



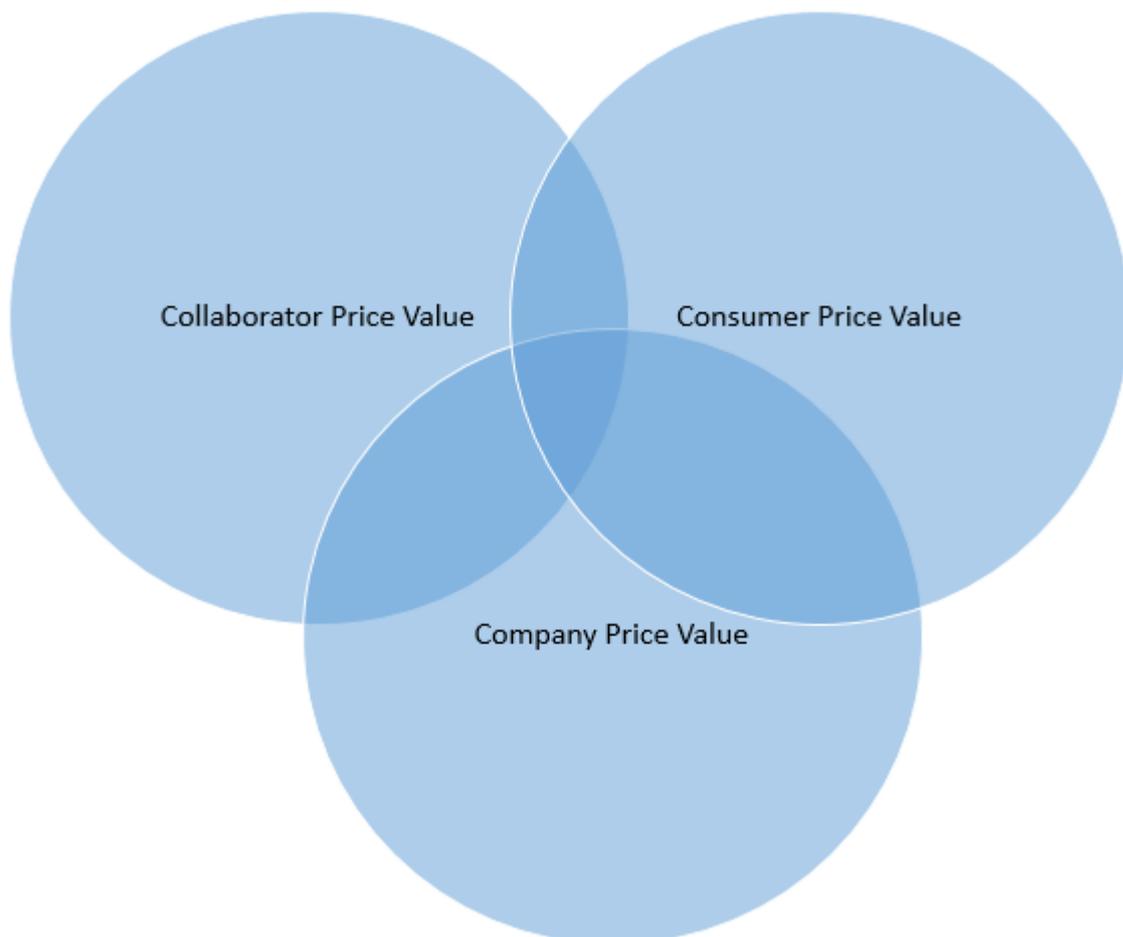
Building The Optimal Marketing Strategy

Gary W. Randazzo

Creating a Marketing Strategy

In order to develop any marketing strategy, a strategist must consider how value will be created. Real value is created when all stakeholders receive a benefit. The stakeholders to be considered are the organization providing the product or service (company), the purchasers of the product or service (the customer) and individuals or organizations that assist in the creation or delivery of the product or service (the collaborators). If we consider marketing from the Price, Place, Product, Promotion model viewpoint, we would find the each of the three stakeholder groups would have a different assessment of each of the marketing 4 Ps. If we consider each stakeholder's assessment as a sphere, we would find that there would exist an area in which all three stakeholder's assessments would intersect. This area of intersection would depict a strategic position where all three stakeholder groups would receive value. Pictured in the graphic below, the highest strategic value for a product price is created when the value for each of the participants (customers, collaborators and the company) coincide or overlap.

Company Price Value



The larger the area of overlapping common value, the greater the chance for strategic success. As the overlapping areas decrease in size the more difficult the strategy will be to execute successfully. Larger areas of common value often indicate the product or service offered is creating a new market through “Blue Ocean Strategies” developed by Renee Mauborgne and Chan Kim or the offering may be a market disruptor based on the theories developed by Clayton Christensen.

As the overlapping area of common value decreases, the product or service may be more sensitive to the five forces identified by Michael Porter:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products

To identify the highest value for each stakeholder group, GWR Research created a Marketing Mix Value Grid. This requires a marketing strategist to consider each marketing 4Ps against each other and the needs for each of the stakeholder groups.

In the grid below a strategist can address the value for each of the 4 Ps as it relates to the customers, collaborators and the company. Each of the four Ps must be in alignment with each other and create the intended value for each of the participants.

MARKETING MIX VALUE GRID – Grid 1

AREA ABOVE AND TO THE RIGHT OF THE DIAGONAL IN GREEN TYPE CREATES VALUE FOR COMPANY AND COLLABORATORS, AREA TO THE LEFT AND BELOW OF THE DIAGONAL IN RED TYPE CREATES VALUE FOR CUSTOMERS.

To find the Optimal marketing mix line up the horizontal and vertical squares leading to each of the four Ps. Each of the 4 Ps optimal strategic solution is found by measuring it against six squares set perpendicularly to the optimal solution square. For example, to find the optimal Place to create **customer** value, squares 2A, 3B and 4B would have to be addressed. To find the optimal Place to create value for the **company and collaborators**, squares 1B, 2C and 2D would have to be considered. Repeating this for each of the 4 Ps determines the optimal value for each element of the marketing mix that assures alignment in creating value for the customer, company and collaborators. The resulting matrix provides the best strategy that supports company, customer and collaborator success

Company Value

The value for the company rests on its ability to capture the value created for the customer in the form of profits. The best approach to address the requirements for the company value creating squares (those above and to the right of the diagonal column of the Optimal Ps, in green) is to determine a clear understanding of the direct costs and the mark up provided by the price willingly paid by the customer for the products and services offered and the size of the market. This understanding provides the strategist with an estimate of the cash flows that will be available to sustain the organization.

A situation analysis that is part of the marketing plan regimen usually requires that an assessment of the customer base, competition, industry and so forth take place before any marketing goals are set. This would be critical in determining potential price ranges, competition and size of the market.

Once direct costs are understood, a break-even analysis can help determine the strategy used for fixed costs. This approach allows the potential cash flows that result from providing customer value to drive the nature of the strategy rather than a preconceived notion of how the organization should be developed that might be have an emotional foundation.

Customer Value

Creating customer value is by providing products or services that fulfill a need and for which a customer is willing to pay a certain price and expend a certain amount of effort to acquire. To assess the appropriate customer value creating squares (those below and to the left of the diagonal column of optimal, in red) a clear understanding of forces that cause customers to purchase a product or service. Here a set of Consumer Adoption Drivers developed by GWR Research and based on research studies by Gerald Zaltman and Nan Lin prove useful.

To determine the best approach to address the requirements for customer value creation squares, each customer square on the marketing mix grid should be measured against the Consumer Adoption Drivers shown below (CAD).

The CAD list is as follows:

1. Group Influence Intensity – relates to peer pressure exerted on customers
2. Perish ability – the length of time the product is deemed useful,
3. Psychological appeal – status associated with the product
4. Price sensitivity – the need for the customer to budget for the purchase,
5. Relative Price Influence – the attractiveness of other products as a substitute when price is a consideration,
6. Frequency of Purchase – The frequency with which the customer purchases the product,
7. Search Time Intensity – the amount of time invested in the search for the “right” product,
8. Tangible Differentiability – physical differences between products,
9. Intangible differentiability – non-physical differences between products (guarantees, relationships with company, branding etc.),
10. Technical Complexity – the need for training before a customer can use the product. This may be a factor in determining the type of sales force that will be required.

For example, square 2A would be considered against each CAD. It might be that the product is frequently purchased and there may be several products easily attainable that could be used as a substitute. It might also be found that peer influence or psychological appeal plays an important decision in where the customer shops. These attributes along with other CAD attributes might impact the time and effort a customer is willing to locate the “right” product. This can help describe the location and logistics that will create the greatest overall value. This can also contribute to the price a customer is willing to pay.

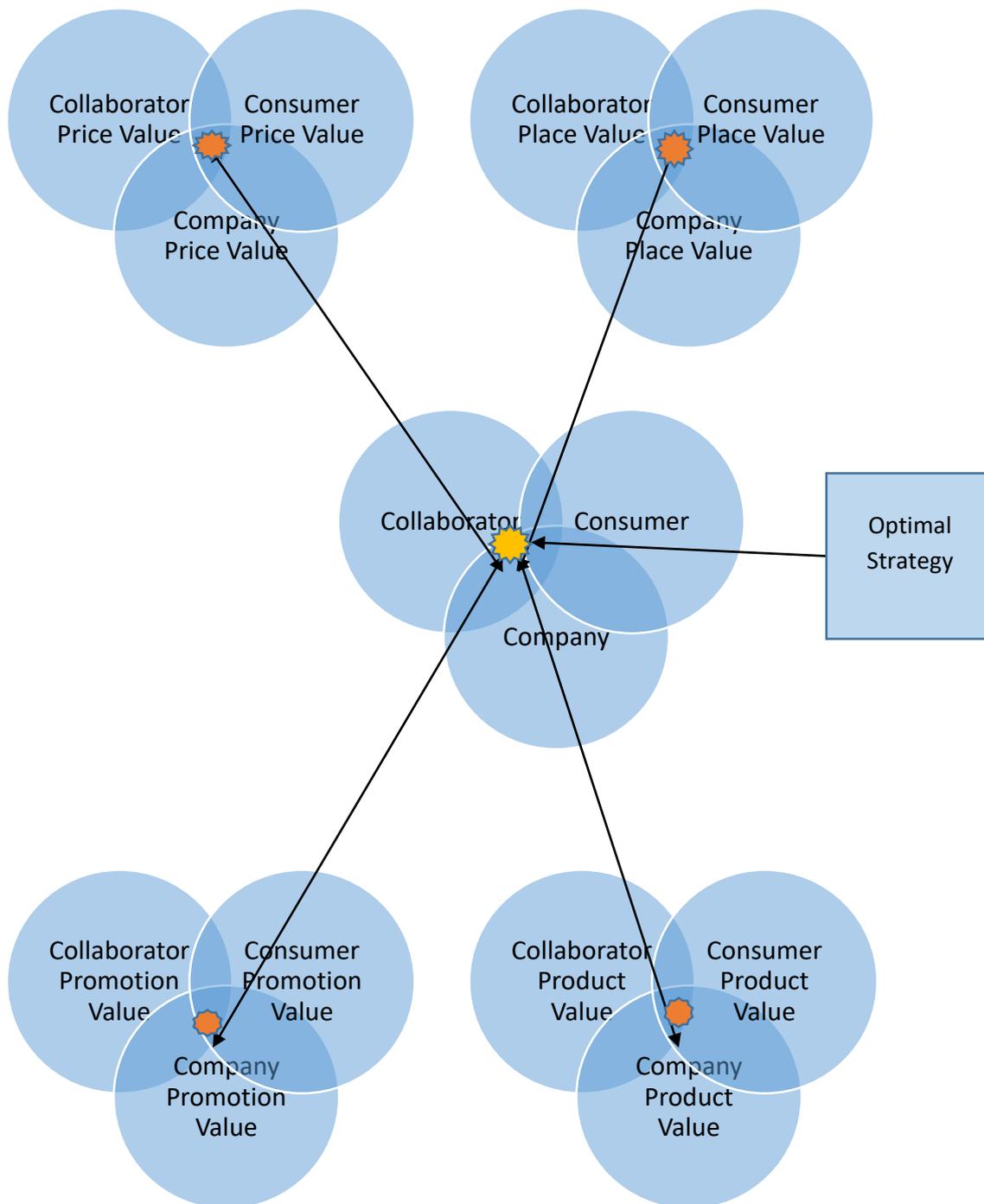
Usually the best approach to understanding the CADs for a potential market is to conduct focus groups or surveys of potential customers to determine the importance of each of the CADs as they relate to the proposed product or service. These measures can then be applied to each of the four Ps to determine the optimal characteristics for each of the 4 Ps to create value for the customer.

Collaborator Value

Collaborator value is best determined by providing a structure that allows the vendors, brokers, alliance members and other contributors to benefit when the optimal value is created for the customer and company. This, in most cases requires an organization that can create value by providing value to the customer. For this reason having collaborators aligned with creating value for the company is most advantageous.

Strategy Development

To begin the development of a strategy it is necessary to understand how the requirements for each element of the optimal marketing mix would be achieved through the deployment of organizational resources. The Graphic below shows how each the identification of the optimal value for each component of the marketing mix can be used to create the optimal overall marketing strategy.



Implementing the Strategy

Once a strategy has been identified the strategist must consider the organization that will implement the strategy. By identifying the organization’s core competencies and the structure of the marketing environment (Porter’s Five Forces) a better tactical planning process can be developed. The Marketing Mix Organizational Impact Grid (Grid 2) shown below allows a strategist to measure organizational resource requirements against each of the Optimal 4 Ps developed in the marketing mix grid. Using this grid the strategist can begin developing a strategy that is within the company’s resources. For example, the workforce would have to be available for the logistics and location to provide the optimal Place value for customers and the organization. If workforce availability or costs are problematic the strategist might consider outsourcing certain tasks or forming alliances that can provide workforce needs that meet the company and customer value creation requirements.

MARKETING MIX ORGANIZATIONAL IMPACT GRID (Grid 2)

Copyright GWR Research	OPTIMAL PRICE	OPTIMAL PLACE	OPTIMAL PRODUCT	OPTIMAL PROMOTION
WORKFORCE – EMPLOYEES, CONTRACTORS , ALLIANCES, PARTNERS	WORKFORCE COSTS ARE WITHIN ACCEPTABLE LEVELS TO PRODUCE NEEDED PROFIT WITH PROJECTIED OPTIMAL PRICING AND SALES VOLUMES	WORKFORC E IS AVAILABLE FOR OPERATION OF OPTIMAL LOCATION AND LOGISTICS	WORKFORCE CAN EFFICIENTLY PRODUCE OPTIMAL PRODUCTS WITHIN ACCEPTABLE QUALITY REQUIREMENTS	WORKFORCE CAN PRODUCE AND DELIVER OPTIMAL PROMOTION/SALES CAMPAIGNS WITH HIGH DEGREE OF EFFICACY
CASH REQUIREMENTS	REVENUES GENERATED WITH OPTIMAL PRICING PROVIDES SUFFICIENT CASH FLOWS AND PROFITS TO MEET GROWTH GOALS	OPTIMAL LOCATION AND LOGISTICS ENHANCE CASH FLOWS AND MINIMIZE CASH OUTLAYS	OPTIMAL PRODUCT MAXIMIZES OPERATING MARGINS, INVENTORY TURNS AND CASH FLOWS.	OPTIMAL PROMOTION UTILIZES MIX OF MEDIA AND APPROACHES TO EFFICIENTLY BUILD AND MOVE CUSTOMERS TO ACTION
OPERATING PROCEDURES	OPTIMAL PRICE IS MANAGED BY SETTING PROPER SALES GOALS, DISCOUNTS AND ESTABLISHING METRICS TO ASSURE PROPER CONTRIBUION PER UNIT.	OPTIMAL PLACE IS MANAGED BY ESTABLISHING METRICS FOR REVENUE/RENT, INVENTORY COSTS, PROFIT/SQ.FT. ETC.	OPTIMAL PRODUCT IS MANAGED BY ESTABLISHING METRICS FOR COST PER PRODUCT, R&D COSTS ETC.	OPTIMAL PROMOTION IS MANAGED BY CREATING METRICS FOR PROMO COST PER CUSTOMER, SALES INCREASE PER PROMOTION ETC.
FIXED ASSETS	OPTIMAL PRICE SUPPROTS REQUIRED FIXED ASSTS	OPTIMAL PLACE MAXIMIZES PRODUCTIVITY OF REQUIRED ASSETS	OPTIMAL PRODUCT MAXIMIZES PRODUCTIVITY OF REQUIRED ASSETS	OPTIMAL PROMOTION MAXIMIZES PRODUCTIVITY OF REQUIRED ASSETS

Execution and Control

Once the Optimal Marketing Mix and the strategic organizational resources have been identified, the marketing strategist can begin assembling a plan for implementation and developing control metrics to assure that the strategic focus is maintained and the execution of the strategy results in creating the optimal value for the company, its customers and collaborators.

The Strategic Organizational Development Grid (Grid 3) allows the strategist to measure create processes to plan, organize, direct and control the execution of the strategy.

STRATEGIC ORGANIZATIONAL DEVELOPMENT GRID-TACTICS (Grid 3)

Copyright GWR Research	STRATEGIC WORKFORCE	STRATEGIC CASH REQUIREMENTS	STRATEGIC OPERATING PROCEDURES	STRATEGIC FIXED ASSETS
PLANNING	DEVELOP JOB DESCRIPTIONS AND JOB STANDARDS TO REACH OPTIMUM STRATEGY	DEVELOP ACCOUNTS RECEIVABLE AND PAYABLE PROGRAMS THAT ENHANCE CASH FLOWS	DEVELOP PROCESSES THAT ENSURE BEST WORKFORCE, QUALITY CONTROL AND VALUE DELIVERY	DEVELOP PROCESS OF IDENTIFYING BEST USE OF ASSETS (E.G. LEASE OR PURCHASE) ASSETS PLACED FOR MAXIMUM PRODUCTIVITY.
ORGANIZING	WORKFORCE SHOULD BE ORGANIZED IN MANNER THAT MOST EFFICIENTLY MATCHES OPTIMUM STRATEGY	ESTABLISH FINANCIAL MECHANISMS TO MAXIMIZE EFFICIENT USE OF CASH	ORGANIZATIONAL DEPARTMENTS SHOULD BE ORGANIZED TO OPTIMIZE OVERALL RESULTS	ASSETS ORGANIZED TO SUPPORT ORGANIZATIONAL PRODUCTIVITY.
DIRECTING	STANDARDS OF PERFORMANCE TIED TO NEEDED OUTCOMES	CASH FLOW TO HIGHEST AND BEST USE AREAS OF THE ORGANIZATION	OPERATING PROCESSES SUPPORT OPTIMUM STRATEGIC GOALS	ASSETS DELIVERED TO NEEDED AREA WHEN MOST PRODUCTIVE
CONTROLLING	METRICS FOR PAY AND BONUSES TIED TO STANDARDS OF PERFORMANCE	METRICS DESIGNED AND MANAGED TO DEFINE EFFICIENT CASH USAGE	METRICS DESIGNED AND MANAGED TO ASSURE PROCESSES ARE EFFICIENT AND EFFECTIVE	METRICS DESIGNED AND MANAGED TO ASSURE EFFICIENT USE OF ASSETS

The overall process from developing the optimal marketing mix through the execution plan for strategy deployment provides an organization with an approach that focuses on creating optimal value for customers, collaborators and the company.