

OBSERVATIONS

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A Journal Of Things We Find Interesting

Managing Marketing, part 1

Have you ever taken an advanced course in marketing? This is an odd profession, where some practicing pros have a solid educational platform on which to build but many don't: we rely on "life experiences" to reinvent notions of marketing that are sometimes innovative and sometimes just ignorant.

I'm sort of a "tweener," a self confessed, life-long, English major who has also been teaching and practicing advertising and marketing for three decades. To see how much I really know and what I'm just guessing at I sat in on a graduate level marketing management course last spring, taught by various St. Thomas instructors.

There were some patterns that were interesting, some nuggets of useful wisdom and even a few surprises. I'll share some of them over the next couple of **Observations**. Your comments, critiques and affirmations are, as always, welcome. --dw

"Marketing is satisfying customers at a profit," or so goes an old definition. Sounds simple and straightforward. But wait! What is a customer? What does satisfaction mean? And how about profit?

A customer sometimes can be hard to identify. Is it the end user? The decision maker? A decision influencer? The buyer? A gatekeeper? An internal champion? Sales people often know who the customer really is. They know (or at least the good ones know) how decisions are made, by whom and why, and they adjust their sales pitch accordingly.



Giant concrete and glass sculptures decorate a roadside park near Phillips, WI. It's the work of a lumberman turned farmer turned whacko named Fred Smith. I ran across it on a recent 416-mile bike ride, a journey full of reminders of just how weird a place Wisconsin can be,

Marketers, on the other hand, talk about "targeting" audiences, but we tend to generalize and the less specific you are, the fuzzier the process gets. Marketing communication efforts may be focussed on the CEO, for instance, but the buying decision may be made by a technical expert or an accountant, and the price may be determined by the bonus structure of a purchasing agent. Sometimes it's as important to know who you're not talking to as who you are.

Buying behavior is complex and it's useful to recognize there's a network of needs that need to be met. Marketers talk about "relationship building" but we usually focus on a single entity -- selling again to someone who's already bought. But true relationship building is interconnected among various stakeholders. The key question to ask is

"when my customers need this kind of product, how do they usually go about searching for it?" A good communications strategy really begins by answering that question -- then concentrating messages along the path customers follow when looking for information.

What about satisfaction? It's not hard to satisfy a customer on the first sale -- that's why they buy. But how do you keep that satisfaction level high? Relationships can get stale and deceptively comfortable. Unless there's an influx of fresh energy a customer who is "satisfied" may turn into a customer who looks around for a newer, more exciting value proposition from competitors. Satisfaction becomes a moving target, not a static set of goals and objectives.

Then there's the issue of profit. Do you measure profit from the first sale, the first year's sales or the lifelong value of a customer? Do you have compensation plans that reward sales or profitability?

Most organizations say they try to "maximize profitability" but they also say they're in business to reward shareholders. So do they maximize long term profits or quarter-by-quarter profits? If the stock price depends on consistent earnings (and dividends) then the goal should be steady profits not maximum ones. High maintenance customers may actually cost more than they're worth, so do you cut off sales to unprofitable customers?

"Satisfying customers at a profit," simple as it sounds, is really a complex undertaking -- and part of what marketing communicators need to know as we develop advertising, media and promotional strategies.

"The game is always about meaningful differentiation for the customer," said one lecturer, and most of the others shared that conviction. But again, it's easier said than done -- as anyone who really understands branding will agree. Michael Porter claims that there are only three kinds of marketing positions: cost leadership, differentiation and niche positioning. It's a useful model, though it can be easily collapsed: cost leadership and niche positioning are kinds of differentiation. The key is to decide what you are and focus clearly on that.

Consider Wal-Mart, Target and K-Mart. Wal-Mart orients everything it does to being the low cost leader -- quite successfully. Target focuses on its differentiating position of being an "upscale discounter" -- again successfully. But K-Mart sort of straddles the fence, part blue-light special, part Martha Stewart and the mix doesn't seem to work.

Differentiation is complicated by the difference between core competencies and customer perceptions. Wal-Mart, for instance, excels at logistics and information; the customer sees neighborly value. Target excels at retail operations and promoting the store as a brand. The customer sees upscale value. Honda excels at manufacturing

drive trains and engines. The customer sees functional value. Federal Express is good at logistics. The customer sees the value of dependability. For marketers the key is defining "the golden thread" that links the core values of the organization to what the customer expects.

One of the most interesting discussions was sparked by a student question: what kinds of measurable objectives might you set to ensure that marketing is aligned with sales? Perhaps you set objectives that have to do with clear communication to sales about marketing activities -- introducing and explaining campaigns, for example, setting and meeting deadlines, having and sharing high quality information about the market and competition. Somehow this gap between marketing and sales needs to be closed.

This has everything to do with accountability and little to do with what most marketing communicators see as our jobs. Deep in our hearts, we don't want to think of ourselves as sales people. We're engaged in a different kind of professional practice. Or as one lecturer said about lawyers: "(they) claim various reasons for going to law school, but the real reason invariably is that they didn't want to do selling ... they hate it. It's a different way of thinking."

How many of us share this prejudice? And yet marketing and sales are inextricably linked. Which is not to say they're the same thing. One of my students once noted that "a sale is only one step in the marketing process" -- a comment most sales people can't fathom.

This idea of setting measurable objectives for marketers and communicators -- objectives that are tied to an organization's mission in real, meaningful ways -- is more important now than ever. As thousands of unemployed marketers have rediscovered, marketing needs to be seen as THE essential business activity, not an offshoot, not a cost

Observations is an occasional publication we put out when we feel like it. We provide creative services and consulting for marketing communications. If you have a project we could help with, please contact us. If you'd just like to shoot the breeze about some of this stuff, we usually have time for that too.

Doug and Jean Wilhide

Minding Your Ps

One of the oldest notions in marketing is the 4Ps -- product, price, placement and promotion. Nearly everyone in the business understands those, but nearly everyone advocates a 5th P of some kind. Here are some of them:

Positioning -- relates to differentiating your process and your brand

Packaging -- what sets you apart in retail environments

Politics -- especially important in defense industries.

Policy -- consider current debates about healthcare, insurance, pharmaceuticals, etc.

Presentation -- B2B loyalty often follows a sales rep, not a product or company

People -- especially important where customer service is a differentiating factor

Process -- things like delivery and the ability to buy on line

Physical evidence -- important in selling services that are intangible

Perception -- the difference between what you think you're selling and what customers think they're buying.

center, not a luxury that can be "re-structured" out of existence when hard times hit. And marketing communicators need to realize that the creative part of our work -- important and difficult as it is -- needs to be at the service of the business part.

More on that next time.

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