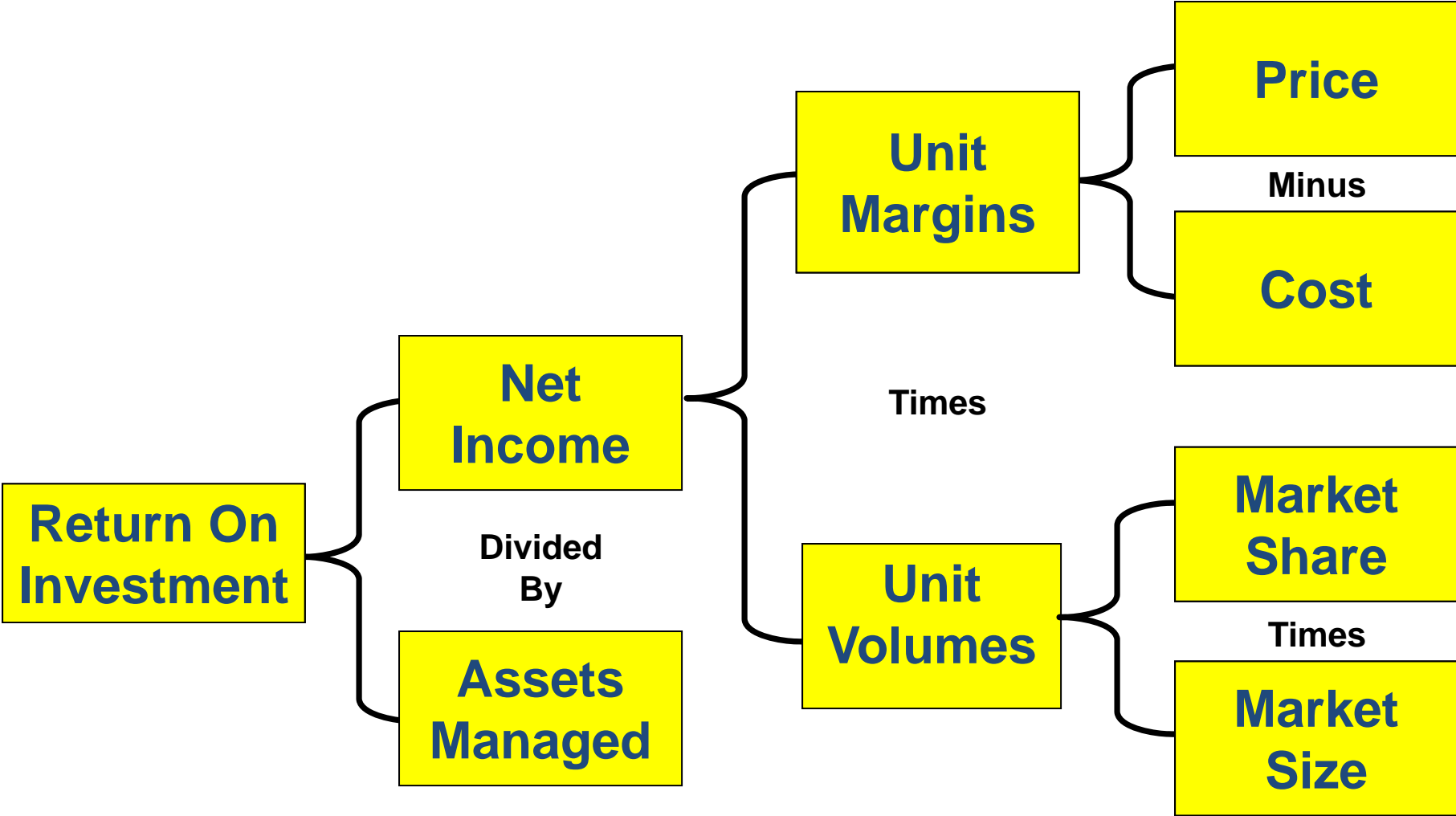
DETECT...

DESTROY...

AVOID...

**MARGIN-SUCKING
MAGGOTS**

The REAL Objective of Marketing



The Three Key Issues in Marketing Strategy

1. How will current events and trends effect my

- prices?
- costs ?
- market share?
- market size?

2. What can we do to improve/sustain our

- prices?
- costs?
- market share?
- market size?

3. Should I be more focused on prices, cost or volume?

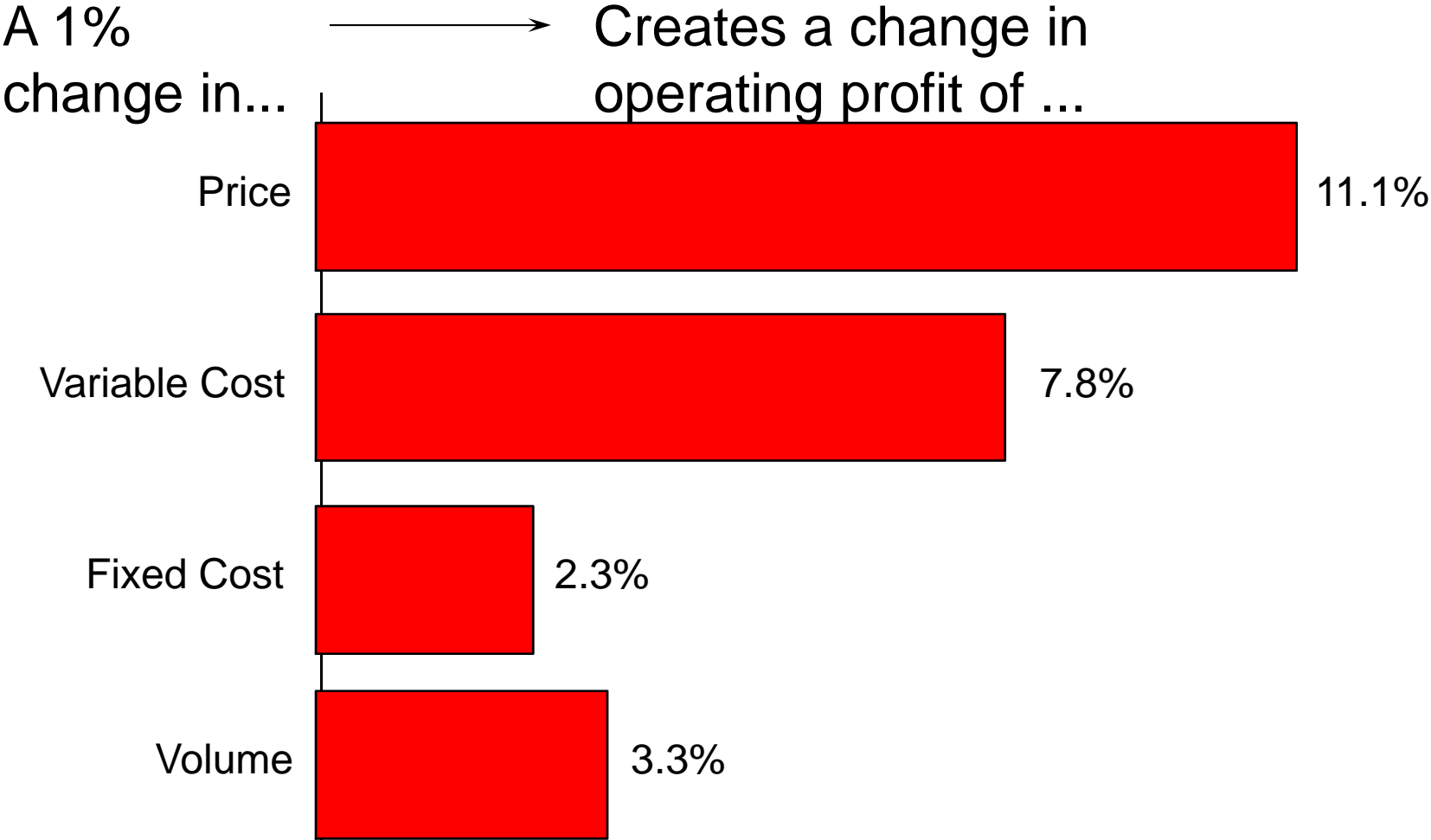
The Great Marketing Myth

Marketing Is All About Volume

In a down economy, cut prices to hold volume

In a recovering economy, cut prices to recapture lost volume and clients as soon as possible

A Comparison of Profit Levers



(Average economics of 2,463 businesses in Compustat)

Getting the Numbers Right

Cutting price to build volume never makes sense unless you have a sustainable cost advantage

- Price cutting begets quality cutting: both prices and volume are lost (1% price = 1.33% var cost)
- There is almost never enough volume gained to offset the margin loss (1% price = 3.34% volume)

The "Notwithstanding" Clause

- **BUYERS ARE UNABLE TO SPEND:**
During a down economy – and even during the first stages of recovery – customers see themselves in an economic bind
 - They cannot buy what they cannot afford
 - B2B volumes reflect changing consumer demand
 - for some sectors– primary demand may be off
 - for others sectors – primary demand may be stable BUT the distribution of selective demand may change
- **BUYERS MAY BE UNWILLING TO SPEND:**
Buyer behavior and priorities changes in response to their declining situation
 - new aspirational models for consumers
 - coping behaviors become habitual ("states" become "traits")
 - permanent changes in wealth (housing; savings; credit, etc.)
 - B2B clients expect "sensitivity" to their needs

There will be downward pressure on price...BUT

- **Not all customers are equally affected by the recession (or the recovery). There may be differences in**
 - magnitude of the recession's impact
 - immediacy – how quickly they feel that impact
 - permanence – how permanent is their response
- **Not all products or services are equally affected**
 - Staples go down last and recover first BUT what we consider a "staple" may vary over time or market segment
 - Services cannot be stockpiled or inventoried
- **Not all price cuts are created equal**
 - "Price-driven cost cuts" VERSUS "cost-enabled price cuts"
- **"Better Value" and "Lower Price" are NOT the same**

Value is the *RATIO* of Quality-to-Price

- **Four Ways to Enhance Value**
 - MAINTAIN QUALITY – REDUCE PRICE
 - REDUCE QUALITY A "LITTLE" – REDUCE PRICE A "LOT"
 - INCREASE QUALITY – MAINTAIN PRICE
 - RAISE QUALITY A "LOT" – RAISE PRICE A "LITTLE"

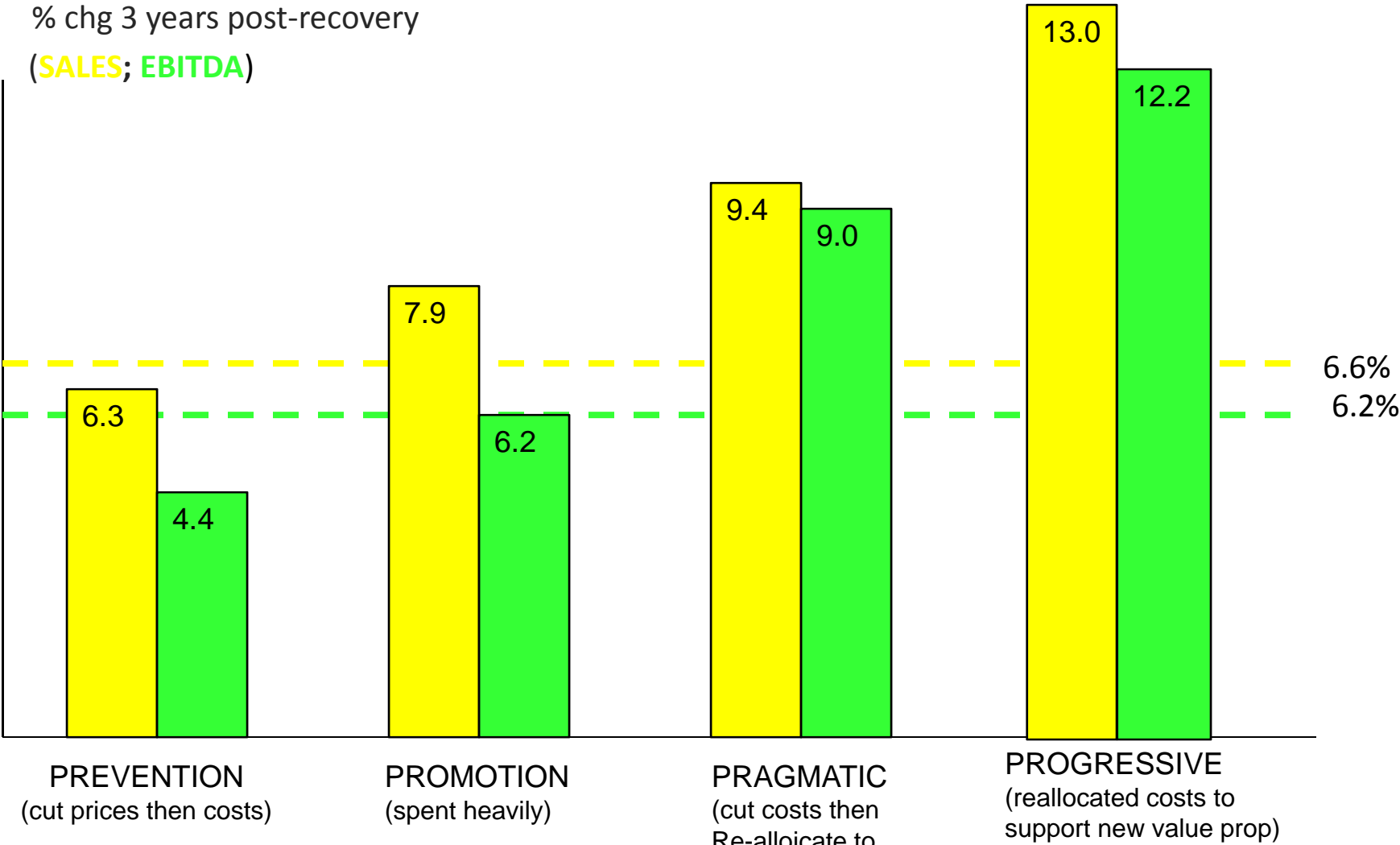
Why We Prefer "Quality-based Value Gains"

- Longer strategic window of opportunity/advantage
- Greater economic efficiency

PRODUCTIVITY is the key to better value

- **Productivity is the ratio of output to input**
 - Increase quality without increasing costs
 - Cut costs without destroying quality

Some Evidence



SOURCE: "Roaring Out of Recession" (Gulati and Nohria, HBR 4/2010)

Marketing's Fifth "P"

- **TWO KEYS TO MARKETING PRODUCTIVITY**
 - The "Branded Business"
 - Mission Critical Marketing

The "Branded Business"

"Brand" versus "Branded Business"

- **A BRAND** is a set of associations that customers use to shape their expectation of what they receive when they do business with you
- **A BRANDED BUSINESS** is an enterprise that maintains a way of doing business that enables them to consistently meet or exceed that expectation – thereby reinforcing the associations attached to a brand

The Dual Role of Branding

Describe this product...

What if it carried the logo...



Fisher-Price®

The Fisher-Price logo is a red, rounded rectangular shape with a white border, containing the text "Fisher-Price" in white, bold, sans-serif font. A registered trademark symbol (®) is located at the top right of the logo. The logo is centered on a light blue background.

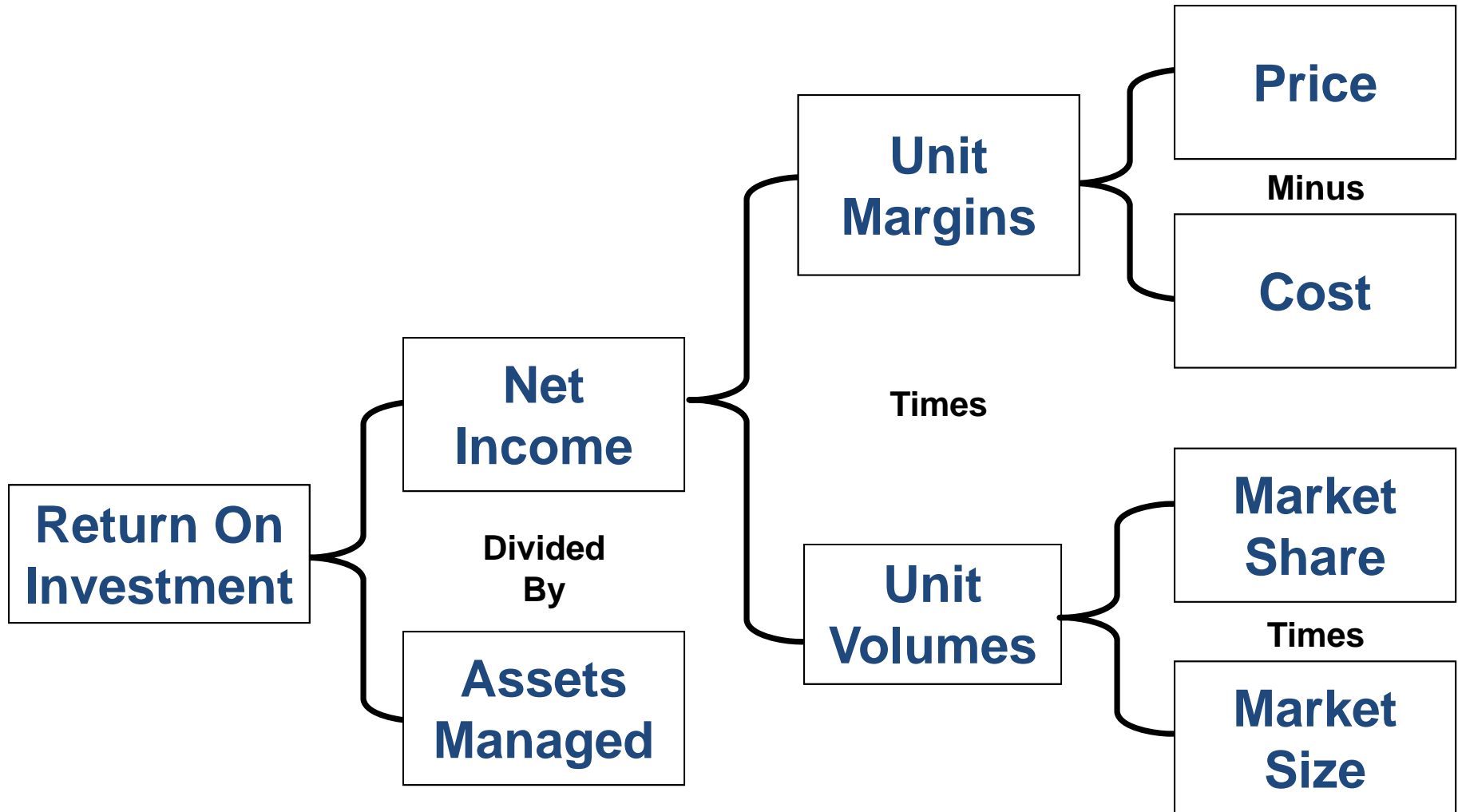
Oh, the possibilities!®

Would you pay more versus unbranded?

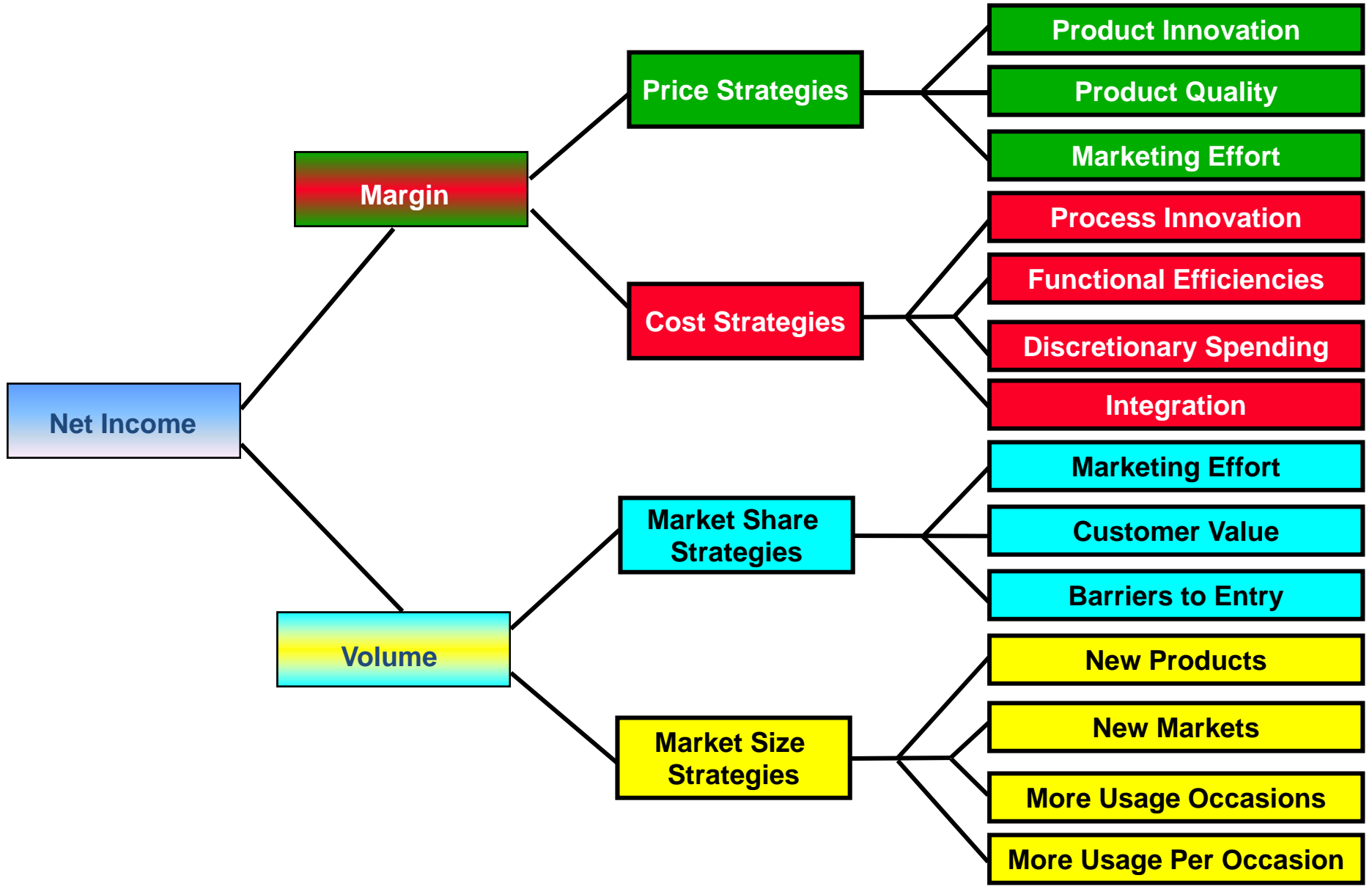
How much would Fisher-Price need to spend to introduce new products?

FIVE KEY FINDINGS ABOUT YOUR CUSTOMER'S "ULTIMATE NEED"

Finding One: Know Your Customer's Business Model



Finding Two: Know "What Matters Most"



Finding Three: It is Not Just What You Do But How You Think

- **WHICH PRODUCT IS CHEAPEST?**

A: \$1.01

B: \$1.00

C: \$0.999,999,999,999,999,999,999,999,999,999,999,999,999,999,999

- **WHICH PRODUCT HAS THE BEST QUALITY?**

A: "Wonderful Quality"

B: "Great Quality"

C: "Smokin' Good Quality"

Does Your Customer REALLY Think About Your Product?

THE VIAGRA RULE

- People DO NOT buy products or services, they buy solutions to problems
- Customer price sensitivity DIMINISHES with
 - the importance of the problem being solved
 - the complexity of the work
 - the number of alternative suppliers or solutions
- Implications:
 1. Business Arena: "what job are you being hired to do?"
 2. Operational Impact: not every job we do has equal value

Your "business arena" and "best practice"

- How to improve the retail experience (sample advice)
 - Personalize the experience
 - Help the customer find their way
 - Explain product differences
 - Show them you care
 - Show them why they "get what they pay for" (i.e. up-sell)
 - EDI, E-tailing, etc...

Finding Four: Customer's Can't Reward A Value Proposition They Don't Know (What You Need to Convey)

- **Part 1: What We Do**

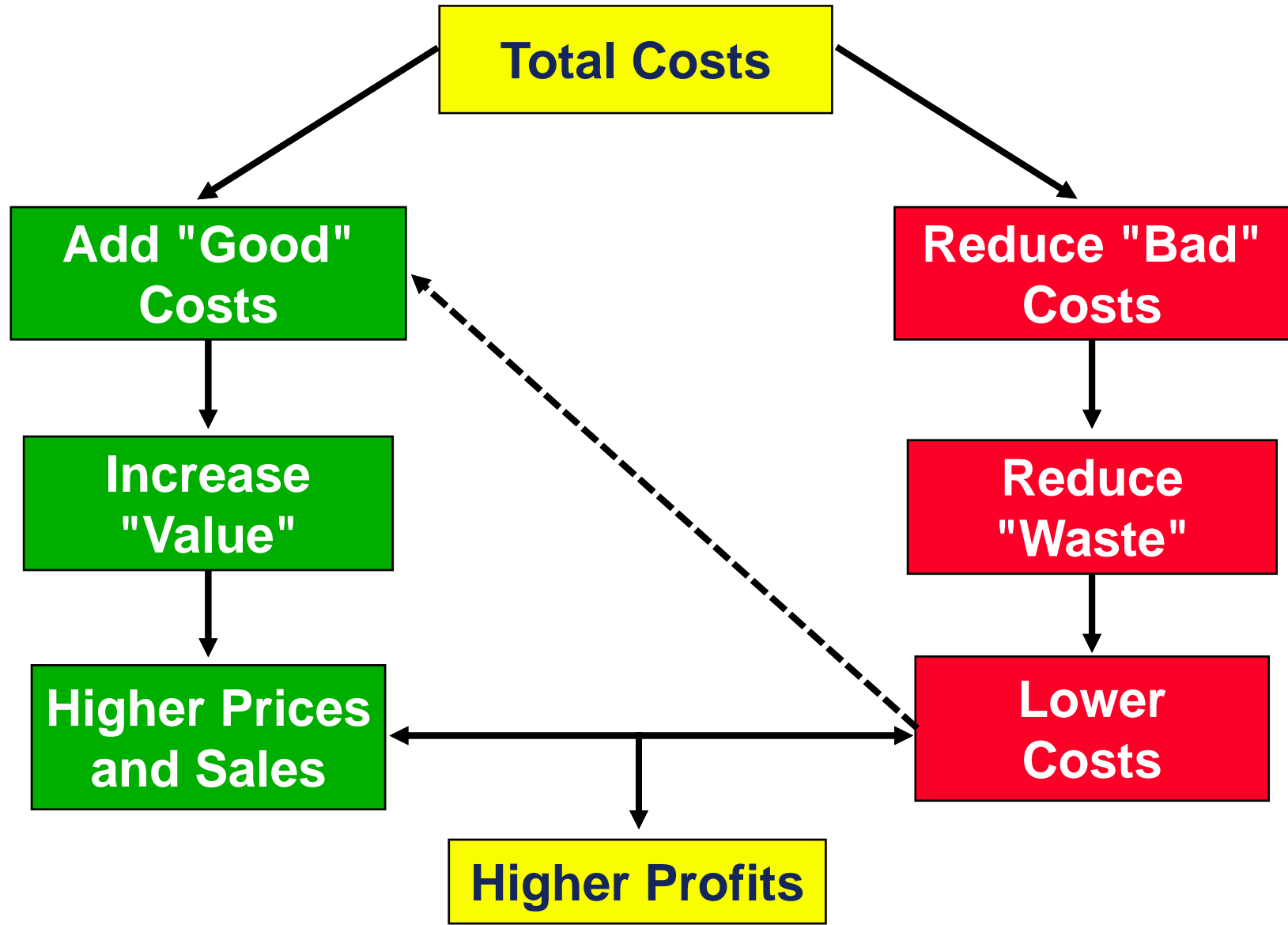
- For *the target market*
- Who want *the "consumption problem"*
(What "need" do you serve?)
- Our product is a *our portion of the "solution"*
(How and when do they think about yours in connection with that need)
- That features *key benefit provided*
(What are the one or two things you want them to remember about you?)
- As measured by *how the customer infers quality*

- **Part 2: Why We Will Win**

- Unlike *our main competitors*
- Our product provides *key point(s) of difference*
- As supported by *what makes our difference possible*
(Why they should believe us... TODAY)
- And protected by *why the competition cannot easily overcome it*
(Why they should believe us... TOMORROW)

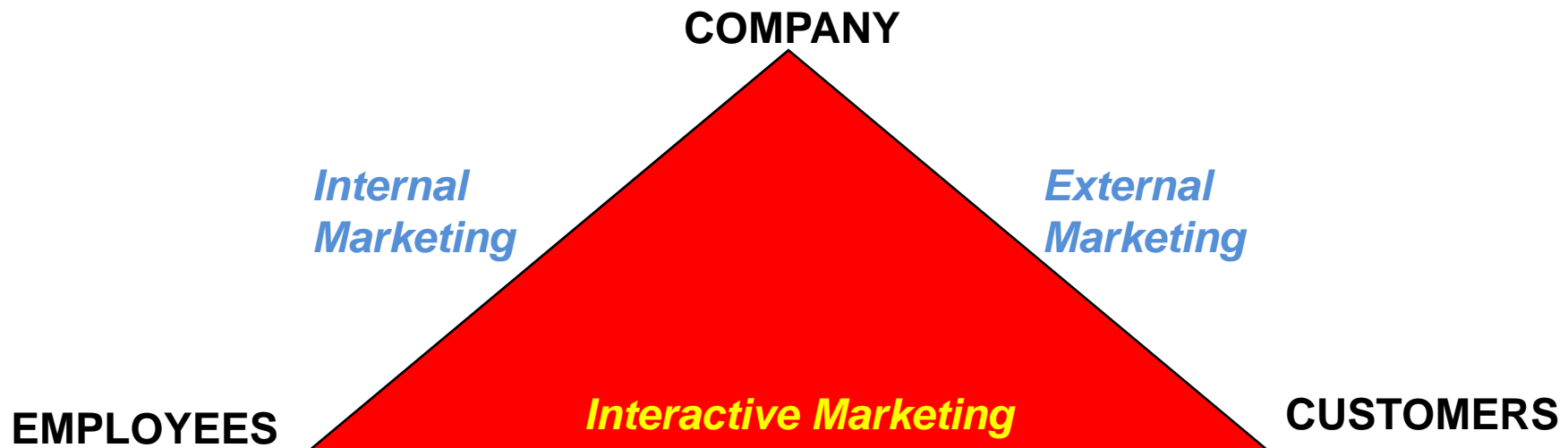
To Sell on Value, Know Your Costs...

... and the Value They Create



Finding Five: Know What Matters Most

- Services are the ultimate “experience good”
- The Five-Step "Profit Chain"
 - Profits grow from satisfied customers who receive value due to satisfied and loyal employees who had proper training, coaching, and support



Do You Know YOUR Ultimate Need?

1. Do you have a clear sense of your business model and pathway to profitability?
 - Can you identify the source of your major profit challenges?
2. Are you setting the right priorities
3. Does your corporate culture and structure support or contradict your business model and business strategy?
4. Can you articulate a value proposition?
5. Are you marketing **inside** as vigorously as you market outside?
 - Do your PEOPLE know the customer expectations created by your marketing “promises”

Commit Your “Hands” to EXECUTION

The EXECUTION of the

MARGIN-SUCKING

MAGGOTS