

Marketing Diagnostics

Marketing Strategy
Fall 2009

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Markstrat up to Now

- focus tends to be on results
- are results enough to understand your performance?
- are you learning about the customers in your industry?

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Markstrat up to Now

- are you learning about your competitors?
 - » what are they doing?
 - » what are they good at?
 - » is there a pattern developing?
- need a special file on each of your competitors.

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Traps

- ⌚ excessive focus on results
 - » profits
 - » share price
 - » net marketing contribution
- ⌚ mis-attribution of good performance to decisions taken
- ⌚ insufficient evaluation of individual initiatives

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Objectives of this session

- How to structure analysis of your performance.
- How to think about the impact of your actions.
- How to avoid traps.

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Markstrat...it's a battle



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Markstrat...it's a battle

- Intense
- Tough
- Competitive
- Blood bath



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Boxing

- Think of Markstrat as a boxing match
- there are winners and losers



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Boxing

- What do you need to have a successful boxing career?

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Boxing

- What do you need to have a successful boxing career?

- » a name
- » skill, training, talent
- » commitment
- » a good team behind you



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Purchase Intent: A Discussion

- in Markstrat, you get absolute numbers i.e.. they add to 100.
- conditional numbers are even more important
 - » lack of awareness drives down purchase intent

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Discussion continued

- What really interests you is:
 - » given that you've heard about a product how interested are you in buying?
 - » get a handle on this by looking at conditional purchase intent

$$\frac{\text{Purch. Int.}}{\text{Awareness}}$$

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Market Share Models

BART example

Regression to obtain demand parameters and simulate demand and profits

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Durable Goods

- high involvement purchases

aware → collect information and evaluate → make a decision

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Imaginary Industry

- assume it's a real world industry with 5 competitors
- you are a consultant
- sometimes you cannot learn a lot by simply looking at sales results

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Imaginary Industry

	Scenarios				
	#1	#2	#3	#4	#5
Awareness	20%	100%	100%	100%	67%
Interest	100%	20%	100%	100%	67%
Intention	100%	100%	20%	100%	67%
Availability	100%	100%	100%	20%	67%
Sales	20%	20%	20%	20%	20%

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Imaginary Industry

- #1: raise awareness → advertising
- #2: improve perception → reformulate, reposition
- #3: identify where you are losing → fix
- #4: the lights are on but no one's home → check your forecasting, check your salesforce
- #5: no clear weakness → where can you get the biggest bang for the buck

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Back to boxing

- the Markstrat firm is the boxer



- the consumer is the promoter and his fans



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Getting on the list

- the promoter has got to be aware of you if you want to get on to a card
 - » network through the right clubs
 - » have the right promo sheets
 - » have the PR

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Getting started

- Promoter has to have interest in you
 - » 150 lb.. forget about becoming a heavyweight
 - » record of winning the odd sparring match

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Having the ability to win

- Once you are in the ring you have to have the ability to win
 - » all fighters are in the right weight class and have trained hard
 - » who has better strategy
 - » who has better natural ability

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Putting it all together

- to win you have to show up
 - » don't get sick or injured
 - » make sure you go the right arena at the right time

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The Bottom Line

- you need to do all of these things for success

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What do we know?

- when we should use Advertising, R&D and salesforce.
- we still lack something very important
- directional but not quantitative guidance
 - » The outcomes desired are high awareness, high purchase intent and strong distribution
 - » How do we manage advertising, R&D and salesforce to obtain these desired outcomes?

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What the relationship between the desired outcome and a marketer's activity?

- **How can you affect awareness**
 - » In consumer markets, the primary vehicle for this advertising
 - Promotion, sponsorship, public relations
- Advertising has many roles
 - » awareness, interest, purchase intent
- **Awareness**
 - » What's the relationship between advertising weight (spending) and awareness
 - how fast do consumers learn?
 - what's the shape of the curve?
 - If you don't advertise what happens?

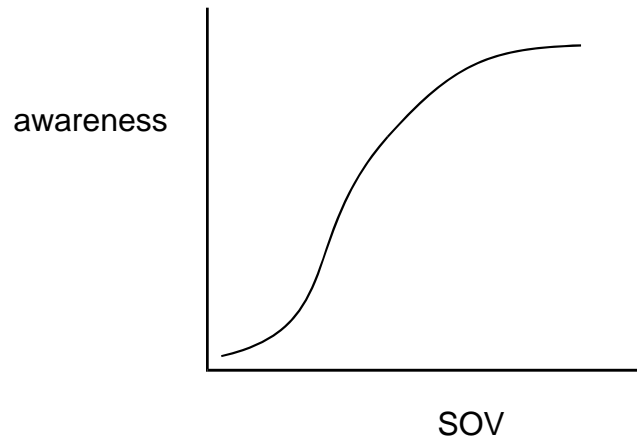
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What is the relationship between the desired outcome and a marketer's activity?

- Where might you get information on the impact advertising has on awareness.
 - » advertising experiment
 - » experience with your own products
 - » the competitors' experience

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What does the curve look like?



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Dynamics?

$$\text{Awareness}_t = \text{Awareness}_{t-1}(1-d) + f(\text{Advertising}_t)$$

f is s-shaped

Share of Voice (SOV) or Advertising

Is there a ceiling effect?

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What is the relationship between purchase intent and a marketer's activities?

- How attractive is your product to your target segment?
 - » You need to know this:
 - Sales performance
 - Consumer survey
 - MDS and Semantic Scales
 - » How do you stack up against the competitive products which are successful in the target segment
 - » Remember consumer preferences change over time

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What is the relationship between purchase intent and a marketer's activities?

- Advertising and R&D must be used together to increase purchase intent
 - » Poor product specs with strong advertising
 - Short-term may work but ultimately product is vulnerable to product with the right specs
 - » Great product specs but low advertising
 - Poor performance because consumers don't know how good the product is
 - Lost opportunity
 - » Need to coordinate these two tools
 - need "Good product" and need consumers to know that the product is good
 - SOV needs to be sufficient, advertising needs to say the right things

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What is the relationship between availability and a marketer's activities?

- Two things affect availability
 - » Production and distribution
 - » Production
 - Did you produce enough?
 - Is Purchase Intent > Market Share ?
 - » What is your current distribution?
 - Distribution panel only way to find out.
 - Is your product in the right channels?
 - » How can you affect distribution?
 - Salesforce and trade promotions
 - In Markstrat only salesforce

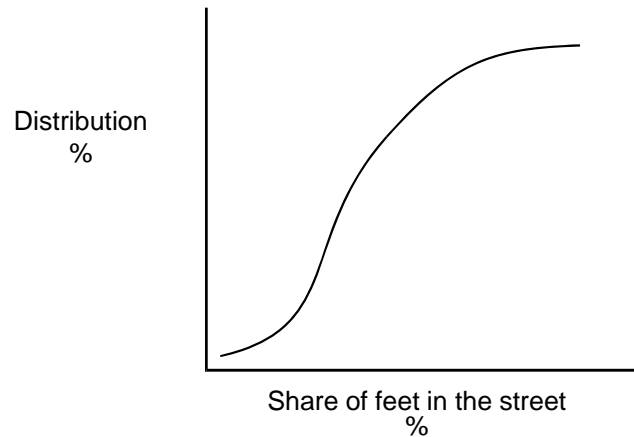
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Salesforce effort and its impact on distribution

- How do you learn about the relationship?
 - » salesforce experiment (10 more sales staff in each channel)
 - » own experience
 - how quickly do products with more salesforce allocation increase distribution?
 - » watching the competitors
- What kind of a response curve do we expect this to generate?

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The selling effort response curve



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Key Takeaways

- Got to analyze your performance by looking at each stage of the selling process “Hierarchy of Effects”
- Don't become obsessed/stressed by results
 - » focus on the impact of your initiatives
 - » learn
- Compare Forecast versus Results

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