Making the most of marketing; Management series

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Making the Most of Marketing
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Foreword

This booklet is one of a series on management concepts and skills issued by the Management of an Accounting Practice Committee of the American Institute of Certified Public Accountants. Written for CPA firms' clients, these booklets are easy to read and have a practical emphasis throughout. They provide today's managers with a short course on management techniques that are used to operate successful businesses.

For further reference, a list of relevant books and articles is included in appendix B.
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## Contents

<table>
<thead>
<tr>
<th>Chapter 1—Overview</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining an Edge</td>
<td>1</td>
</tr>
<tr>
<td>Leaders and Followers</td>
<td>1</td>
</tr>
<tr>
<td>Market Planning Cycle</td>
<td>2</td>
</tr>
<tr>
<td>Preliminary Questions</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 2—Market Research</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative and Qualitative Research</td>
<td>3</td>
</tr>
<tr>
<td>Independent Research Firms and In-House Research</td>
<td>4</td>
</tr>
<tr>
<td>Review and Interpretation</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 3—Analysis of Current Position</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company</td>
<td>5</td>
</tr>
<tr>
<td>The Competition</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 4—Strategy</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulation</td>
<td>7</td>
</tr>
<tr>
<td>Costs</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 5—The Plan</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methods of Planning</td>
<td>9</td>
</tr>
<tr>
<td>Integration With Other Functions</td>
<td>9</td>
</tr>
<tr>
<td>Marketing Mix</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 6—Tools</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>11</td>
</tr>
<tr>
<td>Price</td>
<td>12</td>
</tr>
<tr>
<td>Promotions</td>
<td>13</td>
</tr>
<tr>
<td>Place</td>
<td>17</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Chapter 7—Motivation and Direction</td>
<td>18</td>
</tr>
<tr>
<td>Staff</td>
<td>18</td>
</tr>
<tr>
<td>Consultants</td>
<td>18</td>
</tr>
<tr>
<td>Appendix A—Press Release Sample Format</td>
<td>19</td>
</tr>
<tr>
<td>Appendix B—Suggestions for Further Reading</td>
<td>20</td>
</tr>
<tr>
<td>Glossary</td>
<td>21</td>
</tr>
</tbody>
</table>
Chapter 1

Overview

Nonmarketing managers can make a real contribution to the promotion of their company's products or services. Whether you work for a large company with a dedicated marketing staff or work for a smaller organization and must do much of your own marketing, knowledge of the subject will help you.

We define marketing as the art of identifying, anticipating, and satisfying customer requirements. In practical terms, marketing creates the best possible environment in which to make sales. Marketing fuels growth, which every organization needs to survive and prosper.

All businesses—whether selling to retailers, wholesalers, or the government—need to market, but they are not the only organizations marketing today. Many nonprofit organizations hire sophisticated publicity and marketing companies to assist them in getting their messages (usually pleas for money) across to their benefactors. In addition, state and local governments have been practicing marketing for years, trying to get industry to locate large plants in their areas.

MAINTAINING AN EDGE

With competition so strong today, every company looks for the edge that separates it from its rivals. Product development is certainly on the front lines of this battle to be noticed. Also important is quality control (to develop a reputation for reliability), inventory (for maintaining availability of product), and accounting and cash management (for allowing discounts and payment terms that maintain profitability). Awareness of the market is just as valuable as these other elements. This awareness should flow through the entire company.

Often, companies with product lines that are in great demand make the mistake of ignoring the market. These companies are lulled into a false sense of security. Just because demand for a product line is currently strong doesn't guarantee it stays that way. Significant market changes take time to catch on. By the time they do, however, companies that didn't pay attention to what was happening can be so far behind they may never catch up.

LEADERS AND FOLLOWERS

The long-term survival of your company depends on the continued satisfaction of customers' needs and on the anticipation of future requirements. Businesses that are in touch with their customers and have the capability of visualizing future needs are the industry leaders. Those who simply react to changes are destined to be market followers.

Being a market follower is not all bad, however. There are many profitable companies that provide a fabulous return to their owners by letting the market leaders take the risks and then simply copying that success.

These market followers are placed in the position of having to market a "me too" product line and differentiate themselves from the leaders. This differentiation often consists of a different wrinkle in product design and capabilities or in the channel of distribution. Dell
Computer Corporation is a good example. Dell sells the same products every other personal computer company sells. However, Dell sells them on a mail-order basis. They targeted their customers as those who already know what they want and who base their purchasing decisions on price and availability. Dell has been steadily increasing its profits since its inception just three years ago.

MARKET PLANNING CYCLE

To maintain its marketing edge, an organization needs to maintain a constant cycle of planning, review, and innovative tactics flowing into the market place (see exhibit 1.1).

Sales forecasts and a marketing plan to achieve them go hand in hand. Marketing professionals estimate sales given various combinations of marketing plans and budgets. These estimates are based on solid statistical and historical data. The results are fed into the sales forecast and, eventually, the entire business plan. Sales forecasts supported by a provable marketing track record make it easier to raise the money necessary to finance the growth of the enterprise.

Traditionally, marketing specialists determined what customers wanted and organized the company to meet that demand. Today, because of the rapid pace of technological development, marketing is often required to also educate customers before the product can be sold. New products exist that customers never thought they needed. Marketing stimulates the demand for these products. Focusing customer interest on a new product can thrust a company into the position of industry leader. An example is the development of the laptop computer. Customers never realized such a product was available until marketing specialists educated them.

PRELIMINARY QUESTIONS

Before you formulate a marketing plan, determine the current importance of marketing to your business. To make that determination, ask yourself the following questions:

- Does your business distinguish marketing from sales?
- Has the company already formulated a definite marketing strategy and plan?
- Who participates in the marketing process? Are they the appropriate people?
- Is one individual responsible for marketing? Is the person qualified? Is the individual listened to and is his or her judgment respected?
- How high in the organization do marketing decisions go? Is the level appropriate or should it be changed?
Chapter 2

Market Research

One of the most effective marketing tools is knowledge—knowledge of the company and its capabilities, competitors, and target customers. Market research provides information on which to base decisions. Companies with effective marketing programs continually ask themselves these questions:

- What products or services do our customers buy?
- Why were these products or services bought?
- How are customer tastes, needs, and wants changing?
- How do customers view our products compared with those of our competitors?
- How has the market reacted to ideas for new products?

QUANTITATIVE AND QUALITATIVE RESEARCH

There are two types of research: quantitative and qualitative. Quantitative research is used to answer the question "How many units are purchased?" whereas qualitative research reveals the reasons behind customer purchases. Qualitative research is used more for the development of unique selling strategies or product features. Qualitative information seeks to uncover people's preferences for new products or services, along with the reasons for these preferences.

The data on which research depends are primary and secondary. Primary data are produced from field research such as consumer surveys or observational studies. Primary data answer questions regarding possible changes in the design or capabilities of a product, new displays, or the effectiveness of advertising campaigns. Care must be taken to select a representative target group on which to base the research. Primary data are produced with a specific purpose. The costs of primary data can be huge because the data collection involved is so labor-intensive.

Secondary data are less expensive to obtain than custom-created primary data. Secondary data can be obtained from such sources as government, industrial trade organizations, and consumer research firms. Although secondary data are quicker and cheaper, they do not always address the required topics, and are not necessarily impartial (especially if produced by a special-interest group). In practice, secondary data are becoming increasingly popular because commercial research firms now produce a wide variety of industry-specific statistics at a fraction of the cost of commissioned primary research.

Techniques used in research include (1) questionnaires, (2) focus groups, and (3) telemarketing surveys. The technique used depends on what type of information you wish to obtain. For instance, political groups can rapidly ascertain from a statistically representative sample which way people are likely to vote, but long, detailed, and personal discussions in focus groups of six to ten are necessary to understand why that decision was reached. The same distinction is observed in marketing.
INDEPENDENT RESEARCH FIRMS AND IN-HOUSE RESEARCH

Market research tends to be expensive. Marketing studies must be done right the first time. The results must tell you exactly what you wanted them to, and they must be reliable. Because of costs and requirements, market research should be carefully designed and analyzed. Often, firms needing market research don’t have the capabilities in house to perform the study. There are many independent market research firms skilled at providing the maximum degree of reliability and usefulness to these studies.

Some market research, however, can be performed in-house. A quick and inexpensive way of keeping up with the latest developments in your market is scanning external services of information (such as news reports, books, and conferences). Commercial computer service bureaus, such as The Source and Compuserve, provide information services that “clip” all news items about specific topics from most any periodical or group of sources you specify. In addition, your own sales force is a vital source of information on current market conditions.

REVIEW AND INTERPRETATION

Review and interpretation of marketing information provide the basis for most marketing decisions. For example, the supermarket staff might say that your product did not sell well because it was always on the bottom shelf. Or, your sales reps might attribute decreasing sales to the unpopularity of the package’s new size.

The methods by which market information is gathered can skew its results. Be sure to consider the source of your data before relying on it. Further, don’t waste time and money on marketing studies that reveal the obvious.

Here are some points to remember regarding the review and interpretation of marketing information:

• Don’t waste time. Marketing information has a fast rate of obsolescence. Further, if you have drawn some conclusions, chances are your competition has as well. Often there is only a narrow window of opportunity through which an innovative marketing approach can be implemented.

• Make sure the right information gets to the right people (that is, those who are prepared to act on it and have the authority to do so).

• Monitor results of decisions to make sure the decisions are having their intended effect. If not, make some changes.

• Establish performance standards linked to the profit requirements of the companywide plan.

• Do not continue to produce marketing information that is not used. If people don’t trust the conclusions, something is wrong. Marketing information is too costly and the decisions based on it too critical for it not to be reliable.
Chapter 3

Analysis of Current Position

THE COMPANY

The formulation of marketing strategy requires an understanding of the company’s present resources and market position. From there, what enhancements to staff, product lines, and market penetration are required can be determined.

The current resources to be assessed include not only the company’s physical assets but also such items as the following:

- People
- Company structure
- Existing channels of distribution
- Proprietary market positions
- Geographic location
- Technological capacity
- Reputation for quality products or services

The Growth/Share Matrix

Exhibit 3.1 presents the growth/share matrix, which is the Boston Consulting Group’s method of analyzing a company’s portfolio of businesses.

According to the matrix, there are four categories of products: “stars,” “problem children,” “cash cows,” and “dogs.”

Stars require cash to maintain their position. They need a large expenditure on advertising.

Problem children are potential Stars but need a large injection of cash to build the necessary market share.

Cash cows generate cash. They are held not for their growth potential but as a reliable source of income. These products are at the stage of their life cycles where only maintenance advertising is needed.

Dogs may generate some cash but are likely to be at the end of their life cycle and ready for removal from the portfolio.

By actually positioning your products on the chart you create a visual survey of your company’s position.

Brainstorming Sessions

For years, large companies have been aware of techniques for unearthing capabilities from within their organizations. Only recently, however, have these techniques filtered down from the larger entities, which have the resources to implement state-of-the-art methodology. This is fortunate, for strengths, weaknesses, opportunities, and threats (SWOT) analysis and idea-generation sessions are just as important for smaller companies.

To be effective, the assessment of the business must be honest. It should involve a cross-section of the organization rather than just senior management. The intent is to create an environment in which ideas can flow without restriction.
Brainstorming sessions are used to generate a lot of ideas quickly without immediate regard to their worth. The participants should be encouraged to let their imaginations run free. This is not always possible, however, if the session is led by a person with whom you work on a day-to-day basis. Therefore, these sessions are best run by an outside professional.

Brainstorming sessions use several techniques to ensure success:

- **Involvement of all key managers.** In most cases, this includes those below the senior management level.

- **Removal of telephones and other distractions.** Some companies conduct these strategic planning sessions offsite.

- **Allocation of time.** Enough time should be allowed for the exercise to be completed from start to finish.

- **Employment of a mechanism to record ideas as they appear.** Often the mechanism is something as simple as a blackboard or a flip chart. The technique usually works best if everyone can see the ideas posted. The person who records the ideas should not be the one controlling the discussion.

As the brainstorming session moves to more practical ideas, the discussion should be channeled to dealing with the SWOT points. As you perform your SWOT analysis, remember that a strength can also be a weakness. For example, a forceful CEO is a strength, but too much dependence on a single individual can place the company in a precarious position should that person leave.

Analyze the results, common themes, and people's views. Reject (but not too quickly) those ideas that clearly have no merit. Analyze the exceptional insights in some depth. Start to plan how these ideas can be used to gain an edge on the competition.

The same group that was formed for the brainstorming session should be responsible for developing a coherent strategy and for formulating a series of tactical plans at the operational level to execute the strategy. These plans involve identifying products, personnel, manufacturing processes, and distribution channels.

**Independent Study**

For a proper assessment of the current company position, an independent study is often required. It's always more difficult to see ourselves as others see us. Further, senior management may be getting the information that subordinates think management wants to hear rather than the whole truth. The reputations of marketing consultants are often built on providing concrete assessments rather than simply being "yes men." Further, outsiders usually bring up problems or ideas that were overlooked within the company.

**THE COMPETITION**

Analysis of the competition is simply an extension of the analysis of your own position. Few companies can take advantage of marketing opportunities without knowing what the competition is doing and how to respond to an attack on market share.

One technique used to assess the competition's strength is to look at its operation and product offerings from the customer's point of view. Ask yourself the following questions:

- Does the customer need this product or service?
- What could they use instead?
- How does the competition's offerings compare with yours?
- What differentiates your competitors from you?
- How is the competition likely to further distance itself from you?
- What are your competitors doing to improve their position? How should you respond?
- How stable are your competitors? Are they likely to match your strategies? Do they have the resources to withstand an aggressive marketing campaign by you?

Market leaders are alert and responsive to changes in customer habits and their competitors' initiatives. They usually know as much about the competition as they do about themselves. Further, they never underestimate these companies.
Chapter 4
Strategy

FORMULATION
In marketing, a difference exists between strategy and planning. A strategy is the business's broad thrust to achieve its mission. A strategy determines which markets to attack and how. Planning, on the other hand, concerns the various tools required to implement the strategy.

The ability to respond to market change must be an inherent part of the company's strategy. The marketing component of the strategy includes (1) identification of likely market changes and assessment of the best course of action to capitalize on them and (2) a deliberate move to change market conditions.

In general, there are four ways in which companies can realize growth.

1. Growth in one's own market share by improving market penetration
2. Increase in the range of products offered
3. Development of new markets for existing products
4. Diversification into new products and new markets.

Exhibit 4.1 shows the relationship of the four marketing options to the company's product mix.

Each method involves ways of positioning the company and its products. These ways include image, perceived quality, durability, prestige, and pricing. The marketing component of strategy can be summed up as a marriage between the overall mission of the company and its ambitions.

COSTS
Innovative marketing, such as the computer industry practices, can be very expensive. The further your product is from mainstream demand, the more costly its marketing will be. Companies with limited resources find it more efficient to concentrate on products that produce a stable level of sales and to augment their current product lines occasionally.

Smart marketing managers establish a system to control marketing costs. By comparing costs with specific results, they establish a feedback

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1 Adapted and reprinted by permission of Harvard Business Review. An exhibit from "Strategies for Diversification" by H. Igor Ansoff, September/October 1957. Copyright © 1957 by the President and Fellows of Harvard College; all rights reserved.
mechanism that allows concentration on those techniques that work, as well as elimination of those that don’t. This system creates accountability both for the success of the marketing plan and for the expenditure of the budget allocated to the plan.

The marketing performance information must recognize all the direct and indirect costs of the marketing operation. The performance of key marketing points targeted by the company should be reported on. These points include pricing, customer service, and delivery schedules. Useful data must be fed back to the managers responsible for these items. Finally, this information should be timely enough that management can act on it effectively.
Chapter 5

The Plan

Once the strategic direction of the company has been established, formulating and executing a plan of attack begins. The planning process should—

• Involve the right people.
• Be allowed adequate time to work.
• Follow a logical process so that critical tasks are done in the most effective sequence.
• Ensure that responsibilities are assigned and that individuals are held responsible for making the plan succeed.

Before you design a marketing program, ask yourself the following questions:

• Who are our potential customers?
• Is the demand for our product sufficient to support the market share we’ve targeted?
• Can our marketing budget realistically develop the targeted market share?
• Will development of this market segment produce demand for other products in our line?

• Has the approach been tried before? What was the result?
• Are there any restraints put on advertising, such as industry custom or legal issues?
• What are the costs and benefits of alternative advertising and marketing approaches?

METHODS OF PLANNING

Every company has its own methods of planning. No set rules work for every firm. Exhibit 5.1 on the following page shows the seven-step method that is followed by many successful planners.

Good marketing plans identify the marketing tools that will provide the highest profit margin. To determine the ideal marketing methods to use, ask the following questions:

• How relevant is the strategy to this product?

INTEGRATION WITH OTHER FUNCTIONS

The marketing plan should be fully integrated with the plans of other functions (such as finance, production, and administration), and a computer will help you do this. If the entire financial plan is on a computer, a sensitivity analysis of the assumptions supporting the plan can provide insight into which targets are the most critical to hit in order to achieve the overall plan.

The marketing plan must be developed with the full involvement of key management from all departments. Financial experts should also be involved in formulating the marketing plan. Not only do they have the analytical capabilities to help devise the plan, but they are also good at spotting ways to use resources effectively and exploit new profit opportunities.

MARKETING MIX

The following are the four main elements of the marketing plan:

1. Product
2. Price
3. Promotion
4. Place
Exhibit 5.1
Seven Steps to a Marketing Plan

STEP 1
Choose the team to do the planning.

STEP 2
• Consider whether you have the right information.
• Use last year’s plan as a start.
• Establish your time horizon.

STEP 3
• Analyze products/services into market segments and identify the need for any additional product development.
• Consider whether commitment and quality of performance could be improved in a cost-effective way.

STEP 4
• Determine which marketing tools to use.
• Determine reporting structures and define responsibilities.
• Assess the availability of resources, including additional funding.

STEP 5
• Establish sales target volumes and product mix.
• Conduct sensitivity analysis.

STEP 6
• Determine the marketing tools you plan to use.

STEP 7
• Express the marketing plan in numerical form.
• Check the numbers.
• Reconcile with the total business plan.

The combination of these elements is known as the “marketing mix.” Once established, the marketing mix remains flexible so that adjustments to changes from competitors, and in the social or economic environments, can be quickly implemented. An adjustment may entail the use of different marketing tools.
Chapter 6

Tools

Good marketers employ a variety of marketing tools to differentiate their company and products from the competition’s. The following marketing tools are available to every company regardless of size:

- Research
- Pricing strategies
- Publicity
- Selling
- Customer contact
- Distribution

In this chapter, marketing tools will be discussed in terms of the four elements of the marketing mix mentioned in chapter 5.

*PRODUCT*

Development

Now that the arena of competition is global, careful product development is particularly vital. Many good ideas fail in the end to appeal to the intended consumer as a result of problems overlooked during a hasty development process. These problems could have been uncovered during the development stage by market research. Often, essentially good products lose out to better, more thoroughly developed versions, which are introduced after word about the problems of the losing manufacturer has spread and the company has lost credibility in the marketplace.

Product development should use the information obtained from market research. It converts this data into a viable commercial product that fulfills the expected market demand. From there, product development decisions move toward aspects of design, features, packaging, pricing, and manufacturing schedules.

Included in product development are the services provided to customers. In many cases, service before or after the sale is what differentiates one product from another. Customers are more inclined to buy a clearly defined, well-serviced product. This equation of product with service leads to the idea that a service company (such as a CPA firm) really sells a form of product. A service company’s espousal of this idea would go a long way toward focusing customers’ attention on the company and its capabilities. The closer service companies embrace this idea, the greater their chances for improved sales.

Design

Design welds the visual and tactile features of a product or service to its practical use. Because of increased global competition, the designer’s job has been expanded to include an understanding of the emotional and practical needs of the target audience. These needs are translated into a design that meets engineering, production-costing, profitability, and marketing criteria. All too often, engineers or service professionals, working in a marketing vacuum, produce a product or service having features that are convenient but fail to address the customer’s preferences. Design must be just as responsive to marketing information—especially consumer research data—as are all the other elements of the marketing mix.
The development of the product's packaging and presentation follows soon after the product's initial design. A successful marketing program integrates a design with advertising and distribution programs. The result is an entire product package that communicates to the consumer exactly what the product is, what differentiates it from the competition, and why it should be bought. This applies to all products—from cars to breakfast cereal.

**Features**

The features of a product are determined from market research. Often, companies add more and more of the features customers want to progressively more expensive variations of the same basic design. This provides them with an offering across most of the price spectrum in which they compete.

For some products, the features are not at all tangible. Customers often buy products that they perceive differently from the product as manufactured. Good marketers understand that, for these products, perceptions are more important than realities. Perfumes are a good example. Chemists make perfumes, but consumers don't see themselves buying chemicals. Indeed, the perfume industry trades on creating a perceived image of the person who buys their products. The purchasing decision is then based in part on identifying with and emulating this image.

**Packaging**

Not only must the package serve the function of protecting the product, it must also (1) grab the customer's attention, (2) immediately tell what the product is and who made it, and (3) allow some aspect of the product to be noticed.

Packaging often succeeds in distinguishing one product from another, particularly when opportunities for product innovation are limited. The soap industry is a case in point. The most easily identified aspect of soap is its scent. The package must therefore be porous enough to allow the product to pass the sniff test.

For many items, customers do not see the product until some time after purchase. Instead, what the customer takes off the supermarket shelf is just a package. The size, color, and design of the package must be consistent with the customer expectations the entire marketing campaign has strived so hard to create.

Packaging applies to the service industry as well as to manufacturing. For services, the "package" is the overall perception that the service does what the customer needs done.

**Services**

Customer service, especially after the sale, can be a touchy subject for managers because it involves a contradiction. On the one hand, the sale has been made, the company has gotten what it wants, and must move on. On the other hand, repeat sales and word-of-mouth advertising depend on how well you serve the customer later.

Apart from reinforcing goodwill, good after-sale customer service provides these benefits:

- Increased sales volume, both from repeat sales and from word-of-mouth advertising
- Additional purchases from your product line (called "switch selling")
- Identification of product or service shortcomings, such as delivery or packaging problems
- Recognition of weaknesses in public relations, advertising, or communications

Customer complaints are usually handled by customer service representatives. Businesses can learn more from customers with a problem than they can from those who offer no suggestions for improvement. Establish a conduit that funnels the information obtained from the customer service contact to the appropriate department in the organization. Many senior executives spot-check customer service contacts to be sure the information is getting to the right people. Some managers follow up with the customers themselves to get their reaction to a customer service response.

**PRICE**

Pricing is an important element in the marketing mix. Decisions on pricing are crucial to profit, market share, and volume projections. The price of a product plays less of a role in the decision to buy when there is a strong distinction between competing brands. For products for which there is
little to distinguish one brand from another, pricing decisions can be crucial.

Many companies back into their pricing policies. They first determine the cost of bringing the product to the point of purchase. From there, they determine how much they can mark up the product while still obtaining the required sales volume. Some companies price products that break even or even incur a loss. They do this based on the assumption that having such a product enhances the company’s prestige and that the losses can be recouped from the added sales of other profitable products.

Here are other factors that play a part in pricing decisions:

- Current and historical pricing behavior of the competition
- Consumer demand at various pricing levels
- Extent to which products are subject to discounting pressure by wholesalers and jobbers for higher margins or deferred payment terms

Product pricing policies often change in reaction to sales campaigns by competitors. This occurs particularly when customers perceive little difference between competing products. The airline and gasoline markets are famous for their follow-the-leader approach to pricing.

The following are three pricing tactics used by companies:

1. Skimming the market—pricing a product to attract the higher-income customers. Skimmed markets are less exposed to the competition and price cutting found in mass markets.

2. Premium pricing—using the high price of a product as an enticement to buy. There’s a “snob appeal” generated by products priced and advertised only for those who can afford it.

3. Penetration pricing—lowering the price to rapidly saturate the market with sales. Japanese manufacturers achieved major market shares in U.S. markets by undercutting U.S. prices. Once their presence was established, the Japanese reputation for quality allowed them to move prices up to profitable levels.

Cost-plus pricing is another method, although few consumer marketing companies use this approach any more. In cost-plus pricing, a standard markup was added to the production and distribution costs of the product. The resulting price had little relation to consumer demand, perceptions, and the prices of competing products.

Pricing policy often uses perceived psychological pricing barriers. For example, there seems to be little difference in revenue between a price of $9.99 and $10.00. However, there may be a big difference in the number of sales that are obtained.

Market research studies are often conducted to determine the consumer trade-off between product size and price. Sometimes, holding the price below the psychological barrier while downsizing the product to maintain margins generates extra profit.

Price promotions are often launched to stimulate demand for products or services during slack times. This strategy is employed by the telephone service providers during off-times. They must still provide minimum service in these downtimes, so why shouldn’t they price in such a way that demand fills their capacity to cover a larger portion of fixed costs?

Product pricing should be a matter of policy. However, flexibility within an authorized range can generate sales that otherwise might have been lost. Sales staffers often use price and terms as negotiating tools. The amount of pricing discretion given to the sales force depends on how willing management is to discount its profit margins for the sake of more gross revenue.

PROMOTIONS

Publicity

The image of the company, its product, and its customers has always been an element of the marketing mix. These three components are coordinated to promote one desired image. The publicity campaign includes both advertising for the product and advertising for the company that makes it.

Such imagery advertising is called “PR”—public relations. The aims of PR are to (1) create the required impression of the product and (2) deal with issues of consumer confidence that may arise at the point of sale.

PR campaigns are aimed at the general public as well as at specific groups who can be particularly
influential to the company’s marketing success. These groups include ethnic populations, the news media, politicians—the list goes on. Large companies have PR programs targeted to different groups simultaneously.

There are three levels of PR activity. The highest is that of the corporate parent that may own many different operating companies, each of which sells several products under a number of brand names. This “corporate umbrella” publicity seeks to bring the entire company into the public’s eye. Often themes of social conscientiousness are woven into the main message of such advertisements.

The second level of publicity generates interest in the company that makes individual products or in the company that makes several brands. This type of advertising might encourage potential buyers to test drive a new car—any new car—made by the corporation.

The third level is brand PR, which focuses on a particular product. The intent of brand PR is simply to get the consumer to buy.

Public relations is an art. Most companies, even if they have an in-house corporate communications department, employ an outside PR firm. These companies are responsible for everything from press releases to producing brochures and other publications and assisting journalists with their articles.

In most cases, if a press briefing is required, it should be complete. The press release or press conference (for a big story) must be genuinely newsworthy. (A sample format for a press release is provided in appendix A.) In addition, the appropriate news media (those who can get your point across to your target audience) must be attracted. The following table shows some of the media to target and the types of events that get their attention:

<table>
<thead>
<tr>
<th>Medium to Be Targeted</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>The national press</td>
<td>A major product, such as a new car model, is introduced.</td>
</tr>
<tr>
<td>Local press, the local newspaper and</td>
<td>Your bank opens a new branch.</td>
</tr>
<tr>
<td>radio station</td>
<td></td>
</tr>
<tr>
<td>Technical and professional journals</td>
<td>A new software development product is introduced.</td>
</tr>
<tr>
<td>Special-interest media</td>
<td>A new type of waterproof clothing for bicyclists is introduced.</td>
</tr>
</tbody>
</table>

The following methods of obtaining publicity for your company and products have proven effective and don’t cost much:

- **Newspaper and magazine articles.** An informative article contributed by your company for free can be more believable than a costly advertisement.
- **Participation in exhibitions.** Exhibitions are always looking for corporate sponsors and contributors. The right events can attract your target market and do some good for the industry or community at the same time.
- **Distribution of free samples.** One way to get people to notice your product is to give it to them. With luck, they will become hooked and eventually buy it.
- **Seminars.** Customer seminars provide an excellent opportunity to put your firm in a position of being the expert and controlling the pitch. This forum allows potential customers, at no risk other than their time, to see what you’ve got to offer.
- **Distribution of publications and brochures.** These can be particularly important in professional circles in which the issuance of a publication on a technical subject can establish the organization as an expert in that field.

**Advertising**

Advertising encourages and persuades potential customers to buy. Our media bombard us with ads for every consumer product on the market, and for each product, we are bombarded not just once, but several times every day. With all this competition for attention, it has become more difficult to mount effective ad campaigns today. Advertising achieves its purpose in several ways:

- It makes customers aware of the product or service.
- It draws attention to the unique features of the product or service.
- It can appeal to both buyers (wholesalers) and customers (consumers).
- It creates the correct image for the product.
- It can ask for a direct response (for example, by giving out telephone numbers and addresses or by providing a return-mail coupon for more information).
To be effective, advertising needs to say something new, but if you have nothing new to say, the advertising should, at the very least, be targeted at someone new.

The best advertising messages are short and simple. Most of us remember only one or two messages from a TV commercial or a print ad. Make sure you get the right messages across.

Before you start an advertising campaign, take the following steps:

- Identify the customers targeted by the ad.
- Separate your product from the competition.
- Identify those points most likely to appeal to customers.
- Integrate the ad campaign with other promotions and with your corporate image.
- Identify the advertising most likely to be seen and appreciated by your target audience.
- Determine measurement procedures and goals to control costs and monitor success of the campaign. If the program falls below expectations, drop it.

Advertising agencies that produce your campaign must be informed about content, tone, and potential trouble spots. However, you are paying them for their creativity and originality. Make sure you don’t trample on these qualities by rejecting their suggestions too quickly.

**Television.** Television advertising is the most powerful and successful advertising medium yet invented. It is also the most expensive.

Anyone watching two hours of commercial television a night gets exposed to 200 to 300 advertisements during a single week. Therefore, most companies engage an advertising agency to create focused campaigns. The ad agency’s services include identification of the target market, preparation of the advertisement, and negotiation with the TV station about the timing and placement of the ad.

With the exception of the Home Shopping Network, TV advertising does not sell direct. Its purpose is to describe the product and develop the product’s image. In general, the more complex the product and the more specific the target market, the less effective TV advertising becomes. Marketers of goods or services targeted to a major market sector use TV to its best advantage. Recently, however, due to the availability of pay-for-access television on local cable stations (where the vendors pay for air time) and of sophisticated demographic research techniques, there has been an increased use of TV to reach specific target groups.

Beyond increasing consumer awareness of the product and providing reasons for customers to buy for the first time, television—

- Confirms the wisdom of past purchases of the product.
- Informs and educates those who have no immediate reason to buy but may sometime in the future.
- Generates sales tools for your retail sales force.

**Print Advertisements.** Print ads are cheaper and more precisely directed at a specific market. They are also capable of carrying more information. Print media are often used on a national basis to support TV campaigns.

The art of print advertising lies in the identification of readership profiles that fit most closely with your target markets. Print ads appear in all sorts of general newspapers, as well as in specialty papers such as Barron’s and the Wall Street Journal. There are hundreds of magazines in circulation that target specific demographic groups.

Some of the most effective print campaigns include a send-in coupon or a toll-free telephone number to use when requesting further information. These coupons or telephone requests should be answered promptly. Even if they don’t result in a sale today, adding the name to your potential customer list may generate a future sale. Further, a response from your company that appears less than helpful turns someone who was once interested into an enemy.

**Radio.** Radio advertising is cheaper than TV and has expanded enormously since the early 1970s. Radio’s best audience still seems to be young people and commuters. Radio advertising demands different skills, since it lacks any visual element to give the advertisement impact. Advertising on local radio stations can be particularly effective when used in conjunction with another advertising medium.

**Billboards and Posters.** Billboard and poster advertising can provide a low-cost support for
TV, radio, and print campaigns. Consumer goods such as cars, liquor, and soft drinks generally come across well on billboards. There is immediate product identification and name recognition. The point is made just by throwing the product and its name before the viewer.

Leaflets and Brochures. These low-tech advertisements lack the punch of the more expensive television and radio ads. However, well-placed handouts (included in the carryout bag of another purchase, for example) can turn a sale to a customer who has already taken the trouble to approach your distribution network into a sale for another service or product. Leaflets and brochures can build on an existing relationship, project the intended image consistent with other impressions of the organization, and sell in a more informative way than TV and radio advertisements.

Other Advertising Methods. There are many ways of getting recognition for your product and your company. Most advertising methods—apart from TV, radio, and print—are used as a second or third tier of familiarization to support the primary marketing offensive. Here’s a list of some less common advertising methods:

- Buses and taxis
- Trains
- Movie theaters
- Concerts and sports events, which receive corporate sponsorship
- Endorsement by professional athletes
- Free publications (such as property guides, in-flight magazines, and local newspapers)
- Telephone directories

Sales Promotions
Promotional campaigns increase sales and build customer loyalty to a brand. Promotions are designed to persuade regular customers to buy more or convince first-time purchasers to give the product a try.

Promotional campaigns are usually aimed at the ultimate consumers of the product. The campaigns have these characteristics:

1. A time limit for action. This encourages the decision to purchase by focusing on the consequences of postponing a decision.
2. An apparent cost to the company. This lends a perceived value to the consumer.
3. A gift given to the customer in return for doing something. Often the quid pro quo requires the customer to do nothing more than listen to a sales pitch.
4. Secondary support. Promotions are supported at the point of sale by displays and secondary forms of advertising.

Like all advertising, promotions require a careful assessment of the costs and benefits. Throughout the promotion, results should be monitored. If results don’t meet expectations, the campaign must either be adjusted, so that it achieves your objectives, or stopped.

Promotions are often used to cross sell additional goods in the product line. Some promotions aim to persuade a customer to purchase a higher-margin product.

Sales Force
Every employee in the organization—from the chief executive to the most junior member of the team—is a member of the sales force. The Ford Motor Company successfully employed this idea with its “Quality is Job 1” campaign. Their selling point was the firm’s emphasis on quality from the top of the company to the bottom.

A customer-oriented attitude should be encouraged for everyone in the company. Internal communications can help promote this thinking, and providing incentives and rewards for customer service can also help.

Sales personnel are the primary source of marketing information. They should be encouraged to communicate details of all business activity in their divisions back to the company’s marketing group. This includes the good as well as bad feedback on the company’s performance.

Wherever the public is likely to come into contact with the company, an opportunity to sell the firm exists. Telephone operators and receptionists are a case in point. These are the people who make the first (and most powerful) impression on
your customers. Further, your collections department has an opportunity to turn a potentially problematic situation into one from which a customer goes away with a good impression and the firm has collected what was owed.

Direct Marketing

Direct marketing means selling to consumers in their own homes or places of business. The prevalent direct marketing tools include mass mailings and telephone “boiler room”-type solicitations, in which, with the use of computers, thousands of numbers may be dialed per hour and the customers are turned over to a recorded message.

Direct marketing has become so sophisticated that it is now almost a science. Today, campaigns can be designed to target precisely the type of customer desired. Direct marketing may also be used both for low-priced consumer goods and for upscale products. In addition, direct marketing techniques can be used to do market research.

Direct marketing campaigns involve the following steps:

1. Assess the applicability of the product to direct marketing techniques and determine the program best suited to getting your message across.
2. Define the target market and determine the points needed to sell the product.
3. Understand the competition and its influence in the market.
4. Differentiate your product from the competition’s.
5. Assemble the right list. You can rent or buy lists from mailing-list houses. These lists may be focused specifically on your target market. In general, even the less sophisticated list houses can sort based on zip code, area code, size of the company by number of employees, and industry classification code. These companies even print their list on pressure-sensitive labels. Additionally, many houses do printing and envelope stuffing.
6. Design the sales pitch to appeal visually.
7. If you are using telephone solicitations, the callers must have a prepared script that qualifies the prospect and makes a determination that the customer should either be pursued by a professional or dropped from the list of potential customers.
8. Follow up on potential prospects obtained from the marketing effort. This should be done by a qualified sales person prepared to close the sale.

PLACE

Location

Prospective customers need to experience the product. This physical access takes various forms—from the car showroom to the accountant’s office. Control the quality of your sales presentation. If necessary, use professionals at the point of sale.

Distribution

Good distribution is simply getting the right goods to the right people at the right time. Distribution systems must conform to the marketing methods (mail order, direct selling, retail, etc.) used by the company. Within the boundaries of the marketing system, distribution policy is based on—

- Identification of the potential customer.
- Using methods to deliver the goods to customers in the time frame that gives a marketing advantage.
- Establishing a system of jobbers, wholesalers, agents, and freight forwarders who move the merchandise through the distribution system.
- Appreciation for the costs of establishing a distribution system that does not eat into the company’s profit.
Chapter 7
Motivation and Direction

STAFF

Morale
The major asset of a business is its people. They must be the right people—knowledgeable, motivated, and with an understanding of the market. From a marketing standpoint, employee morale is an important ingredient of success because it translates into a readiness to serve the customer. This is particularly true of people who have direct contact with customers.

Employees lose their motivation if the company lacks an apparent sense of direction. They will also lose motivation if they see that their executives are, themselves, showing a lack of motivation and are not involved in setting the company’s course. The most successful companies use their entire labor force as a marketing tool. Motivated people are proud of their company and their contribution to its success, and most important, they are not shy about telling friends about their company and its commitment both to success and to its employees.

Mission
In the past, one of the buzzwords among marketing executives was “mission statement.” There was felt to be a need to establish a short statement on what the company was all about and what it wanted to accomplish, and much time and effort was expended on creating one. Arguments took place at all levels of management on what the firm was really out to do.

What was so valuable about all those mission statements? Nothing! In most cases they were filed away to gather dust. That’s the point. The process of focusing all that attention on what the firm should be doing was the real value. Getting everyone to finally agree on a single course of action stimulated thought, discussion, and creativity. Out of the exercise came agreement and a sense of direction. Common goals came together.

CONSULTANTS
Outside consultants can provide a useful stimulus or the necessary expertise to help management guide its marketing effort. Often, these outside marketing firms specialize in particular industries or specific types of campaigns. Many small companies without the manpower to conduct market research and interpret the results turn to consultants. Since small companies do not have a constant need for such talent, it makes sense for them to pay for it only when needed.

Tasks in which outside marketing talent can be particularly useful include—
• Assessing corporate resources and formulation of a marketing strategy.
• Researching market trends and forecasting the response by the competition.
• Assessing the design of a product’s package.
• Designing specific marketing campaigns.
• Assessing a technological innovation and its impact on the marketplace.

Using outside consultants works best when the project is co-managed using internal and external resources. That way, the unique requirements of the company can be addressed at every stage. The results are relevant to the particular customers and marketplace served by the company.
Appendix A

Press Release Sample Format

The following is a sample format for a press release:

Company name (most press releases are printed on the company letterhead).

Date of release.

Date and time when information can be published.

Headline that emphasizes the single most attractive feature, development, or news item.

Body of the press release:

• First paragraph: expansion of the headline.
• Second paragraph: detailed information.
• Third paragraph: quotes from company officials.
• Fourth paragraph: any additional news items.

Name, address, and telephone number of company official to contact for further information.

Enclosures often include photographs and other, more detailed, information.

Press releases should be short and to the point. They are usually only one page long and are never more than two.
Appendix B

Suggestions for Further Reading


Glossary

Above the line. Advertising for which a commission is payable to an ad agency.

Advertising. The use of purchased space in the media to inform or persuade.

Advertising brief. The starting point in a relationship between an advertising agency and its client. The agency's brief summarizes the objectives of the ad campaign.

Advertising standards. Benchmarks for content and limitations of advertising. Most media advertising standards try to ensure that ads are legal, inoffensive, honest, and truthful.

Banded pack. A special offer combining two products (which may or may not be related) into one unit at a lower price than if the two items were sold alone. This sometimes includes "buy two, get one free" offers.

Below-the-line. Advertising that does not incur agency commission (such as direct mail, exhibitions, demonstrations, and point-of-sale material).

Brand. Anything intended to distinguish one product or service from another. It may be a name, symbol, design feature, or any combination of traits.

Branding. Establishing a brand preference in the mind of the consumer.

Brand leader. The product that holds the greatest share of the market.

Channel of communication. The link between advertiser and customer.

Channel of distribution. The physical link to the customer (such as wholesale, retail, and mail order).

Cost-plus pricing. A profit margin added to real or estimated costs as a means of determining the selling price. The outcome of the process is a selling price that bears no relation to the demands of the market.

Coupon price. Price concessions given by way of a fixed-price coupon. The coupon may be on the back of the pack, on a printed advertisement, or distributed to households. It may or may not require a previous purchase and often encourages the first purchase.

Cross elasticity of demand. Demand for one product is affected by the price of another (see "Price Elasticity"). For example, as the price of compact disk players comes down, demand for compact disks increases.

Display ads. All advertisements put in the point-of-sale displays.

Diversification. A strategic move by a company into new products or markets.
Fieldwork. Market research involving face-to-face interviews rather than mail or telephone questionnaires or relevant published statistics.

Gross reach. The total number of opportunities for people to see an advertisement (in a magazine insert, for example, gross reach = readership \times \text{number of insertions}).

Impression cover. The number of insertions it takes to cover the required percentage of the market.

Incentive packs. A promotional device, such as reusable containers.

Innovation. The result of change. Innovation can affect any part of the marketing mix or the targeted markets.

Knocking copy. Advertising copy that deliberately ridicules a competitor’s product.

Product life cycle. The concept that all products are subject to a pattern of demand: low at first, then growing, maturing, and eventually declining. To maintain sales, a different advertising emphasis should occur at each stage of the cycle.

Loss leader. A product offered at cost or less to improve market share or break into a market.

Low-pressure selling. Aims to win respect and long-term (soft sell) consumer commitment rather than an order.

Marketing mix. The mix of four elements that must be coordinated to make up the marketing effort. The elements are product, price, promotion and place.

Market research. Provides information on marketing opportunities. Market research includes motivation studies, advertising, attention value, packaging effectiveness, and logistics.

Media. A generic term for sources of advertisements such as TV, radio, cinema, newspapers, magazines, and posters.

Merchandising. All activities related to selling at the point of sale (such as packaging, display, pricing, and special offers).

Niche market. A segment of a wider market commonly used for franchises. Gourmet ice cream shops are an example.

Penetration pricing. Lowering the price of the product to ensure rapid high sales in a market.

Point of sale. The place where the sale is made.

Price elasticity. The relationship between demand and price for a particular product. A small price increase greatly reduces demand for products with high price elasticity.

Primary data. In market research, the original information produced specifically for an organization.

Primary readership. Readership figures based only on the initial purchaser. Secondary readership includes people to whom the publication may have been given.

Public relations (PR). The means by which an organization develops a public image. The “public” includes employees, customers, shareholders, the local community, and trade unions.

Response rate. A measure of advertisement effectiveness (for example, the number of responses from a direct-mail shot).

Secondary data. Data already available from various sources, such as industrial or government statistics.

Segmentation. The breakdown of the market into discrete, identifiable segments, each with its own characteristics and special requirements.

Self-liquidating offer. An offer that pays for itself because increased sales volumes bring in increased revenue to compensate for its cost.
**SWOT analysis.** The process of assessing the positive and negative features of the business and the environment in which it operates by examining its strengths, weaknesses, opportunities, and threats.

**Switch selling.** Stimulating demand for another item in the product line.

**Test marketing.** Simulating the factors involved in a national campaign on a small scale such as in a restricted geographic area.

**Threshold effect.** The point at which advertising becomes effective. The minimum advertising budget that produces desired results.

**Vertical market.** Company control of all the stages of production for one product.
Other books in the Management Series include:

*Management of Working Capital*
*Managing Business Risk*
*Financing Your Business*