

M A CREATIVE PERSON'S SHORT COURSE IN MARKETING

Marketing 101. Maybe you never took the course. Or, if you did, it was probably a long time ago and a lot has changed. Whatever, you now find yourself in a situation where more marketing knowledge is crucial to success.

Chances are that most of what you do for your clients is a part of their marketing efforts. The better the client, the more they look to you, not only for creative talent, but also to apply it in ways that enhance their goals. Or, they look to you for recommendations on new initiatives. Perhaps you're not as fluent in the language of marketing as you should be.

For most creative firms—single and multi-person—understanding the marketing process is already essential, and getting more so.

This article provides a “Cliffs Notes” or “Dummies Guide” approach to the subject—enough marketing knowledge to let you pass the credibility test with all but the most sophisticated clients.

A MARKETING ORIENTATION?

You probably already realize the role a marketing orientation has in your firm's future. In fact, it is likely you emphasize it when pitching clients. It is, after all, what they want to hear.

This approach—promoting creatively-oriented marketing strategies—is a good one for creative firms of all types and sizes. But, at the same time it raises a concern: just how much substance is supporting the claims?

Our experience is, sometimes not much. Many creatives we've talked with over the years exhibit an embarrassingly limited understanding of the subject. Others can talk the talk, but can't walk the walk.

Ethics aside, there is probably no harm in promoting marketing knowledge when there is little to back it up as long as clients are unsophisticated. To them, organization, decoration, and exposition are probably synonymous with marketing anyway. Even so, a little *real* marketing knowledge will always make you a more valuable resource.

More important, though, is the increasing number of sophisticated clients. To them, marketing is not just creative polish. It is also strategies, positioning, pricing, and distribution, to name but a few of the more basic activities. Working with these clients doesn't necessarily require you to have a marketing MBA, but it does require an ability to understand what they're talking about, and enough knowledge to make meaningful contributions.

WHAT IT IS AND ISN'T

Because marketing is a young discipline that's part art and part science, it suffers from more than its share of misconceptions.

Marketing is more than just an individual's talent or experience. Exaggerating the importance of successful selling or personal intuition is a common mistake. A client's decades of experience dealing with customers seldom provides the expertise needed to address significant new opportunities. Indeed, it often provides a misguided sense of optimism.

And while it is true that creatives have lots of communication expertise, and it is an

essential element of marketing, it is usually only a small part of a marketing mix.

Marketing and selling are not synonymous.

Confusing the two is another common mistake. In smaller organizations the two activities may be handled by one individual. But even so, they are often separate functions.

Marketing is the overall process of taking a product from manufacturing through to customer satisfaction; sales is the specific process of taking orders.

Another way of looking at the distinction between the two is that even though all persons in marketing must be customer-focused, usually only sales people have regular customer contact.

In some organizations—e.g., not-for-profits—there's lots of marketing activity with little or no sales activity. In others—e.g., retailing—there's much more sales activity than marketing activity. For most organizations though, marketing consists of several important and well-balanced activities, of which sales is but one.

Marketing has several components. Although every marketing organization is different, traditionally it is responsible for at least the following six discreet functions:

Marketing research—determining what customers want... *product planning*—recommending what the company should produce... *advertising and promotion*—telling customers about the product... *distribution*—providing the means to get the product to where the customer can purchase it... *sales*—taking orders... and *customer service*—assuring customers are satisfied. (For details, see “Strategy And The Marketing Mix” on page 4.)

Marketing is usually one of several company divisions. Here, too, every organization is different, but most cluster activities into several major divisions. The divisions for a typical company might be:

Research and development—providing products for the future... *manufacturing*—making today's products... *marketing*—finding customers for today's and tomorrow's products... *finance*—ensuring that the company makes money... and *human resources*—finding, training, and administering personnel.

Marketing continues to grow in importance. In theory, client organizations are structured so that each major division is of equal importance. In truth, however, some are more equal than others. Marketing is the most important function in many organizations, and is almost always so among those that rely on selling consumer goods.

We live in an environment that presents us with an ever-increasing number of choices. At the same time, the increasing complexity of the products we are offered makes it more difficult for us to select. The result is that helping customers come to a decision—marketing—increases in importance. Further, the more commodity-like (undistinguished by significant differences) products become, the more this is so.

MARKETING FOCUS VERSUS CUSTOMER FOCUS

Many businesses today misapply the rhetoric of marketing. To be a marketing-focused company is often equated with being a customer-focused one. Actually, the two are not the same.

Marketing focus. The true definition of a marketing-focused company is one that embraces what is often called “the marketing concept.” Simply, it is that creating a satisfied customer (a market) takes putting him or her first and foremost at every stage

of a product's life—conception right through to service. It is also sometimes referred to as the “outside-in approach” because ideas on what to do come from outside, not internally.

Now, if this seems self-evident, consider that it is *not* the way many firms work. Rather, many operate on “the selling concept,” or the “inside-out approach.” A product is first created around the firm's capabilities, then they try to find a market for it using whatever means currently exist. In some cases this is unfortunate, but not in all.

their marketing efforts around closely following the lead of their customers.

On the other hand, those companies wishing to develop new products or markets must be careful not to follow the wishes of existing customers so closely that they are blinded to new opportunities that customers are unable to articulate.

For most organizations a balanced marketing effort—sometimes following the leads of customers, other times leading them—is appropriate.

Having a marketing focus
is not the same thing
as having a customer focus.

Customer focus. Why shouldn't every company be totally focused on the wishes of its customers? Well, if they all were, many inventions and technological breakthroughs (copy machines, personal computers, web browsers, etc.) would never have been introduced because customers didn't know they wanted or needed them. Put another way, true marketing-focused companies often miss new markets and development opportunities.

Also, companies working on government contracts, or in regulated industries, such as health care and financial services, are often restricted in how much marketing they can do. Yet, they are no less customer focused.

How much leading versus how much following? At minimum, of course, all companies should be responsive to the needs of their potential customers. But how much of a true marketing focus they have should depend on their goals. Companies wishing to improve an existing widget or gain market share should probably orient

MARKETING STRUCTURES

The best way to structure the several aspects of marketing efforts is the subject of an old debate. Most clients use one of the two fundamentally different approaches—by function, or by product.

The traditional, functional approach. In this structure, the various activities required to market a product are handled by functional departments—e.g., advertising—that are separately budgeted and report independently to the individual charged with overall marketing responsibility (e.g., Vice President of Marketing). He or she sets priorities, and allocates responsibilities and budgets.

This approach is the more common one because it follows the traditional, hierarchical management system familiar to all business people. It is utilized by industrial organizations, business-to-business (B2B) marketers, or where a company's name is more widely known than that of its individual products or brands. (Example: the name General Electric has far more marketing

value than any of the company's thousands of brand names.)

Within this approach the way an organization actually breaks down the marketing function varies greatly, based on its size and products. A small company selling to businesses may lump all marketing functions together under the umbrella of "sales." Another with a large sales force may make sales a separate function equal to marketing. And a large, broad-based company may organize its marketing around half a dozen functions.

The brand or product manager approach. This structure does away with separate, independent departments, such as advertising. Instead, all the functional specialties required to market a specific product or brand are brought together. The brand becomes a profit center with its own budget. It is headed by a manager who usually reports directly to the individual charged with overall responsibility for the company's marketing.

This approach was pioneered by Proctor & Gamble in the 1920s. It is most commonly used today by consumer product manufacturers, those selling generic or commodity products, and companies whose brand names have more impact than their own. (Example: the brand "Pampers" has more marketplace impact and value than the manufacturer's name, Proctor & Gamble.)

THE 4PS OF MARKETING

Most clients plan strategies and set budgets around what are often referred to as "The 4Ps of Marketing"—product, price, promotion, and place. The marketing version of the "weak link" theory is that no effort will be any better than the weakest of the four.

Product. It is often said that even the worst product can be successfully marketed—but only once. Too often, marketing is

given scant attention at the product design level ("the back end"). In contrast, products that are designed with marketing in mind have features designed to make them more desirable to customers, are better suited for the uses customers put them to, and are packaged in a manner that makes them more appealing. When all this happens, the later functions of marketing are much more successful.

When discussing both new and existing products, marketers often refer to its properties in one of three ways.

Core attributes: As the name implies, it encompasses the essentials—what customers buy the product to achieve, and what it would fail without. For example, if it is a bar of soap, the ability to produce clean hands.

Expected attributes: These are the things that customers come to expect, often because they are available in competitors' products. In our bar of soap example, probably a smooth texture and a pleasant scent.

Augmented attributes: These increase the appeal of the product, but wouldn't necessarily be missed if customers hadn't been introduced to them. They are what often provides a product's competitive advantage. Again, in our bar of soap example, the addition of a moisturizer, or a larger or smaller size.

One other major consideration of the product aspect of marketing is the life-cycle concept. It says that a product is constantly maturing, and will ultimately die unless it is occasionally reinvented. Much of the product focus of marketing is on keeping it young and fresh.

Price. Marketing's role in pricing is to interpret the size of the market (volume affects costs) and what customers are willing to pay. Then to keep the *variable* costs of a product's promotion and distribution in the proper relationship to the mostly *fixed* costs of its manufacturing.

Marketers may use one of several pricing strategies to meet their profit goals. The most common are: *Cost-plus pricing*, which adds a straight percentage to the product's unit cost... *target pricing*, which is based on achieving a certain volume... *experience-curve pricing*, which assumes there will be an increase in manufacturing and distribution efficiency over time... *value-based pricing*, which focuses not on the product's cost, but its perceived value... and *competition-based pricing*, which matches the competition, often at a loss to gain market share.

One other key pricing concept is that costs should fall over a product's lifespan as development costs are amortized and customer awareness rises. This provides the opportunity for either greater profit, or to adjust prices to meet competitive threats.

Promotion. This is the area of marketing activity that most directly affects the readers of *Creative Business*. It, along with selling, also encompasses what most people think marketing consists of.

Although definitions of promotional media are constantly shifting, the most common are: *advertising*—group audience contact through print, broadcast, outdoor, and interactive media... *direct marketing*—individual customer contact through letters, catalogs, and brochures... *sales promotion*—providing customer and dealer incentives, sales literature, displays, package design, etc.... and *public relations*—creating favorable market environments for companies and individual products.

By far the most significant thing happening in promotion is a continuing explosion of choices. New technologies and specialized media have reduced the cost and increased the efficiency of targeting messages to

the interests of specific types of customers. The role of promotion is increasingly viewed in the context of supporting one-on-one (versus mass) marketing efforts.

Place. If customers can't find the product, they can't purchase it. So all other aspects of marketing come to naught.

The backside, or company end of this function, is usually called *distribution*. It involves the logistics of product warehousing, scheduling, and shipping. On the front side, or customer end, it is usually called *channeling*, selecting the locations—distributors, dealers, or retailers—which allow customers to procure the product.

Companies traditionally look at three factors. *Coverage*—how can they make it easy for customers to find the product?... *control*—how much will they have over the way the product is priced and displayed?... and *costs*—how much must be added to the unit cost to cover expenses?

In deliberating where and how their products will be sold, companies also have to keep antitrust laws in mind. (In the U. S., primarily the Clayton and Sherman Acts.) Generally, the factor that determines whether an activity is illegal is whether there is intent to restrain trade or create a monopoly. The following four situations are all problematical, although they are legal in many situations:

Exclusive franchises—not allowing dealers to sell brands that are competitive... *restricting territory*—not allowing dealers to sell outside a specified area... *limiting distribution*—not allowing otherwise qualified dealers to carry a product... and *tying agreements*—requiring the dealer to carry a company's full line, not just one product.

STRATEGY AND THE MARKETING MIX

Whether done formally or informally, the marketing process for all organizations begins with a

strategy, from which is derived a target market (a group of similar customers), which in turn will be addressed by a mix of marketing activities.

The essence of the marketing mix is that effectiveness usually requires a combination of functions, and that they need to be in the right proportion to each other.

An effective mix for cereal, for example, would be different from that for milk, and different still from that for fruit, even though all are used by the same customer for the same purpose at

This process is important from a creative firm's standpoint in that it determines the features and benefits they must work with. Participation in product planning is increasingly common among large agencies, but is rare among smaller creative firms.

Promotion. This is the battleground for customers' minds, where the input of a creative firm affects the rest of the client's marketing mix, not the other way around. What media to use and what creative approach to take determines promotional effectiveness.

There are two types of organizations: by function, or by product.

the same time. Typical marketing mix functions affecting creative development are summarized below.

Research. It is used throughout a product's life. First in pre-product planning, later in monitoring market activity, and later still in defining problems and opportunities. The findings strongly affect the creative approaches clients will accept.

Some of the more common techniques used are: *trend analysis*—determining industry change... *situation or market-share analysis*—comparing sales to those of competitors... *test marketing*—introducing a product to a controlled market to gauge reaction... *focus groups*—getting subjective opinions from a select group of individuals... and *statistical sampling*—quantifying as many sales variables as possible.

Product planning. This is where marketplace ideals meet manufacturing reality. The result is usually a compromise: a product with enough features to be salable at the target price, but not so many as to make it unprofitable.

Efforts can be designed to increase awareness, to *pull* a product through a retailer, or to help a sales force or retailer *push* a product to customers.

The amount spent varies widely from industry to industry. It ranges from a low of under 1% of sales for some heavy industrial goods, to 20% or more for some consumer products. As a percentage of marketing dollars, the range is even greater—from a low of zero to a high of 100%. The only correct way to set the promotional component of a marketing budget is to first determine promotional objectives, then cost out what it would take to meet them.

Sales. This is the part of the marketing mix concerned with supporting a sales force. It affects the work of creative firms in two significant ways, especially in industrial and business-to-business organizations.

The first effect is that sales and promotional dollars are often considered interchangeable. That is, an increase in the sales portion of the marketing budget will often come at the expense of the promotional portion.

The second effect is that much promotional activity is directly in support of a client's sales force. Brochures, lead-generating ads and mailings, point-of-purchase (POP) displays, and trade show exhibits are all ways to help sales people contact customers, or close a sale by explaining a product's benefits.

Customer service. The role of marketing's seldom ends with the sale. For many industrial and business-to-business products especially, follow-on customer service can be a significant portion of the mix. It is crucial in ensuring happy customers and repeat business.

Creative firms typically support customer service activity through such activities as the producing of owner's manuals and customer response media.

MARKETING PLANS

They're the way in which the marketing mix is orchestrated. Several individual plans typically make up the marketing program for a company, and the marketing program is but one chapter in its business plan.

Common elements. All marketing plans have three things in common: 1) they detail the marketing mix, the what, when, and where of the various activities... 2) they indicate what resources are required and what the cost of them will be... and 3) they project what results can be expected and when.

The staffs of a Product Manager in larger companies, or the Vice President or Director of Marketing in smaller ones, typically prepare marketing plans. In larger companies the Vice President or Director of Marketing is responsible for the firm's overall marketing program.

Your opportunity. When getting a significant assignment from a client, ask to see the product's marketing plan, or at least the relevant sections of it.

Some firms may not want to share this confidential informa-

TALKING THE TALK THE MARKETING LEXICON

Like any specialty, marketing has its own language. Recognizing some important terms (and being able to drop them into conversations) helps understand and impress clients. Below are a few of the more common, non-obvious, and important ones for creative firms. Others are italicized in the text.

• **80/20 principle**—80% of many firms' business (or profit) comes from the top 20% of their customers.

• **AIDA model**—all promotional activities should create one of more of these four: Attention, Interest, Desire, and Action.

• **Commodity**—an item with features undistinguishable from its competitors.

• **Demand curve**—the relationship between price and quantity; as the former goes up, the latter goes down (compare to "supply curve").

• **Demographics**—the statistical data of a given population (compare to "psychographics").

• **Early adopters**—customers who will take a chance on a new product. Often important trend setters. (Sometimes called "pioneer buyers.")

• **Elasticity/inelasticity**—when small changes significantly affect demand, the product/market is said to be elastic; if they won't, it is said to be inelastic.

• **Equilibrium price**—the going market price.

• **Facilitators**—catch-all term for advertising agencies, design firms, product testing labs, wholesalers, retailers, etc.

• **Generic market**—customers with only broadly similar needs to which products can be easily substituted (compare to "product market").

• **Law of diminishing demand**—as price is raised, demand falls. Law of increasing demand is opposite.

• **Marketing concept**—all activities—product research to after-sale service—are focused totally on the wishes of customers (compare to "production concept").

• **Micromarketing**—catering to the specific needs of small populations. (Sometimes called "niche marketing," or "segmentation marketing.")

• **MSA (Metropolitan Statistical Area)**—an economic area or unit with a fairly large city at its center.

• **PLC**—Product Life Cycle. Expenses are usually highest right after introduction; profits highest at maturity.

• **Positioning**—placing a product in its best environment for selling.

• **Prestige pricing**—setting a high price to imply high quality or status.

• **Primary data**—denotes newly discovered information (compare to "secondary data").

• **Primary demand**—is for a product category, not a specific brand.

• **Product market**—customers with very specific needs and little latitude for substitutions (compare to "generic market").

• **Production concept/orientation**—making products without prior marketing input.

• **Psychographics**—the lifestyle data of individuals. Normally comprised of Activities, Interests, and Opinions (AIO) (compare to "demographics").

• **Pulsing**—a strategically uneven distribution of promotional activity. (Sometimes called "flighting.")

• **Pure market/competition**—a situation where there are similar products, knowledgeable customers, and affordable prices.

• **Sales promotion**—activity that stimulates sales at point-of-purchase.

• **Scale economies**—the more products produced, the more prices will drop.

• **Secondary data**—a research term that denotes already published information (compare to "primary data").

• **Segmentation**—breaking an activity/product down into several relevant categories.

• **SKU**—Stock Keeping Unit, the specific inventory number assigned to each product by a retailer.

• **Stimulus response model**—circumstances in which individuals respond in the same way to stimuli.

• **Supply curve**—what suppliers are willing to supply at certain prices (see "demand curve").

• **Threshold**—the point at which an effort becomes productive.

• **Turn rate**—how long an item sits on a retailer's shelf. A key to profitability in high-volume, low-margin (profit) stores.

• **Utility**—the power to satisfy customer needs.

tion. Even so, asking is nearly always beneficial. It identifies your firm as one focused on marketing, not just creativity, and it shows that you care about getting marketing details correct.

Then, too, particularly among smaller companies, the response may be, “Plan? Our plan is in my head.” In these cases, it may also be appropriate to ask whether they need help in preparing one. Again, even if the client declines, you have clearly indicated where your priorities are, and have almost certainly differentiated your firm from your competition.

And, finally, companies who would normally only share or ask for marketing plan assistance from large agencies or marketing consultants often do need presentation, writing, and editing help, all potentially lucrative assignments.

FORMAT CONSIDERATIONS

Although there is tremendous variety among marketing plans, most are divided into several sections, each containing one or more pages as suitable. The five sections outlined below would be considered minimum.

Introduction and strategy.

This section, sometimes called an “executive summary,” typically is a single page of three or four short paragraphs that summarize what the company seeks to achieve, the product, its markets, and the focus of the marketing efforts.

Description. This section details the item and where, by whom, and why it is needed. In addition, each of the principal user benefits is briefly described (e.g., “•Built to last”), as are the specific features that back up the benefits (e.g., “•Constructed entirely of Lexan® and Type 310 stainless steel”).

External considerations.

Factors that are outside the control of the company that could affect marketing are provided in this section. These typically fall into three broad categories: 1) *General assumptions*—econom-

ic, political, environmental, social, and technological factors. 2)

Market characteristics—history, size, type, typical customers, buying patterns, etc. 3) *Competitive products*—their characteristics, strong and weak points, pricing, distribution, market share, and possible response.

Objectives. This section details, as specifically as possible, the goals of the marketing effort within a certain time frame. For example, to book sales of 10,000 units this year... to get distribution of a new product in 60% of available outlets by next

consensus that they should always be easy to read, conservative, and business like.

Design and writing. Strategy and planning documents shouldn’t appear promotional or fancy. But, they should be attractive and professional. The goal is fast and easy communication. This usually means a design oriented around readability, not style. Likewise, it means copy that is concise and easy-to-read with lots of bullets, sub-heads, and reader aids.

Input. For smaller and less sophisticated clients, a form like the attached “Product Marketing

The four Ps of marketing: Product, Place, Price, and Promotion.

Christmas... to increase awareness among 25 to 40 year olds by 10%.

Tactics. This is typically the most detailed section of the plan. It sets forth a timetable and specific instructions for the marketing actions that are to be taken. For example, a pre-announcement press conference to be held on April 1... sales calls to start mid April... full-page trade ads in three industry journals to begin running in May... product shipment to dealers June 1... dropping a 10,000-piece direct mailing in mid June... printing 15,000 brochures to answer customer inquiries in mid June.

Costs and ROI. Here the financial resources required to make it all happen are covered—how much money will it take, and where and when will the dollars be allocated. Finally, what the pay-off should be—a projection (guesstimate) of return on investment (ROI).

STYLE CONSIDERATIONS

There are no hard and fast rules about the writing and design of marketing plans. There is only a

Plan Worksheet,” can help ensure that all applicable information is considered and thoroughly thought-through before preparation starts.

Even if you aren’t directly involved in developing client marketing plans, making this form available could impress smaller ones. In addition, it can be useful in preparing a marketing plan for your own business.

What to charge. The design and writing of strategy and planning documents is more strategically than creatively challenging. It is high-level consulting that can not only provide good additional income, but also position your firm at a higher level in customer minds. And that, in turn, usually leads to more sophisticated and challenging creative assignments.

Keep in mind when pricing that marketing plans are among a company’s most essential documents. They articulate strategies and tactics to an audience of its important employees. The pay range for this type of activity should never be less than that for high level creative work, typically \$150 an hour and up.

What about software alternatives? There are three inexpensive programs we know of that make it easy for clients to put together basic plans.

Marketing Plan Pro (www.paloaltosoftware.com) is the most comprehensive for the price, but works only on PCs. *Marketing Builder* (www.jian.com) is the most popular, is somewhat more general in focus, and is oriented around the needs of smaller companies. It is, however, the only one of the three available in both PC and Mac versions. *Plan Write For Marketing* (www.brs-inc.com) is the most

comprehensive, but works on PCs only. All publishers offer demo versions and other helpful marketing information on their web sites.

You may want to recommend that clients facing marketing planning investigate these programs. Or you may want to use one yourself to offer insights and to speed up the basic formatting if you get a request to help out a client.

Keep in mind, however, that despite being excellent outliners and providing easy formatting, no program can substitute for personal, custom marketing plan

preparation and styling. This process is, and will remain for the foreseeable future, the norm for most sophisticated and larger firms.

CB



Marketing Plan Worksheet

Date: _____
Company: _____
Product: _____

Description

General: _____

User benefits (list): _____

Benefit-supporting features (list): _____

External Considerations

General assumptions: _____

Market characteristics: _____

Competitive products: _____

Objectives

General: _____

Specific: _____

Strategy

General: _____

Activities scheduled (list): _____

Costs & ROI

Activities: _____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

Overhead: _____ \$ _____
Total costs: _____ \$ _____

Anticipated sales: _____ \$ _____

Estimated return on investment: _____
 $\frac{\text{Sales}}{\text{Costs}}$ _____