New Marketing for New Age

World-Class Speaker

Philip Kotler

"Father" of Modern Marketing
One of 4 Greatest Management Gurus of all time
(According to Financial Times)

Two Challenges Facing Your Company

1. Will your company be able to defend your market against the invasion of foreign global brands?

2. Can your company develop strong local, national, regional or global brands?
Can Your Company Defend the Domestic Market?

- Foreign competitors will not only go after the high end market. They will target the middle and eventually the low end.

- The main defense for your company will be developing stronger skills in quality, innovation, differentiation, branding, and service. In a word, MARKETING!

- The issue is that your company is cutting its expenses when it should be strengthening its marketing and sales resources.
Your Businesses Needs A Better Understanding of Marketing!

- Focus first on your customers, second on your employees, third on your partners, and fourth on your competitors.
- Don’t think of marketing to being the same as advertising and selling.
- Use market research to guide your strategy.
- Focus on a part of the market where you can deliver superior value through differentiation and relevance.
- Avoid lowering your price to defend your market share. It is better to increase benefits.
The Strategic Trajectory for a Country

- Low cost, average quality domestic products.
- Low cost, good quality domestic products.
- High-end products made for other companies.
- Branded products (regional).
- Branded products (global).
- Branded dominant brands (global).
Four Major Tasks

1. Improving Marketing’s Role and Relationships in the Company

2. Finding New Opportunities

3. Finding New Ways to Communicate

4. Using New Technologies and Measuring Results
1. Improving Marketing’s Role and Relationships in the Company
Four Different CEO’s Views of Marketing

- **Level 1.** Marketing is a fancy word for using advertising and sales force to sell our products. Mktg = 1P.

- **Level 2.** Marketing’s task is to develop an integrated marketing mix of 4Ps. Mktg = (Product, Price, Place, Promotion)

- **Level 3.** Marketing’s task is to research the market and apply segmentation, targeting, and positioning (STP) to find and exploit new opportunities.

- **Level 4.** Marketing is a company-wide philosophy that will drive economic growth by helping us acquire, retain and grow our base of highly satisfied customers.
The Marketing Formula for Success

• The marketing mantra:
  CCDVTP

• The marketing process:
  R → STP → MM → I → C
Job Positions in Today’s Marketing Organization

- Chief Marketing Officer (CMO)
- Marketing Vice President
- Brand managers
- Category managers
- Market segment managers
- Distribution channel managers
- Pricing managers
- Marketing communication managers
- Database managers
- Direct marketers
- Internet managers
- Marketing public relations manager
- Global, regional and local marketing managers
- Marketing analysts
- Marketing researchers
- Marketing intelligence gatherers
Winning Through Stakeholder Value Creation - 1

- Jim Collins in Good to Great defined “great” companies by identifying the top financial performers and their characteristics.
- Jag Sheth* and his coauthors defined “great” companies by identifying the most humanistic companies (asking people which companies they “loved”) and which companies treated well their five stakeholder groups: SPICE = society, partners, investors, community, and employees.
- The Firms of Endearment were:
- Sheth was surprised that these companies financially outperformed the outstanding performance of Collins’ companies.

Winning Through Stakeholder Value Creation - 2

- These Firms of Endearment shared the following characteristics:
  - They align the interests of all stakeholder groups
  - Their executive salaries are relatively modest
  - They operate an open door policy to reach top management
  - Their employee compensation and benefits are high for the category; their employee training is longer; and their employee turnover is lower
  - They hire people who are passionate about customers
  - They view suppliers as true partners who collaborate in improving productivity and quality and lowering costs
  - They believe that their corporate culture is their greatest asset and primary source of competitive advantage.
  - Their marketing costs are much lower than their peers while customer satisfaction and retention is much higher.

- Their marketing is about:
  - Triggering great word of mouth rather than heavy brand advertising (Google and Starbucks did no advertising)
  - They do not rely on frequent sales or heavy promotion

- Sheth, et al, offers this as a 21\textsuperscript{st} century paradigm for marketing as opposed to the traditional 20\textsuperscript{th} century paradigm which they characterize as aggressive and manipulative.
What are the main obstacles to connecting marketing throughout your organization?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Obstacle</th>
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<tbody>
<tr>
<td>1</td>
<td>Too few resources to deliver against objectives</td>
</tr>
<tr>
<td>2</td>
<td>Shortage of good talent in the marketing group</td>
</tr>
<tr>
<td>3</td>
<td>Lack of trust and credibility with the rest of the organization</td>
</tr>
<tr>
<td>4</td>
<td>Unable to communicate a clear, consistent message to the entire organization</td>
</tr>
<tr>
<td>5</td>
<td>Lack of innovation in finding new ways to better connect marketing</td>
</tr>
<tr>
<td>6</td>
<td>Lack of support from upper management</td>
</tr>
<tr>
<td>7</td>
<td>Marketing does not have a clear strategy platform to convey to the rest of the organization</td>
</tr>
</tbody>
</table>

*Source: Spencer Stuart*
If You Are Appointed CMO, You Want Your Office To Be Located Next To:

1. CEO office
2. CFO office
3. CTO office
4. CIO office
5. VPS office
What is a CMO Expected to Do?

1. Monitor the evolving consumer landscape, represent the voice of the customer (VOC), and champion the development of a strong customer-orientation to build customer loyalty/retention.

2. Gather customer insights to help develop new products and services for achieving growth objectives.

3. Be the steward of the corporate brand and branding practice.

4. Upgrade marketing technology and skills in the company.

5. Measure and account for marketing financial performance and contain media and other service costs.

Some Statements by CMOs

- What surprised Carter Cast most when he became CMO was “that I would interact so much with functions outside of marketing. I didn’t realize it is a holistic assignment. Then I realized I really had to understand things like product supply, cost break-evens and accounting.” CMO and later CEO of Wal-Mart.com, Carter Cast

- “You want to be connecting at the very senior levels of the organization, and you also want to be connecting in with the engineers and scientists who are doing a lot of the work on the front lines… You have to figure out how pull all those instruments together in a way that’s delivering great marketing accountability and engaging marketing programs.” Yahoo CMO Cammie Dunaway
Sales Precedes Marketing

- In the beginning there was sales.
- Marketing appeared later to help sales people:
  - By using marketing research to size and segment the market
  - By using communications to build the brand and develop collateral materials
  - By finding leads through direct marketing and trade shows
- Marketing was originally located in the sales department.
- Then marketing grew as a separate department responsible for the marketing plan (4Ps) and brand-building.
## Differences in Mindset and Style

<table>
<thead>
<tr>
<th>Marketing</th>
<th>Sales</th>
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<tbody>
<tr>
<td>Profit oriented</td>
<td>Volume oriented</td>
</tr>
<tr>
<td>Data oriented</td>
<td>Action oriented</td>
</tr>
<tr>
<td>Analytical</td>
<td>Intuitive</td>
</tr>
<tr>
<td>Likes planning</td>
<td>Prefers doing</td>
</tr>
<tr>
<td>Team-oriented</td>
<td>Individualistic</td>
</tr>
<tr>
<td>MBA educated</td>
<td>Undergraduate and “street smart”</td>
</tr>
<tr>
<td>Focused on whole market and market segments</td>
<td>Focused on each customer</td>
</tr>
</tbody>
</table>
## Perceptions of Each Other

<table>
<thead>
<tr>
<th>Key Task</th>
<th>Marketing Perception of Sales</th>
<th>Sales Perception of Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Setting</td>
<td>Marketing feels under-appreciated, views sales as self-serving and short sighted</td>
<td>Sales feel indispensable, views marketers as ivory tower strategists who don’t really understand customers or the pressures of selling in a difficult environment</td>
</tr>
<tr>
<td>Messaging</td>
<td>“Salespeople ignore corporate branding and positioning standards.” Underutilize leads.</td>
<td>“Corporate messages and generic sales collateral aren’t helpful in closing orders. Leads aren’t qualified</td>
</tr>
<tr>
<td>Market Information</td>
<td>Marketing complains about the lack of feedback from sales</td>
<td>Sales believes that marketing doesn’t listen or understand the complexities of the sales process</td>
</tr>
</tbody>
</table>
Hypothesis:
The integration of sales and marketing tends to progress through four distinct stages or levels of complexity.

- Undefined
- Defined
- Aligned
- Integrated
The Sales Funnel

- Purchase Intention
- Purchase
- Loyalty
- Customer Advocacy

- Prospecting
- Qualifying
- Defining Needs
- Developing Solutions
- Proposal Preparation/Presentation
- Revision & Issue Resolution
- Contract Negotiation
- Implementation
The Marketing and Sales Funnel

- Customer Awareness
- Brand Awareness
- Brand Consideration
- Brand Preference
- Purchase Intention
- Purchase
- Loyalty
- Customer Advocacy

Marketing → Handoff → Sales
Eight Ways to Improve Marketing/Sales Alignment

1. Hold regularly scheduled meetings between marketing and sales.
2. Make it easier for marketing and sales people to communicate with each other.
3. Arrange for more joint work assignments and job rotation between marketing and sales people.
4. Appoint a liaison person from marketing to live with the sales force and help marketers understand sales problems better.
5. Locate the marketing and sales people in the same building or location to maximize their encounters.
6. Set shared revenue objectives and reward systems.
7. Define more carefully the steps in the marketing/sales funnel.
8. Improve sales force feedback.
2. Finding New Opportunities
Three Innovation Models

- Whirlpool Corporation launched an effort in 2000 to stimulate greater innovation. The company trained 400 employees from a wide variety of functions in a new process of “ideation.” Since the initiative began, Whirlpool has gone from a handful of product introductions per year to dozens, including the highly successful Gladiator line of appliances, workbenches, and storage systems for the garage.

- Shell, in 1996, authorized a team of its employees to allocate $20 million to rule-breaking ideas originating anywhere in the company. Any employee can make a 10-minute pitch followed by 15-minute Q&A. Greenlight ideas get an average of $100,000 and up to $600,000. 4 teams out of 12 received 6 month funding for next stage development. Of Shell’s 5 largest growth initiatives in 1999, 4 started this way.

- Samsung Electronics established the Value Innovation Program (VIP) Center in 1998. Core cross-functional team members come together to discuss their strategic projects. In 2003, the center completed eighty projects. Samsung runs an annual Value Innovation conference and awards are given for the best cases.
Eight Ways to Get Ideas From Customers

1. Observe how your customers are using your product.
2. Ask your customers about their problems with your products.
3. Ask your customers about their dream products.
4. Use a customer advisory board to comment on your company’s ideas.
5. Use websites for new ideas.
6. Form a brand community of enthusiasts who discuss your product.
7. Encourage or challenge your customers to change or improve your product.
8. Let the users manufacture the content (You Tube).
Differentiation: One Answer

- Many categories are becoming commoditized.
- Yet Ted Levitt said that “anything can be differentiated.”
  - Chicken (Purdue), bricks (Acme), coffee (Starbucks), cement (Cemex), vodka (Absolut)
- Jack Trout, in his Differentiate or Die: Survival in Our Era of Killer Competition, describes many ways to differentiate.
- Differentiation can be psychological as well as functional (Marlboro cigarettes).
  - P&G’s Folger’s Instant Coffee: Flaked Crystals
  - Frank Perdue’s Chicken: Yellow Flesh
  - Alberto-Culver’s Natural Silk Shampoo: Silk
Using Blue Ocean Strategy

• Leave the red ocean of intense competition and capture a blue ocean of uncontested market space.

• The key is value innovation.
  – This differs from value creation which might be incremental or technological innovation which leads to a Philips’ CD-I that could do too much and is difficult to understand.
  – The goal is to find a way to increase buyer value while reducing costs. It breaks the value-cost tradeoff. Example: Cirque du Soleil.
  – The value innovation amounts to a new strategy that affects the entire system of a company’s activities.
Using Blue Ocean Strategy

- Start with a strategy canvas. The horizontal axis captures the range of factors the industry competes on and invests in. The vertical axis captures the offering level that buyers receive across all the key competing factors (high to low).
  - The wine industry has two groups: premium wines and budget wines. The value curves are of the two are different. The problem is that most premium wines are similar in their value curves and most budget wines are similar in their value curves.

- The challenge is to find a new value curve to escape from the red ocean. Use the four action framework:
  - What factors to eliminate? (cost goes down)
  - What factors to reduce well below the industry’s standard? (cost goes down)
  - What factors to raise well above the industry’s standard? (differentiation goes up)
  - What new factors to add that the industry has never offered? (differentiation goes up)

## Creating Cirque du Soleil

<table>
<thead>
<tr>
<th>Eliminate</th>
<th>Raise</th>
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<tbody>
<tr>
<td>Star performers</td>
<td>Unique venue</td>
</tr>
<tr>
<td>Animal shows</td>
<td></td>
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<tr>
<td>Aisle concession sales</td>
<td></td>
</tr>
<tr>
<td>Multiple show arenas</td>
<td></td>
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<tr>
<td>Reduce</td>
<td>Create</td>
</tr>
<tr>
<td>Fun and humor</td>
<td>Theme</td>
</tr>
<tr>
<td>Thrill and danger</td>
<td>Refined environment</td>
</tr>
<tr>
<td></td>
<td>Multiple productions</td>
</tr>
<tr>
<td></td>
<td>Artistic music and dance</td>
</tr>
</tbody>
</table>

Source: *Blue Ocean Strategy*, p. 36.
Reconstruct Market Boundaries Through a Six Paths Framework - 1

1. Look across alternative industries
   - NetJets (neither commercial or plane ownership)
   - NTT’s DoCoMo (phone and easy Internet)
   - Home Depot (products and craft advice)

2. Look across strategic groups within industries
   - Curves (health club or home exercise)
   - Walkman (boom box or transistor radio)
   - Toyota Lexus (a Mercedes at Cadillac prices)
   - Ralph Lauren (high fashion or no fashion)
   - Champion Enterprises (pre-fabs vs. on-site developers)
The Strategy Canvas of NetJets

NetJets’ Value Curve

Private Jet
Corporate travel

Commercial Airlines
First- and business-class business travel

Low
Price
(fixed purchase + variable price per flight)
Need for customers to manage aircraft (aircraft management and administration)
Deadhead costs
Speed of total travel time
Ease of travel (including check-in, customs, etc.)
Flexibility and reliability
In-flight service

Source: Blue Ocean Strategy
Six Paths Framework - 2

3. Look across the chain of buyers
   - Change from conventional target user: purchasers, users, influencers
   - Nova Nordisk (focused on insulin users rather than doctor)
   - Bloomberg (focused on users rather than IT industry)
   - Canon (small copiers for homes, not companies)

4. Look across complementary product and service offerings
   - NABI (Hungarian bus company brought down long term costs)
   - Barnes & Noble book stores
   - Zeneca’s Salick cancer centers (combine all treatments in one place)
Six Path Framework - 3

5. Look across functional or emotional appeals to buyers
   - Swatch (from function to emotion)
   - Body Shop (from emotion to function)
   - QB House (Asian barbershop…from emotion to function)
   - Cemex (selling a dream instead of cement)

6. Look across time
   - Study trends that are decisive to your business, irreversible, and have a clear trajectory.
   - Apple (creating iTunes observing peer illegal file sharing)
   - Cisco (solving problem of slow data rates and incompatible computer networks).
Capturing Non-Customers

- Callaway Golf noticed that many country club members have not taken up golf because the game looked too difficult. Callaway invented Big Bertha, a golf club with a large head making it easier to hit the ball. They converted many non-customers.

- Pret a Manger, a British fast-food chain, noticed that professionals went to restaurants for lunch. Some were dissatisfied with the slow service and wanted healthier food, or decided to bring lunch from home. Pret offered restaurant-quality sandwiches made fresh every day from the finest ingredients and the food is available even faster than in fast food restaurants.

- JCDecaux noticed that billboards can’t carry enough information in their ads. So the company arranged with municipalities to build and maintain “street furniture” that would carry ads.
The case of Cereal Bars

Cereals for breakfast market

Cereal varieties

STREETS

New category

The case of Barbie

Baby dolls market

To feel as...

Teenager

New category

Doll varieties
Other Examples of Lateral Marketing

- Kinder Surprise = candy + toy.
- Gas station stores = gas station + food.
- Cyber cafes = cafeteria + Internet.
- Walkman = audio + portable.
- Train + school = classes on the train.
Methods Used in Lateral Marketing

- **Substitution**
  - Students teach students rather than teacher teach students
  - Paper packaging (Tetra-pak) replacing glass milk bottles

- **Combination**
  - Pedals + electricity for a bike = motorized bike
  - Book + listening = audio tapes

- **Inversion**
  - Just-cooked pizza into non-just cooked frozen pizza
  - Inverting the ketchup bottle so ketchup would flow faster
Methods Used in Lateral Marketing

• Elimination
  – A telephone without a cable = wireless cell phones
  – Brand without a brand = generic brand

• Exaggeration
  – A bicycle for two or three
  – 50 liter water bottle placed in middle of offices

• Reordering
  – People request ads to be sent to them instead of the reverse = permission marketing
  – Popcorn packed before being popped = microwave popcorn
3. Finding New Ways to Communicate

“I don’t know who you are.  
I don’t know your company.  
I don’t know your company’s product.  
I don’t know what your company stands for.  
I don’t know your company’s customers.  
I don’t know your company’s record.  
I don’t know your company’s reputation.  
Now—what was it you wanted to sell me?”

MORAL: Sales start before your salesman calls—with business publication advertising.
Are You Using the New Media?

<table>
<thead>
<tr>
<th>Old Media</th>
<th>New Media</th>
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<tbody>
<tr>
<td>• Drum beats and smoke signals</td>
<td>• Websites</td>
</tr>
<tr>
<td>• Face-to-face sales calls</td>
<td>• Webcasts</td>
</tr>
<tr>
<td>• Writing</td>
<td>• Email</td>
</tr>
<tr>
<td>• Mail</td>
<td>• Banners and pop-ups</td>
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<tr>
<td>• Telephone</td>
<td>• Blogs</td>
</tr>
<tr>
<td>• Radio</td>
<td>• Podcasts</td>
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<tr>
<td>• TV</td>
<td>• Videocasts</td>
</tr>
<tr>
<td>• Film</td>
<td>• Mobile marketing</td>
</tr>
<tr>
<td>• Sponsorships</td>
<td>• Social network sites</td>
</tr>
<tr>
<td>• Direct mail</td>
<td>• Stimulated buzz</td>
</tr>
<tr>
<td>• Street level promotion</td>
<td>• Street level promotion</td>
</tr>
<tr>
<td>• Product placement</td>
<td></td>
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</table>
Product Placement is Growing

- Television and talk shows
- Video games
- Music
- Film
  - The new James Bond film Casino Royale has placements for Ford cars, Omega watches, Vaio laptops, Sony-Ericsson Mobile Phones, and New Holland Heavy equipment.
- Books
  - The Bulgari Connection
  - Men in Aprons (Electrolux)
  - The Sweetest Taboo (mentions Ford Fiesta)
Steps to Take Regarding Blogs

• Conduct Industry Analysis: Need to find out what a group of consumers think about your latest widget or market trends? Check out blog sites for the specialists following your industry. (Technorati.com, Blogwise.com).

• Take Advantage of Targeted Advertising Opportunities: Identify bloggers who cover important topics in your area and find out what they charge for ads. Marketers can change ads to match the day-to-day changes in their industry.

• Encourage Employees to Blog: Technical experts can discuss the latest goings on in R&D, while your C-level discusses the future of your business. Your brand can gain quick credibility by offering the chance to have conversations with executives or experts. Adds a human touch.
Steps to Take Regarding Blogs

- Create a Corporate Blog: Your brand’s blog can broadcast messages to your external consumers, partners and industry-watchers. The difference is that dialogue via blog is quick and specific. Users come back because they are genuinely interested in the content, while brands have a portal for sharing the latest news as it happens.

- Make the Blog Authentic, Personal and Compelling. The live individual behind it should be responsive to comments and inquiries. New entries must be posted daily.

- Monitor Blogs. Blogs mean a loss of message control. The potential for brand damage is high. Malcontent stories can spread on the Internet like wildfire.
Advice about Podcasting

Q: Why should marketers consider doing a corporate podcast?

Wehr: Podcasts let you build a one-on-one relationship by connecting with listeners and putting out a message that has an emotional aspect to it. Listeners hear a voice and associate that voice with your company, which is a great way to get them coming back again and again.

Q: How do you select the right “voice” for your podcast?

Wehr: Particularly in the b-to-b market, it’s important for listeners to hear your message from upper-level management.
Advice about Podcasting

Q: How often should marketers create new podcasts, and how long should they be?

Wehr: The podcasts have to be frequent enough to maintain an audience. This usually means a one-off podcast is going to provide very little value. As for length, we concluded that 15-minute podcasts make sense. The average commute is 30 minutes, so if you can stay in the 15- to 20-minute range, you’re good.

Q: How should marketers use e-mail to promote their podcasts?

Wehr: You can pull out quotes or information that’s contained in the podcast and put it into your normal e-mail communications. With each new podcast, you should be doing a summary [of the podcast] and placing it on your site so search engines can pick it up. You should also refer to previous podcasts in current podcasts.
Do Commercial Live Webcasts

- A company can offer information or advice on a company-sponsored webcast, and also answer questions.

- Advertise the time of the webcast, its length, and its cost (if any). Follow up after the webcast with prospects.
Consumer-Generated Media (CGM)

- Direct customer feedback to company Websites
- Online bulletin boards, chat rooms, forums, and discussions
- Person-to-person e-mail
- Blogs (personal Web logs/diaries)
- Moblogs (sites where users post or send digital images, photos, video clips to others)
- Consumer opinions and reviews on Web sites (amazon, netflix, zagat, planetfeedback, epinions)
- Podcasts (audio files that can be downloaded and played on various devices)
- Webcasts (internet live presentations)
- Wikipedia (encyclopedia) and Flickr (photos)
- Instant messages
- Social networks (My Face, YouTube, etc.)
What is WOM and Buzz?

- WOM is word-of-mouth.
  - WOM is increasing naturally with the Internet and the cell-phone.
  - WOM is more trusted than advertising.
  - WOM is very powerful (iPod, Harley Davidson).
What is WOM and Buzz?

- Buzz is about trying to increase WOM. There are different types of buzz:
  - **Buzz marketing** is meant to generate publicity, excitement and some information about the product.
    - Richard Branson’s nearly naked descent via crane into Times Square to promote Virgin’s mobile phone service.
  - **Viral marketing** aims to manufacture a marketing message—typically online and in a tangible format such as email—that can spread among consumers quickly and exponentially.
  - **Shill (or stealth) marketing** involves people paid to promote a product/service in different public places without revealing their relationship with the company.
    - Sony Ericsson hired actors to walk around and ask people to take photos of them.
  - **Genuine word-of-mouth** occurs when people talk about products on their own to friends and acquaintances.
    - BzzAgent is partly contrived, partly genuine. Women are best at Bzz.
Creating Buzz

• Distinguish three types of diffusers
  – Mavens: they are an expert on a topic. You listen to them closely. Their motivation is to inform or explain.
  – Connectors: they know a lot of people. They are social glue. They may mention things to many others but are not seen as experts
  – Salespeople: they are persuasive and help create an epidemic of interest

From Malcolm Gladwell, Tipping Point

• Get trendsetters in any given community to carry your message:
  – Physically (being seen with the brand)
  – Verbally (bringing the brand up in conversation)
  – Virtually (via the Internet)
The Professionalization of Buzz

- **P&G’s Tremor**
  - Tremor has identified 200,000 of the most influential teen connectors.
  - They are sent sample products and can talk about them to fellow students if they find the products are quite good.

- **BZZAgent.com**
  - David Balter wrote Grapevine. He started BzzAgent.com and recruits agents of teens, senior citizens, and other groups.
  - Bzz only accepts good products to submit to buzz.
  - An agent receives a list of campaigns and chooses campaigns they are comfortable with.
  - They receive the product and a tipsheet on how to use WOM if they like the product and will talk about it.
  - They write a report on every incident when they mentioned the product and they get points which turn into rewards.
  - They are asked to report negative things as well as good things about the product.
4. Using New Technologies and Measuring Results

- Direct marketing and predictive analytics
- Marketing metrics
- Marketing models
- Sales automation and marketing automation systems
- Marketing dashboards
Needed: Metrics for Measuring Different Marketing Expenditure Categories

- Mail campaigns
- Telemarketing campaigns
- Sales promotions
- Managed events
- Trade shows
- Sponsorships
- TV ad campaigns
- Corporate image campaigns
- Subscription campaigns
- Customer win-back campaigns
- New product launch campaigns
Major Metrics

Sales Metrics
- Sales growth
- Market share
- Sales from new products

Customer Readiness to Buy Metrics
- Awareness
- Preference
- Purchase intention
- Trial rate
- Repurchase rate

Customer Metrics
- Customer complaints
- Customer satisfaction
- Customer sacrifice
- Number of promoters to detractors
- Customer acquisition costs
- New customer gains
- Customer loses
- Customer churn
- Retention rate
- Customer lifetime value
- Customer equity
- Customer profitability
- Return on customer

Distribution Metrics
- Number of outlets
- Share in shops handling
- Weighted distribution
- Distribution gains
- Average stocks volume (value)
- Stocks cover in days
- Out of stock frequency
- Share of shelf
- Average sales per point of sale

Communication Metrics
- Spontaneous (unaided) brand awareness
- Top of mind brand awareness
- Prompted (aided) brand awareness
- Spontaneous (unaided) advertising awareness
- Prompted (aided) advertising awareness
- Effective reach
- Effective frequency
- Gross rating points (GRP)
- Response rate
Major Metrics

Brand Metrics
- Brand strength (perceived relative brand value)
- Brand equity

Sales force metrics
- Quality of lead stream
- Average lead to proposal
- Average close ratio
- Cost per inquiry
- Cost per lead
- Cost per sale
- Cost per sales dollar

Price and Profitability Metrics
- Price sensitivity
- Average price change
- Contribution margin
- ROI
- DCF

* Compiled by Philip Kotler from various sources
Comments on Some Metrics

- Market share
- Customer satisfaction
- Customer sacrifice
- Number of promoters to detractors
- Retention rate
- Customer lifetime value
- Customer equity
- Return on customer
- Brand strength (perceived relative brand value)
- Brand equity
- ROI
- DCF
Marketing Decision Models and Marketing Mix Response Models

- BRANDAID
- CALLPLAN
- DETAILER
- MEDIAC
- PROMOTER
- ADCAD

See Gary Lillien and Philip Kotler, Marketing Models (Prentice-Hall).
Build Models of How Your Market Works
SALES AUTOMATION

- The objective is to empower the salesperson to be an informed salesperson who virtually has the whole company’s knowledge at his command and can provide total sales quality.
Marketing Automation: Examples

- Pricing airline seats and hotel reservations
- Selecting names for a direct mail campaign
- Deciding who should receive loans or credit extensions
- Allocating product lines to shelf space
- Selecting media
- Customizing letters to individual customers
- Targeting coupons and samples

As mix decisions become more data-based and automated, brand managers will spend less of their time staring at numbers. They can put more of their time into strategy, particularly thinking of innovations and new ways to add value.
Marketing Automation

Plan
- Marketing Investment
- Demand Modeling

Manage
- Marketing resource management

Execute
- Campaign management
- Lead management
- Events management
- Loyalty management
- Media management

Measure
- Marketing analytics
- Web analytics
Marketing Investment Management (MIM)

- Seeks to measure the effects of all the drivers of volume and profits and recommend new marketing mix allocation.

- Better allocation of marketing expenditures typically increases operating income by >15% of marketing spend.

- Used by P&G, Unilever, J&J.
A typical real-world example

2006 Marketing Investments Ranked by Contribution Margin

Contribution Margin ($M)

Best investment produces $10.5 million contribution

Worst investment has a negative contribution of $3.6 million

The worst 23% of investments (34% of spending) result in $32MM lost value
Reallocation of funds produces high returns

<table>
<thead>
<tr>
<th>Contribution Margin ($M)</th>
<th>Initial Plan</th>
<th>Eliminate Unprofitable Activities</th>
<th>Re-Allocate to Profitable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 101 M</td>
<td>$ +32 M</td>
<td>$ +99 M</td>
<td>$ 232 M</td>
</tr>
</tbody>
</table>

... and re-allocate funds to profitable investments

Eliminate the unprofitable investments ...
Marketing Resource Management Systems (MRM)

Steps:
1. Storing with Equity Archiving and Access System
   - Stores and tags logos, sales brochures, coupons, holiday promotions and other brand equity material. You can look up any material used in the past or elsewhere.
   - APRIMO is leading vendor.
2. Modifying material and creating new material
3. Seeking approval (legal, boss, etc.)
4. Ordering final material from 30-60 vendors.
5. Campaign management
   - Outbound email campaigns, inbound telemarketing promotions, field sales initiatives, etc.
   - Automated multi-stage, recurring, or event-triggered campaigns are often most effective
Exploit the Internet!

- Create a web site that brilliantly communicates about your history, products, brands, beliefs and values (BMW).
- Create a site that consults on a category (Colgate on dental problems).
- Create a site that consults on the individual customer’s profile (Elizabeth Arden) and sells customized products (Acumin vitamins).
- Run focus groups with prospects, customers and dealers or send questionnaires.
- Send ads or information to prospects who show an interest.
- Send free samples of new products (freesample.com).
- Send coupons of new products (coolsavings.com).
- Invite customers to send e-mails about problems, ideas, etc.
- Use the Internet to research your competitors.
- Facilitate internal communications among employees on a private intranet.
- Use the Internet to improve purchasing, recruiting, and training.
- Use the Internet to compare sellers’ prices and to purchase materials by posting the company’s terms.
Marketing Dashboards

- Tools dashboard
- Processes dashboard
- Performance dashboard
Take-Aways

- Your company must enhance and upgrade its marketing skills.
- You must view marketing more holistically, making it the driving force of your business.
- Opportunities always exist and can be found by market segmentation, differentiation, branding, co-development with customers, blue ocean thinking and lateral marketing.
- You must supplement your traditional media with newer media such as mobile phones, blogs, podcasts, webcasts, social networks, and buzz marketing.
- You need to add new marketing technologies such as marketing models, sales automation, marketing automation, marketing dashboards and Internet marketing to increase marketing productivity.
- You must prepare estimates for senior management of the short-run and long-run financial impacts of your marketing programs.
“It is not the strongest of the species that survives, nor the most intelligent, but the ones most responsive to change.”

Charles Darwin