

SELF-LEARNING MANAGEMENT SERIES

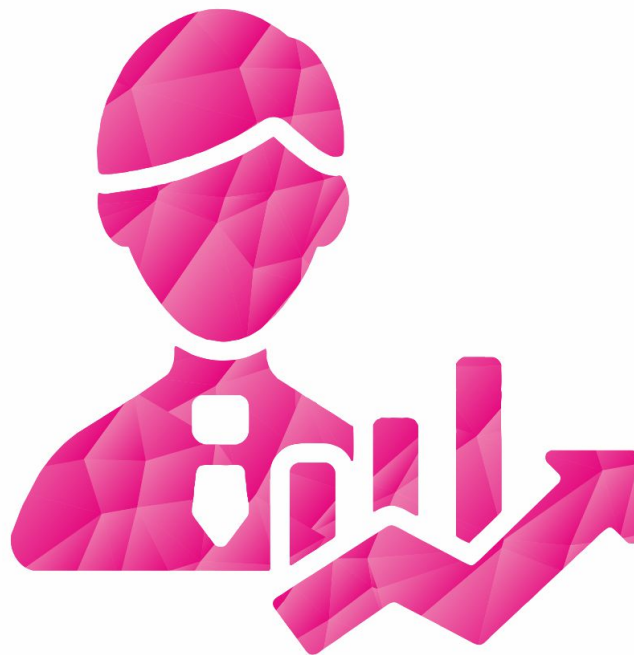


MARKETING MANAGEMENT ESSENTIALS

YOU ALWAYS WANTED TO KNOW

THIRD EDITION

A modern marketer's playbook to create value for an organization
and its customers



CALLIE DAUM
MICHELLE BARTONICO, PMP

Marketing Management Essentials You Always Wanted To Know

Self Learning Management

Vibrant Publishers et al.

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MARKETING MANAGEMENT ESSENTIALS YOU ALWAYS
WANTED TO KNOW

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Exciting New Resources

Thank you for an overwhelming response to *Marketing Management Essentials You Always Wanted To Know*. We are committed to publishing books that are content-rich, concise, and approachable, enabling more readers to read and make the fullest use of them.

We are excited to announce a major update for this book:

- The 3rd edition has been updated and includes three new chapters to provide a more holistic understanding of the subject matter. New additions include three chapters which primarily touch upon the topics of essential marketing skills, forming a well-rounded marketing budget, and market return on investment (mROI).
- The book also comes with online resources like downloadable templates (marketing budget) and a presentation for instructors, which summarizes the learnings of all the chapters.

Should you have any questions or suggestions, feel free to email us at reachus@vibrantpublishers.com

We hope this book provides you with the most enriching learning experience.

**THIS BOOK IS AVAILABLE IN E-BOOK, PAPERBACK(B/W) AND
HARDBACK(COLOR) FORMAT.**

Online Resources

Congratulations! You now have access to practical templates of the marketing management concepts that you will learn in this book. These downloadable templates will help you implement your learnings in the real world and give you an in-depth understanding of the concepts. The templates include:

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2. Marketing Budget Sample (For E-Commerce and Sales)
3. Marketing Skills Self-Assessment Sheet
4. How To Build A Budget (Guide)
5. Budget Plans (Questionnaire)
6. Marketing Metric Definitions
7. Marketing Management Competencies Self-Assessment Sheet

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Happy self-learning!

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Marketing Management Essentials You Always Wanted To Know

Third Edition

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About the Author



Callie Daum has worked in the healthcare industry for over 20 years gaining experience in managing teams, project management, strategic development and implementation, business marketing to increase revenues, and many more lessons learned on how to thrive in a business industry. As a seasoned Senior Project Manager and Leader, her goals include adding value, working efficiently and effectively, and sharing best practices to achieve overall success. Callie started her career as an Application Analyst at Computer Sciences Corporation, before moving on to project management and leadership at Cerner Corporation, Atrium Health, and Novant Health. Callie is a certified Project Management Professional, Professional Scrum Master, Certified Health Coach, and received a certificate in Master Level Six Sigma at Villanova University.

About the Co-Author



Michelle is an experienced, solution-driven marketer, strategist, and project manager with more than a decade of experience in higher education and in marketing agencies serving clients in a breadth of industry verticals from healthcare to manufacturing. She is a certified Project Management Professional (PMP), PROSCI Certified Change Practitioner, Six Sigma Yellow Belt, and has completed the Google Project Management Career Certificate program. Michelle also earned a Search Engine Optimization specialization from UC Davis Continuing and Professional Education.

Michelle has built and developed teams throughout her career, served in an executive leadership role, led enterprise-wide initiatives, and is the author of *Stakeholder Engagement Essentials You've Always Wanted To Know*. Michelle joined Trinity University (an institution with a \$1.7B endowment) in 2013 where she held several roles within the organization from marketing strategist to Assistant Vice President for Strategic Communications and Marketing to Senior Strategist and Project Manager. Achieving historic results, Michelle's team was a Top 3 finalist for the 2018 AMA Higher Education Marketing Team of the Year Award.

During her tenure at Trinity University, Michelle led the strategic marketing planning that resulted in six consecutive years of historic

first-year admissions numbers along with academic quality reaching all-time highs. In partnership with the Office of Development, marketing campaigns and strategic initiatives were created and implemented - resulting in historic 10-year highs for alumni giving and fundraising goals. Michelle was also a lead project manager and strategist to the executive leadership team that successfully petitioned for Carnegie reclassification - moving Trinity from Regional Liberal Arts to the National Liberal Arts category for U.S. News and World Report rankings. In 2023, Michelle successfully led the effort to create Trinity's first Enterprise Project Portfolio Management Office – Center of Excellence and continues to advise executive leadership in the areas of project management, strategy, and communications.

What experts say about this book!

Marketing Management Essentials You Always Wanted to Know serves as an excellent primer for future marketing managers hoping to break into the field and become assets to their organizations. The book offers timely, relevant information necessary to have a fundamental understanding of marketing management. It also serves as a concise and effective refresher for current marketing managers who could benefit from re-learning the fundamentals or implementing new approaches and philosophies to their marketing work. Not only does this text cover a multitude of concepts critical to the health and success of a marketing team, it also offers helpful tips and guidance for career success on an individual level.

– **Diana Amaya, Division Marketing Content Creator,**
Alamo Colleges

Marketing Management Essentials You Always Wanted to Know is a must-read for anyone wanting to master the art and science of marketing. The authors cover a wide range of marketing-related topics with clarity and depth and use case studies and real-world examples to help readers understand and apply the concepts presented. Whether you're a seasoned marketer looking to refresh your knowledge or a newcomer to the field, this book offers valuable insights and practical strategies to excel in today's competitive market. One of the authors, Michelle Bartonico, has extensive marketing and project management experience. Her insights into successful strategic marketing planning and stakeholder engagement set this guide apart from other "how-to"

guides on the market and ensure marketing success in organizations of all sizes.

**– Jennifer Dempsey, Technical Product Marketing Manager,
Appfire**

This is a great resource to have under your belt, especially for new and rising marketing managers. It truly covers the essentials any marketing professional needs and would want to know.

**– Tara Salazar, Communications Specialist,
Caterpillar, Inc.**

Daum and Bartonico have written an invaluable resource for managers, offering straightforward and pragmatic insights suitable for all expertise levels. Their work transcends industry boundaries, ensuring that individuals in any field can adeptly apply effective marketing management strategies within their department, division, or organization. This book expertly demystifies marketing complexities for professionals of all backgrounds in a practical and accessible way.

**– Katie Ramirez, M.S., Director for the Center for Experiential Learning
and Career Success
Trinity University**

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Chapter Summary

Preface

In our careers, we've seen marketing skills evolve through the years - from new takes on "old" skills to specializations that previously didn't exist. This third edition was written with the goal to package the latest best practices with foundational principles and terminology to help marketing managers add value to their organization and thrive in their careers.

This reading consists of core elements of marketing management that will support day-to-day activities from budgeting and planning to demonstrating return-on-marketing investment. New marketing managers may also be faced with challenges such as conducting an external audit, forecasting demand, developing a plan to gain new customers, and ensuring other departments are playing their part in providing customer value. These topics are included in this reading along with the resources marketing managers and professionals will need to understand and function in their role within any organization. Using real-life experiences and detailed study, this handbook will give you the tools to get started, and thrive, in your marketing management role.

After reading *Marketing Management Essentials You Always Wanted To Know*, you'll have working knowledge of everything you need to know to springboard your career as a marketing professional.

Introduction to the book

We are all affected by marketing every day. We can see it, touch it, and feel it. But, what we don't see is the precision, creativity, and strategy behind the marketing. What we experience on a daily basis is a result of efforts by marketing professionals. As you will learn in *Marketing Management Essentials*, an effective marketing manager demonstrates a blend of analytical, creative, and strategic thinking skills.

It takes more than simply studying or reading about marketing. To be successful and add value to your organization, you need a combination of practice, examples of case studies, and real-world experience. With this in mind, *Marketing Management Essentials* is intentionally crafted to cover essential concepts and terminology while providing activities, quizzes, and exercises that allow you to practice and apply what you learn.

In industries around the world, marketing principles and skills are a means to achieve business goals. *Marketing Management Essentials* will give you the foundational knowledge – from budgeting techniques to marketing strategic planning to an introduction of career specialization areas – that will help ensure you are equipped for success as a marketing professional.

Key learning objectives also include:

- how to build a marketing plan,
- an understanding of the various marketing specialization areas,
- approaches and resources to demonstrate marketing return on investment,

- and how to self-evaluate your skills and competencies

After reading *Marketing Management Essentials You Always Wanted To Know*, you'll have working knowledge of everything you need to know to springboard your career as a marketing professional.

How to use this book?

This book was written using real-life experiences and detailed study, that will equip marketing managers with the tools to get started, and thrive, in their role within any organization. This second edition articulates the latest skills and challenges that marketing managers face.

1. Engage with each of the practice activities and discussions.
2. Refer back to this handbook for budget templates, use cases, and foundational terminology
3. Read the chapters in order. However, these chapters are able to stand alone if you are interested in diving into specific topics.
4. Approach the book knowing that you will need to take the information and apply the information in a way that works best for your organizational goals and point in your career.

Who can benefit from this book?

In industries around the world, marketing principles and skills are a means to achieve business goals. *Marketing Management Essentials You Always Wanted To Know* will give you the foundational knowledge to ensure you are equipped for success as a marketing professional and are able to create a revenue-generating department for your organization.

People who will benefit from this book include:

1. Students who are seeking a well-rounded introduction to marketing management.
2. Professionals — primarily entry-level or new to the marketing management role — who are looking to learn essential principles, terminology, and techniques to apply in the workplace..
3. Any employee who collaborates with a marketing manager or marketing department to help ensure they “speak the same language” when working on projects or campaigns.

Chapter 1

Introduction to Marketing Management

Marketing is a function of an organization that provides the framework for developing, connecting, and providing value to consumers.

In this chapter, you will learn about the processes that enable successful marketing - fulfilling those wants, needs, and desires from the consumer, both present and anticipated in future.

You will also explore the various ways marketing contributes to an organization - keeping companies afloat in a struggling economy, building awareness and brand loyalty, and increasing demand for products and services. Let's get started.

Key learning objectives should include the reader's understanding of the following:

- The group of processes or procedures for developing, connecting, and providing value to consumers
- How marketing is an organizational function
- What the stages and types of marketing are

Marketing affects everyone, every day. We all engage in marketing on a daily basis, so it is important that we understand what marketing is. A **market** can be defined by Philip Kotler as, "...all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. "**Marketing** is a function of an organization. It is a group of processes or procedures for developing, connecting, and providing value to consumers. It is also for dealing with customer relations in ways that profit the organization and its stakeholders. Marketing is achieved by social and managerial processes. These processes consist of consumers and groups of consumers acquiring their needs and wants by developing and swapping products and values with one another. With the cutthroat competitive conditions and the advancement of production, distribution, stocking and pricing as well as digitalization, marketing has become managing relationships with customers, distributors, facilitators (banks, advertising, and PR people,) partners, and the public at large. Marketing seeks to fulfill the wants, needs, and desires of the consumer both present and anticipated in the future.

Marketing is important because in the 21st century, with the struggling economy, organizations use marketing to help keep their companies afloat. Marketing helps to tackle the challenges faced in a failing environment. In a broader sense, marketing has brought awareness of products and services to the public that have made their lives better. When marketing is successful, demand increases for an organization's products and services. It also helps to establish a brand in the public eye and build brand loyalty. Indirectly, successful marketing creates jobs for individuals because demand is

increased and more assistance to produce and distribute the products and services is needed. In its simplest form, marketing puts products and services in the hands of its targeted consumers.

Marketing is an organizational function covering almost all areas of business. The following list shows the many functions in an organization that can be categorized as a marketing function.

- Customer Relationship Management (CRM)
- Display
- Stockholding
- Servicing
- Risk Taking
- Transporting
- Market Research
- Merchandising
- Publicity
- Pricing
- Forecasting
- Buying
- Financing
- Selling
- Public Relations
- Advertising
- Sales Promotion

Marketing is a management function. Management must ensure that the operations of the organization are running smoothly to ensure that the customer's needs are met effectively and efficiently. Manager conduct analysis, plan, allocate resources, control current processes, and work to anticipate customer needs in an effort to ensure customers are satisfied. Additionally, it tries to anticipate the needs and wants of customers/ consumers in the future by evaluating social, economic, cultural, political, and technological developments.

Marketing is a business concept (illustrated in Figure 1.1). Here is where the exchange process that is associated with obtaining goods and services comes into play. This is where supply and demand come in. If I have the supply and you have a demand for the product, we can negotiate a deal.

It is considered an exchange when:

- Two groups or more are involved
- Both groups have something of value that the other group desires
- Both groups effectively communicate and deliver
- Both groups have the option to turn down each other's offers
- Both groups want to negotiate with the other party

Figure 1.1 Core marketing concepts



Marketing is a business philosophy. It sees the importance of the customer and that all business exists to serve customers rather than manufacturing products. Marketing takes the customer as the core of its activities.

In the remainder of this reading we will explore these concepts and dive deeper into marketing and marketing management, so we can better understand its inner workings.

1.1 Stages of Marketing

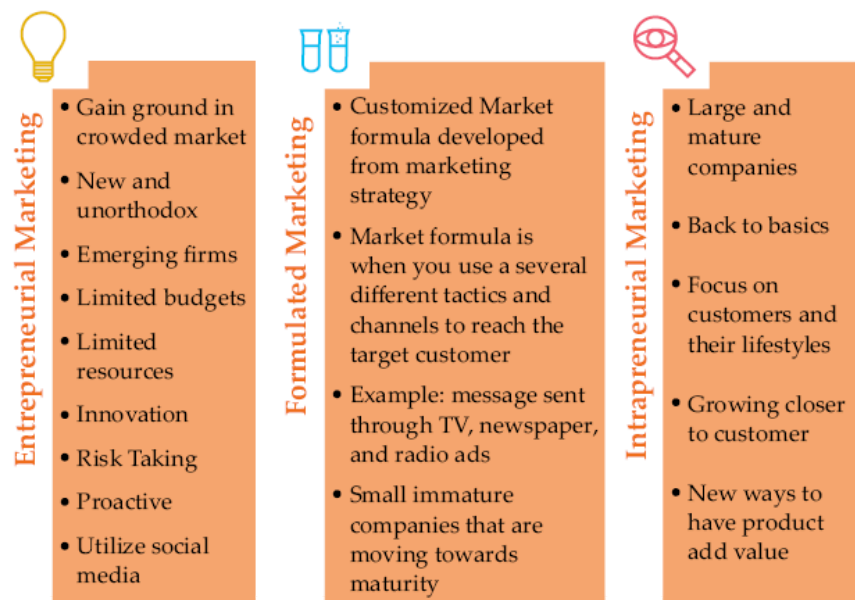
Not all marketing is greatly expensive, involving extensive research from a reputable firm and spending inordinate amounts of money on advertising and keeping up large marketing departments. Some organizations work with what they have. They stretch their current resources, maintain close relationships with customers, and use information gathered to meet the customer's needs. These

organizations focus on building their brand and customer loyalty and less on advertising and PR.

Not all marketing is the same. There are three phases of marketing, shown in Figure 1.2, that can occur.

Examine the illustration below that describes the phases and their definitions.

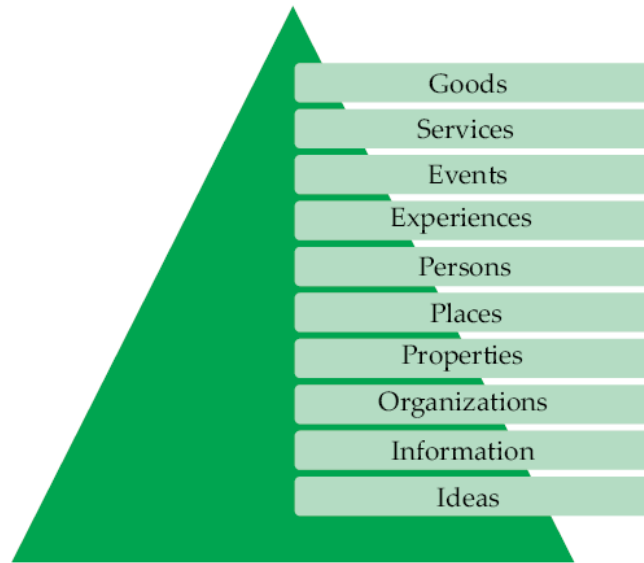
Figure 1.2 Three phases of marketing



1.2 Marketing Capacity

In the following section, let's answer the questions of who, what, when, where, and why in relation to marketing. First, what is marketed?

Figure 1.3 Examples of what is marketed



Goods are the most commonly marketed item, as shown in Figure 1.3. They are physical in nature. Examples of goods would be cars, food, clothing, and furniture. Next are services that carry a 70-30 service-to-goods ratio. Examples of services would be airlines, banking, and doctors. Sometimes you see a mix of goods and services such as in construction. Events can also be marketed or promoted. Examples of events would be concerts, sports events, and performances. Experience is another item that is commonly marketed. Experiences include the coordination of several activities to provide a specific type of experience. A great example of this is Disneyworld; they orchestrate a lot of elements to provide a magical experience. It is strange to say that marketing helps to sell people. It is, however, true if you think about it in the context of an image of a person or a brand. For example, high-profile plastic surgeons sell themselves through marketing to lure in new clients. A more recent marketing effort has gone into marketing places. Doing this is promoting tourism in a specific city or state. For example, there are several commercials on TV advertising California and all it has to

offer. Property marketing really falls within the realm of real estate. In order to sell a house or commercial property, an agent advertises the property on local websites or papers. Organizations often advertise for themselves to help build their brand. For example, Patagonia advertises its social consciousness and volunteer efforts to help really show its brand to the public. Information is also marketed. For example, advertisements you see for colleges and universities sell the education and information you would get from that college or university. Finally, ideas are marketed. For example, two famous ones are “Just Say No” and “No Means No”.

1.3 Marketing Management

Marketing management is the discipline of selecting goal markets and attaining, possessing, and increasing customers through generating, distributing, and communicating higher customer value.

The description above is extensive and requires resources in order to properly market each of them. A marketer is responsible for developing this marketing. They are essentially looking for some sort of response from the consumer, also referred to as a prospect. If both the marketer and the prospect are wanting to sell one another something, they can both be termed as marketers.

1.3.1 Demand Management

A marketer’s largest responsibility is to create demand for the item they are marketing. Essentially, marketers are demand orchestrators or demand managers. They control demand, timing, and logistics.

Demand managers can create demand, diminish demand, and increase or decrease demand. When they are managing this demand, they must be cognizant of the different states of demand. See the list in Figure 1.4 to understand these different states.

Demand management includes customer management. Organizations need to determine if they want to create new customers or maintain repeat customers, or both. Creating a group of new customers is a costly endeavor and hard to come by due to the ever-changing environment, economy, and competition. Due to these challenges, you will find more organizations shifting their focus to retaining their loyal customers.

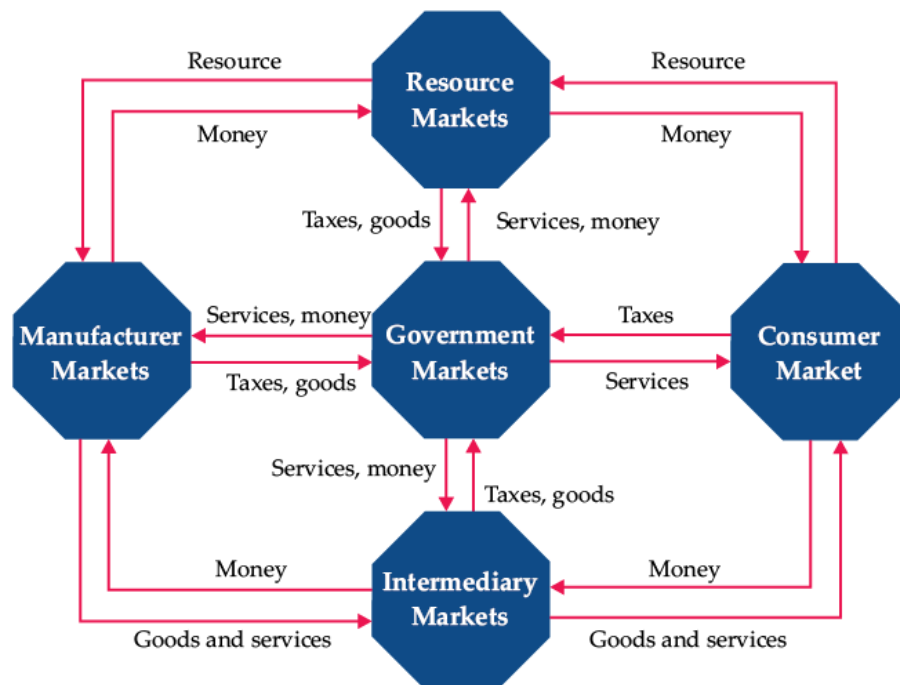
Figure 1.4 States of demand



If we are looking at marketing from a high level, and the industries that make up the economy as a whole, there are five different markets where demand occurs. These markets can really be thought of as different groupings of consumers. The exchange of goods, services, and information occurs between all of these markets.

Look at the diagram in Figure 1.5 to see the relationships that occur during this exchange process.

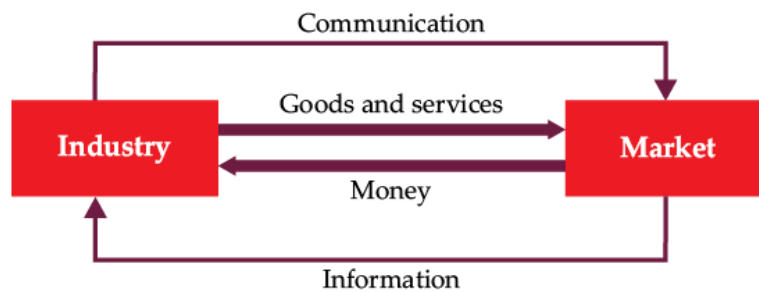
Figure 1.5 Exchange process



This picture demonstrates how goods and services flow through the different markets and how government is at the center of it all. Money flows through all markets while taxes come into the government from all the markets. The government provides services to the consumer with the taxes that the consumers pay. The government gives services and money to all of the markets in exchange for their taxes and goods. Goods and services flow between manufacturers, intermediaries, and consumer markets. Resources come from the consumer market into the resource market and are put back into the manufacturer market. This is a rather complicated big picture.

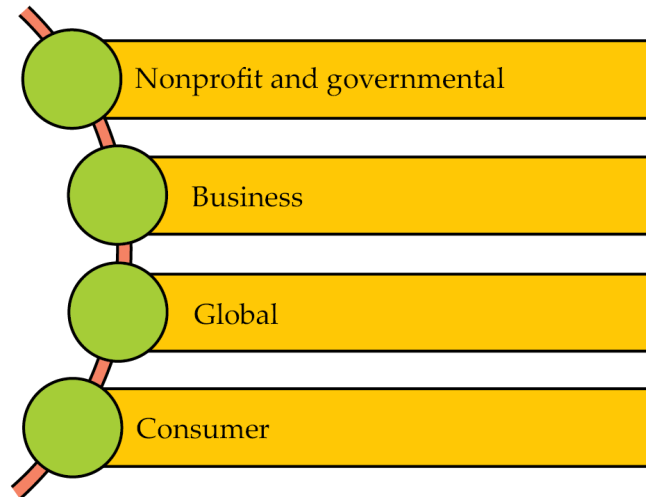
Let's take a look at how a simple exchange process works in Figure 1.6.

Figure 1.6 Simple exchange process



There are different types of markets these exchanges can happen in, reflected in Figure 1.7. First, the consumer market is what everyone participates in to meet their daily needs. This market consists of organizations that create and distribute consumer goods and services such as groceries and clothing. Next, there is a business market where organizations employ skilled negotiators to purchase goods and services for their organizations. They also determine their competitive advantage and find different ways to demonstrate their product's value. In the global marketplace, organizations that participate have to make a lot of decisions to ensure that they are entering the right market at the right time. They must ensure that they understand the culture and the needs of each of the different countries to determine which is right to enter. Organizations participating in the nonprofit and governmental markets are selling to customers who have limited resources for purchases such as churches, public schools, and charities. In the government market, sellers typically place bids to become the exclusive provider.

Figure 1.7 Types of markets where exchange happens



As we continue on in the reading, it is important to understand the meaning of a few terms. **Marketplaces** are physical places or brick-and-mortar locations. **Marketspaces** are a digital footprint. **Metamarkets** are products that are complementary to each other, but they are spread across markets. **Metamediaries** are vehicles of navigation for consumers through metamarkets.

1.3.2 Philosophies

When we are in the middle of marketing management, we are completing specific activities with the goal of driving desired effects and exchanges with our target customers. The driving factor behind those marketing activities is called a philosophy. In Figure 1.8, we begin to look at several of these philosophies including production, product, selling, marketing, and societal marketing.

Figure 1.8 Philosophies

Production	Product	Selling	Marketing	Societal marketing
• Available products that are very affordable • Improve production • Increase distribution efficiency • One of the oldest	• Most quality, performance and features • Use energy and resources to make improvements to goods and services	• Increased selling efforts • Use energy and resources for sales campaign	• Understand the desires and needs of the target market • Deliver better than competitors in both efficiency and effectiveness	• Understand the desires and needs of the target market • Deliver better than competitors in both efficiency and effectiveness • Maintain or improve consumer and society well being

In the **production** concept, companies try to satisfy the demand in the market with new products, because there is a big demand in the market that is not satisfied with the current products. In the early years of industrialization, all efforts were directed toward production. Customers were not demanding high-quality stuff but basic goods to satisfy their basic needs. Henry Ford, the founder of the US company Ford, introduced a car into the US market called T-Model. He said, “You can choose any color you want as long as it is black.” On the other side General Motors produced colorful cars thus giving the customers a choice. Since then Ford was not able to close the gap in sales with GM cars.

In the **product** concept, the idea is that consumers look for products that offer high-quality performance and features. Therefore, continually improving upon the current version of the product is critical to success. This concept is based on the idea that if I build a bigger and better bug swatter, consumers will come

running to buy it. This is not necessarily always true, the consumer may be looking for better and more innovative ways to get rid of bugs such as sprays, candles, etc. Don't fall into the trap that bigger and better equals success. Also, this concept is related to marketing myopia. Marketing myopia is where a company focuses on its needs rather than the needs and desires of the customer.

In the **selling** concept, the philosophy is that you will never sell enough of a product unless you undergo a big selling effort. Consumers may not be willing voluntarily to buy a product, or perhaps they are not in need of that product. So they need to be encouraged and convinced to buy the products. Companies need to hire salesmen who can explain the special attributes of the products to the buyers. Typically, this philosophy is associated with goods that consumers don't necessarily think of buying. This is also associated with not-for-profit organizations. You don't typically think of "buying" a mayor, so lots of marketing happens to keep specific candidates at the forefront of your mind.

Another instance where this may be used is when an organization has produced too much of a specific good, so they are looking to sell their inventory regardless of what the market is asking for. There is a high risk involved with this marketing because it assumes that all you have to do is tell the consumer how much they need the product and they'll buy it. They may buy the product and not like it, but the assumption is they will forget they didn't like it and buy it again later. These assumptions are not necessarily grounded in factual data. In fact, research suggests that if a consumer does not like a product, they will not buy it again and they will tell their friends not

to buy it either.

However, after a certain period of the sales era, companies faced a dilemma because the customers did not want to buy products that are produced without consultation with them. They wanted to be consulted about their needs and wants. This is called the **marketing** concept. With the marketing concept, the organization needs to determine the needs, wants, and desires of the target market and they must deliver effectively and efficiently. They must deliver better than their competitors. In order for this to work, everyone in the organization must be on board – from top down to bottom up. Everyone must be invested in retaining customers. For this reason, organizations spend a lot of time investing their time on how to motivate and inspire all of their team members to provide excellent customer service. Organizations must hone in on the customers' needs and competitors' strategies. To be successful, organizations must go so far as to break down their customer population and determine each individual group's desires, so they can meet their satisfaction requirements. In some cases, customers themselves do not know what they want, so customer-driving marketing comes into play. This is where the organization learns so much about the customer that they end up knowing more about what the customer wants than the customer does. With this concept, it is important for organizations not to get caught up with meeting customer satisfaction that they forget that it should not be met at the expense of profitability.

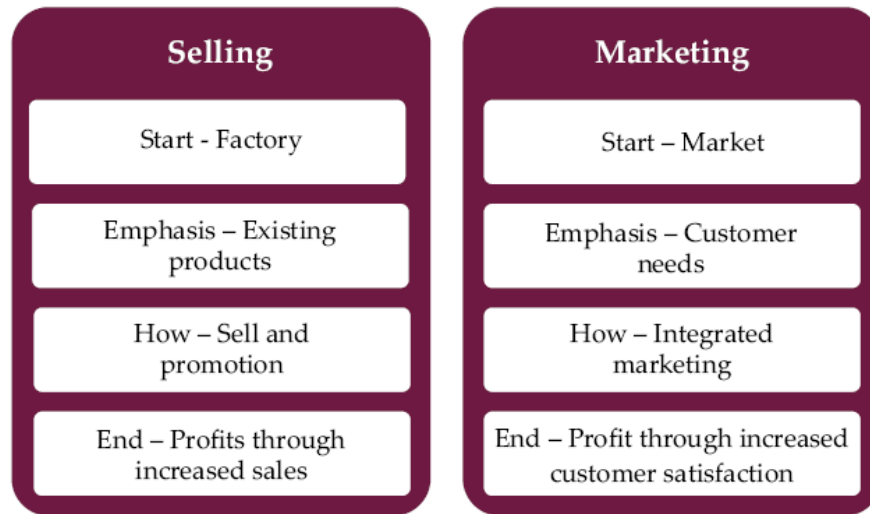
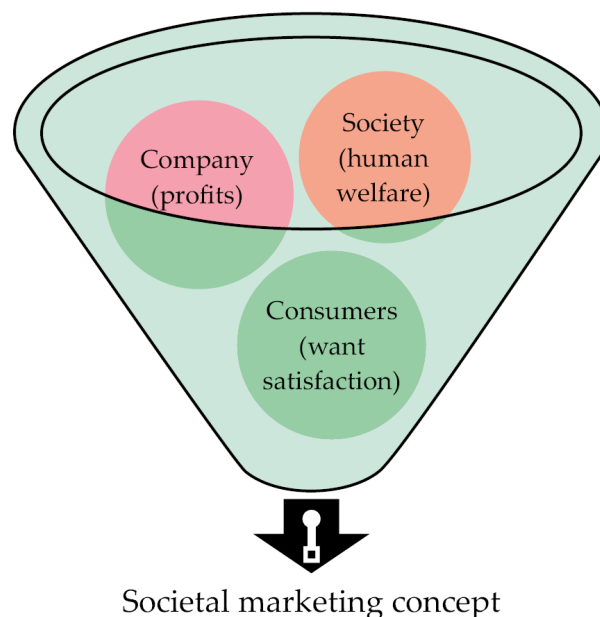


Figure 1.9 shows a side-by-side between the Selling and Marketing concepts. All these philosophies reflect the historical developments in any economy, as the economic progression competition becomes more and more stiff. New companies enter the market with similar or new products, thus forcing the old ones to change the way they compete. The only solution is to go to the customer to understand what type of needs, wants, and desires they have before they start to produce.

As time goes by, companies will feel the pinch of social reactions in terms of their contribution to air, sea, river, and lake pollution. People start accusing the companies of how they negatively impact nature. This brings to marketing a new dimension: social responsibility. We call this philosophy societal marketing. **Societal marketing** is similar to the marketing concept in that they both believe that the organization should have a clear understanding of the customer's wants, needs, desires, and interests. Societal is different in that it adds an extra layer where we not only want to do it better than our competitors, but we want to make sure that we are

doing it in a way that sustains and/or improves both the consumer's and society's welfare. This philosophy is the newest emerging philosophy today. It really looks at the question: Does the strict marketing concept take into account the environment of today? For example, is using coal as an energy source socially responsible and healthy for the consumer? Are genetically modified products socially responsible and healthy for the consumer? Societal marketing suggests that pure marketing does not address these questions adequately. Applying this concept forces organizations to look at meeting all of society's expectations, as shown in Figure 1.10.

Figure 1.10 Societal marketing concept



1.3.3 Market Types

In order to satisfy customers, organizations must have an understanding of the market they are competing in. Understanding

the market allows organizations to analyze and understand customer needs and wants.

Customer

The customer market refers to customers who buy goods and services for their own use and not for resale. Customer markets are complex because each customer has different likes and dislikes, wants, and needs. Buying habits can differ from customer to customer. There are characteristics that are typically used to distinguish customers from one another, as shown in Figure 1.11.

Figure 1.11 Customer characteristics

Demographic	Psychographic	Behavioralistic	Geographic
• Gender • Age • Ethnicity • Income • Occupation • Education • Household size • Religion • Generation • Nationality • Social Class	• Interests • Activities • Opinions • Values • Attitudes	• Product usage rates • Brand loyalty • User status • How long have you been a customer? • What benefits is the customer seeking?	• Market size • Region • Population density • Climate

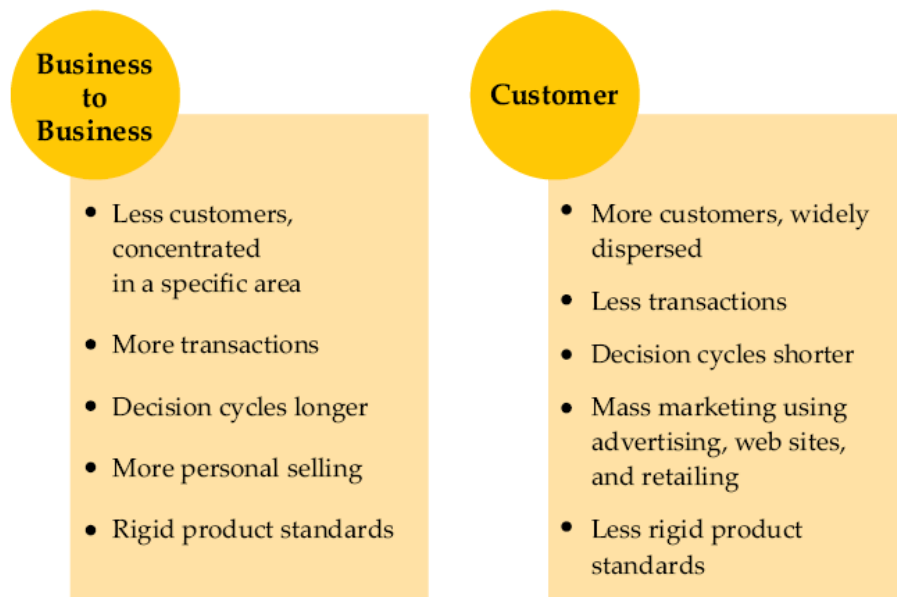
Typically, organizations that are participating in consumer markets spend a lot of time studying consumer behavior. Although we are very interested in what makes a consumer desire and ultimately purchase an item, we should not stop investigating there. It is important that organizations also understand what satisfies and dissatisfies customers.

Business to Business (B2B)

The bulk of marketing and sales are from business-to-business markets. There are more business-to-business markets because there are several stages that a product goes through starting from the raw material to its end product. Take a textbook for example. First, logs are sold to a business to make the paper. The paper producer sells their paper to a printer. The printer sells its printing services to a publisher. The publisher sells the textbook to a wholesaler. The wholesaler sells the textbook to retail outlets.

How do business-to-business markets and customer markets differ? Take a look at Figure 1.12 to answer that question.

Figure 1.12 Side-by-side of B2B and Customer markets



Quiz

1. In this chapter, a “market” is defined by _____.
 - a. Kotter
 - b. Kotler
 - c. Bartonico
 - d. Daum

2. Which of the following is an example of a business area that can be categorized as a marketing function?
 - a. Customer Relationship Management (CRM)
 - b. Merchandising
 - c. Market Research
 - d. All of the above

3. Marketing is an organizational function that covers how many areas of the business?
 - a. Two
 - b. Four
 - c. Almost all
 - d. Almost none

4. Putting products and services in the hands of a company’s targeted consumers is referred to as _____?

- a. customer relations
- b. project management
- c. markets analysis
- d. marketing

5. Organizations used marketing to help keep their companies afloat.

- a. True
- b. False

6. Marketing is achieved by _____ and _____ processes.

- a. monitoring, controlling
- b. monitoring, understanding
- c. social and managerial
- d. controlling and monitoring

7. Marketing is a _____ of an organization.

- a. responsibility
- b. function
- c. obligation
- d. both a and b

8. Which of the following is NOT an area of an organization that can be categorized as a marketing function?

- a. buying

- b. merchandising
- c. pricing
- d. none of the above

9. Marketing is a _____ concept.

- a. social
- b. political
- c. business
- d. sales

10. Which of the following is NOT considered an exchange?

- a. two groups or more are involved
- b. one group has something of value
- c. both groups have the option to turn down each other's offers
- d. both groups effectively communicate and deliver

Answers	1 – b	2 – d	3 – c	4 – d	5 – a
	6 – c	7 – b	8 – d	9 – c	10 – b

Chapter Summary

- Market is explained as a group of potential consumers who have a particular need or want in common that are looking for ways to satisfy that need or want through an exchange.
- Marketing is defined by the author as a group of processes or procedures for developing, connecting, and providing value to consumers. The main goal of marketing is to fulfill potential consumers' wants, needs, and desires.
- Marketing is a critical function completed by an organization to bring greater awareness of the products and services they offer to entice the customers to purchase them to meet their wants and needs.
- Functions of marketing include Customer Relationship Management (CRM), Display, Stockholding, Servicing Risk Taking, Transporting, Market Research, Merchandising, Publicity, Pricing, Forecasting, Buying, Financing, Selling, Public Relations, and Sales Promotion.
- Stages Of Marketing are Entrepreneurial

Marketing, Formulated Marketing, and Intrapreneurial Marketing.

- Marketing Capacity: What is marketed? Goods, Services, Events, Experiences, Persons, Places, Properties, Organizations, Information, and Ideas.
- Marketing Management is the discipline of selecting goal markets and attaining, possessing, and increasing customers through generating, distributing, and communicating higher customer value.
- A marketer's largest responsibility is demand management. Demand Management includes customer management.
- Types of Markets include Consumer markets, Manufacturer markets, Business Markets, Intermediary Markets, and Government Markets.
- Production Concept: The idea is that consumers will go for products that are available and affordable.
- Product Concept: The idea is that consumers look for high performance, quality, and features.
- Selling Concept: The idea is that you will never sell enough of a product unless you go for a full-on selling effort.

- Marketing Concept: The idea is to determine the needs, wants demands of the target market and they must deliver effectively and efficiently.
- Societal Concept: Same as marketing concept but done in a sustainable way that is beneficial to the consumer's and society's welfare.
- Market Types include Business to Consumer & Business to Business. Customer Segregation is done on the basis of these parameters:
Demographic, Psychographic, Behavioristic, and Geographical.

Chapter 2

Strategic Planning and Marketing

Imagine you are preparing for a road trip with friends. One of the first questions you ask is, “where are we going?” Strategic planning is no different. Organizations, like people, need a roadmap.

Let’s set the stage for this chapter by defining the three types of strategic plans that require much research and development to ensure these “roadmaps” are effective and actionable. These are:

- **Annual Plan** - Short term plan describing current state including objectives, strategies, and budgets for the year ahead
- **Long-Range Plan** - Overall long-term plan detailing the reasons and factors that the annual plans are structured as they are. This includes forecast for next several years, long term objectives, and main marketing strategies
- **Strategic Plan** - Overall strategy of how an organization will use its competitive advantages to maintain or attain a successful position in the market. This includes how it fits with overall goals and objectives and the ever-changing environment in the market. In this chapter, you’ll dive into how strategic planning and marketing are intertwined. The formation of cogent marketing plans can be your organization’s North Star, helping employees see where they are headed.

Key learning objectives should include the reader’s understanding of the following:

- The types of strategic plans and the planning process

- How to find and leverage your organization's competitive advantage
- How to apply value chain analysis to your strategic planning
- What a marketing plan is and what it includes

2.1 The Process of Planning

When you are working with either the marketing concept or the societal marketing concept, you have to be able to figure out what needs, wants, and desires your customer has that are unfulfilled. In order to fulfill this, a series of steps in Figure 2.1, should be followed called the marketing process.

Figure 2.1 Planning process steps



2.2 The Strategic Plan

Next, the organization focuses on a statement of its strategy. This statement includes the following elements: strategic intent, mission, vision, and objectives. An organization's strategy statement shapes the organization's long-term strategic path and overall policy directions. With this statement, the organization can outline its map for long-term activities.

Strategic intent is part of the strategy statement. This is the reason that the organization is in place today and why it will continue to function in years to

come. The strategic intent gives the big picture about an organization that motivates and inspires employees.

2.2.1 Mission

Another piece of the strategy statement is the mission statement. The mission statement is formulated to detail how the organization expects to serve its stakeholders. It gives the “why”, “what” and “who” behind an organization. Why is this organization in existence? What does it do or produce? Who does it serve? Mission statements are created to set apart one organization from another. For example, you could say that Walmart and Target are similar stores and therefore have similar answers to the questions above. However, the heart behind what they do and why they do it are completely different. A good mission statement is achievable, clearly stated, motivating, precise, original, investigative, and credible.

In order to create an adequate mission statement, we must be able to answer the following questions shown in Figure 2.2.

Figure 2.2 Questions to create a mission statement



First ask, “What business are we in?” Define this in terms of basic market needs and not of product or technology. That way, you are setting up a statement that will withstand the ever-changing technological environment. When you are creating a market-oriented business statement, you describe what conditions need to exist in your business to meet the customer’s basic needs.

Next, who is our customer? When defining this question, you can come to several different levels of answers. For example, if we consider an aero-engine company such as Rolls Royce, at one level, we are looking at the airframers. These are the people who launch new aircraft with the Rolls Royce aero-engine. But, who is likely to actually buy the engine? Is it airlines or leasing companies? Who will put pressure on those purchasing to utilize what the aero-engine offers? Pilots, crew, or passengers?

One of the more difficult questions to answer is, “Why are we in business?” This is really difficult for nonprofit organizations to answer, such as charities, schools, hospitals, etc. Are they there to educate, train, support, or make people healthy? Is the pursuit of knowledge the overarching reason? Really getting down to this answer will definitely drive how you strategize for your organization.

A more strategic directing question is, “What sort of business are we?” Companies may answer this question with things like cost leadership, differentiator, or focused differentiator.

Vision helps to guide the mission, so it is a critical component. This statement is different from the mission statement in that it focuses on where the organization plans to be in the future. Essentially, the vision statement is what the organization wants to be when it grows up. The mission statement goes hand in hand. The vision statement describes what the organization will be like if it is successful in achieving its mission. A good vision statement is explicit, clear, in line with the organization’s cultures and values, realistic, and less lengthy than the mission statement so it can be memorized.

2.2.2 Strategic Objectives

The final component of the strategic statement includes the objectives and goals. A goal is something that an organization is trying to achieve. An objective is a goal we wish to reach over a specified period of time. Goals and objectives break down the mission and vision into more digestible elements. Goals are what we want to reach in order to achieve our mission and vision. Ideals, goals, and objectives should be exact and measurable, realistic, have defined time frames, address significant issues, and include both financial and non-financial components. Objectives help us to plan how we will meet our goals. Organizations typically have several objectives that can be long-term or short-term. Objectives are more agile and can change the environment. Finally, objectives are realistic and operational.

2.2.3. Strategic Audit

The strategic audit includes the internal audit and the external audit. In the external audit, we are looking at the macro environment of a company. The internal audit analyzes all areas of the company and focuses on the value chain as described in Michael Porter's many writings. The sections below seek to detail these two functions to provide you a better understanding.

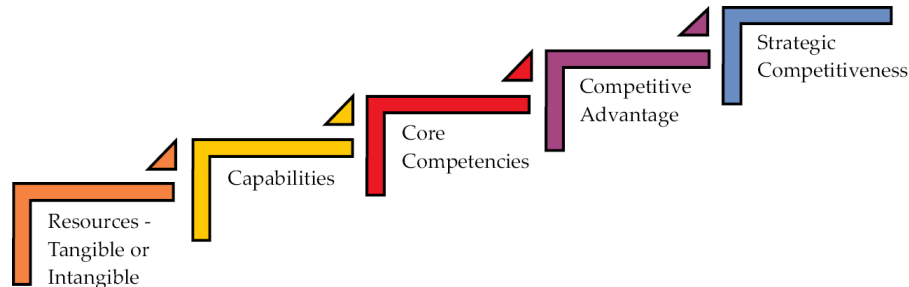
Internal Audit

Internal audit of the organizational environment allows you to determine the organization's strengths and weaknesses. By understanding the resources and abilities of your organization, you can identify and capitalize on competitive advantages.

By exploiting the strengths and minimizing exposure of the weaknesses, an organization gains an edge over the competition. The organization has found a way to create value for its consumers. Value is what the consumer is willing to pay for in terms of performance characteristics and attributes. Value is the key to above-average returns for an organization. Figure 2.3 is an illustration of how resources, capabilities, core competencies, competitive advantage, and

strategic competitiveness are interrelated.

Figure 2.3 Relationship between organization aspects



Internal audit is very challenging for managers because the decisions that have to be made are not routine decisions, must be examined ethically, and affect the organization's profitability potential. Before strategic decisions can be made, managers must know what the organization's core competencies are. At the least, the manager should understand the core competencies that are related to going into or leaving new industries, financing new technologies, adding additional manufacturing capacity, and forming strategic relationships.

The challenge in making strategic decisions is that there is a high risk that the company's plans may fail due to interpretation errors. The upside to this is that bad decisions can be corrected if you act quickly and gather the appropriate information to implement the right corrective action. Making these mistakes, can in a sense, be a competitive advantage itself because organizations learn what not to do.

It is helpful to identify the more challenging strategic decisions that need to be made before implementing a plan. Doing this allows the organization to be very deliberate in data gathering and information interpretation before developing a strategic plan.

Typically, the more challenging strategic decisions have a level of:

- **Uncertainty;** unsure of the quality of the general and/or industry environments, how competitors may act, and what the consumer prefers

- **Complexity** causes shaping of the environment and its viewpoint; both are complexly interrelated
- **Interorganizational conflicts**; managers making the decisions and those affected by these decisions happen to not be in agreement

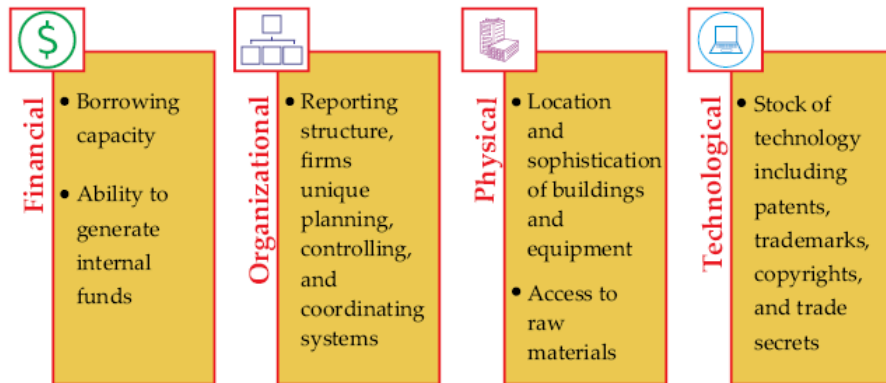
Decision makers make strategic decisions through learning. They determine if the probability of a certain mistake happening is worth the impact. When a mistake is acknowledged, it is adjusted rapidly, and the identification of new possibilities and capabilities occurs. Good judgment goes hand in hand with good outcomes in strategic planning. Decision makers may choose to take an educated risk based on the gathered information in the decision itself: possible outcomes, possible risks, and possible impacts. When good judgment is used, strategic competitiveness is accomplished.

Resources

Resources are one of the key components of competitive advantage. When we bundle resources, we can create a competitive advantage. Resources alone do not generate a competitive advantage. At the center of an organization's abilities are resources and they are widespread in scope. This scope can include individual, social, and organizational resources. Resources contribute to an organization's production process with two types of resources: tangible and intangible.

Tangible resources can be processed by any of the five senses. Examples of tangible resources can be people, money, or computer hardware. The types of tangible resources you find in an organization are financial, organizational, physical, and technological, shown in Figure 2.4.

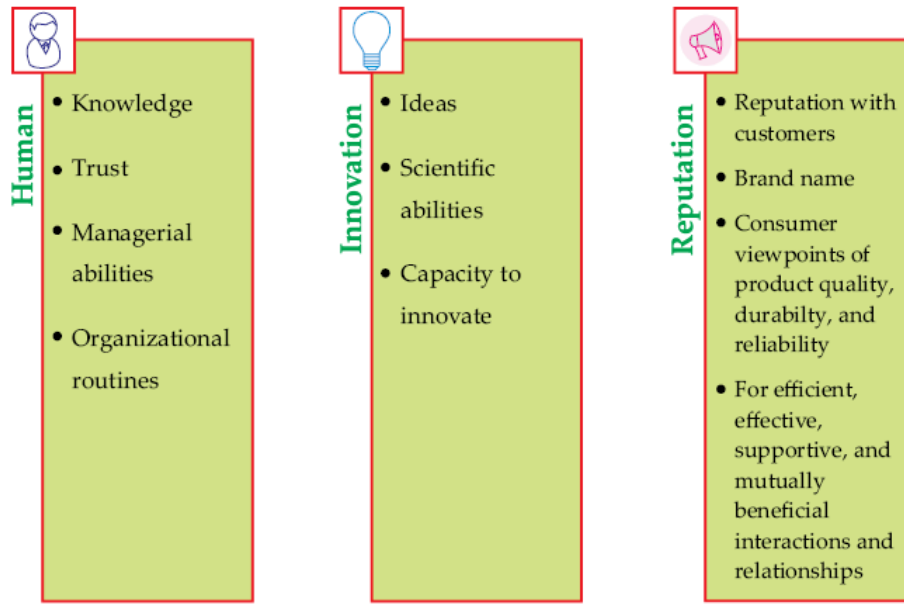
Figure 2.4 Types of tangible resources in an organization



There are some constraints to tangible resources. When considering that financial resources can be identified from financial statements, we have to remember that the value of all of the organization's assets is not necessarily reflected in a financial statement. The statement does not take into consideration the intangible resources. Another constraint is that it is challenging to leverage these resources because developing additional business or value from a tangible resource is difficult. For example, you can utilize one team in five different places at the same time. It is also important to remember that some of the processes utilized with tangible assets are intangible. Therefore, it is important to look at resources from both a tangible and intangible viewpoint to ensure you have captured all of your resources.

Intangible resources are typically accumulated over time and are a part of the organization's history. These resources cannot be seen or touched. Examples of intangible resources are knowledge, capabilities of management, trust between leadership and employees, and reputation. There are three types of intangible resources: human, innovation, and reputation, shown in Figure 2.5.

Figure 2.5 Types of intangible resources



Organizations depend on intangible resources as core competencies because they are not easily discernable and more difficult to replicate or substitute for. The more “invisible” a resource is, the better the competitive edge based on it. Intangible resources can be leveraged, unlike tangible resources. Take knowledge for example. People can share knowledge without reducing the value of the resource and in fact, could make the resource even more valuable. Reputation is also an excellent intangible resource. Reputation indicates the level of brand awareness an organization has been able to build amongst its consumers and how highly the consumers think of the organization.

It is generally believed that intangible resources are much more valuable as core competencies than tangible resources because they are typically what makes an organization unique.

Capabilities

Integrating resources for a specific task or tasks produces capabilities. Building capabilities usually happens over a period of time through complicated activities between intangible and tangible resources. Capabilities frequently come from employee skills and knowledge that are unique to them. Capabilities are also actions that an organization performs remarkably better than its competitors. Unique value is added to an organization’s products and

services through capabilities as well. Typically, you can find capabilities in the following functional areas:

- Distribution
- Human resources
- Information systems
- Marketing
- Management
- Manufacturing
- Research and development

Table 2.1 demonstrates some examples of what unique capabilities can emerge from these functional areas.

Table 2.1 Examples of unique capabilities

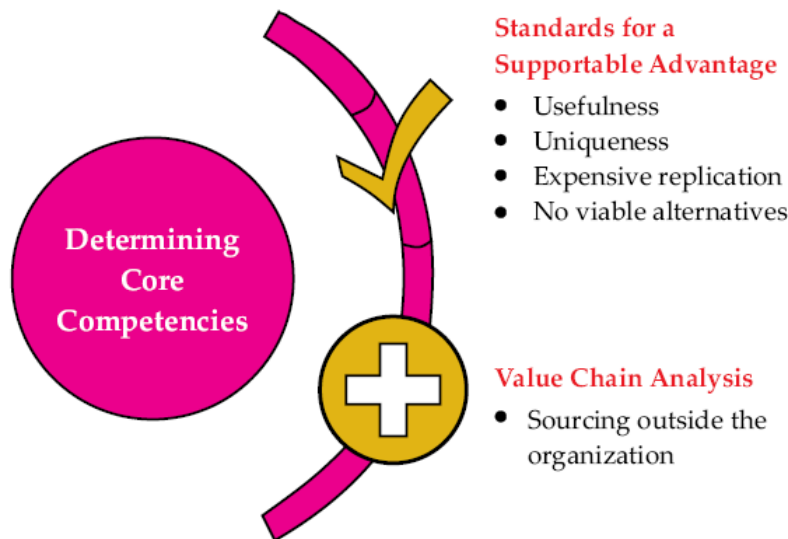
Functional Area	Capability
Distribution	Effectively utilizing logistics management policies and procedures
Human resources	Effectively motivating and retaining employees
Information systems	Use of point of purchase data collection methods to effectively and efficiently control inventories
Marketing	Innovative merchandising and advertising
Management	Ability to successfully envision the future of the industry
Manufacturing	Exception product and design quality
Research and	Ability to quickly transform technology into new

Core Competencies

Core competencies are the source capabilities of the competitive edge an organization has over its competitors. They typically emerge over time and help to differentiate an organization and demonstrate its nature. If we look at all of an organization's resources and capabilities, we will find that only a few of them are strategic assets. Strategic assets are assets that are potential sources of competitive advantage and have some sort of competitive value. Some of the assets could prove to be a detriment to the organization because they shine a light on areas that the organization is weaker in. There isn't a magic number of core competencies that an organization is required to have in order to have a competitive advantage. However, most effective strategic plans can be built around three to four competencies. There is caution in having too many core competencies because organizations tend to lose their focus on the core competencies that can really give them the upper hand over competitors.

When recognizing and developing core competencies, organizations usually use the standards for a supportable advantage and/or value chain analysis, shown in Figure 2.6. When we are determining our competitive advantage, we want to make sure that it is something that can be maintained and lost easily. Using the criteria of usefulness, uniqueness, expensive replication, and no viable alternatives helps us decide if we can afford to maintain this advantage. Does it make sense? The value chain analysis allows organizations to determine which core competencies should be invested in to be maintained since they are creating value for consumers. The value chain also helps us to map out the process, so we can understand what areas might benefit from being outsourced.

Figure 2.6 Determine core competencies



Standards for a Supportable Advantage

Core competencies should meet these four criteria:

- **Usefulness;** how useful is it and does it have real value? Can it be used to reduce threats and create opportunities?
- **Uniqueness** specific to an organization itself, no other organization owns it
- **Expensive replication;** is the cost of replicating the product too high to make it worth it?
- **No viable alternatives;** there are no alternatives out there that can take its place

Capabilities that do not meet the four criteria are not core competencies. Table 2.2 gives you an idea of what happens when all criteria are not met.

Table 2.2 Core competency analysis

Is it useful enough to present a threat to	Is it unique enough to give us a competitive	Is the cost of replicating the	Are there any other alternative solutions	Is there a competitive advantage?	Is there a competitive disadvantage?	What does performance look like?

competitors?	advantage?	product too high to be worth it?	out there?		
No	No	No	No	✓	Less than average
Yes	No	No	Yes/no	Competitive parity	Average
Yes	Yes	No	Yes/no	✓ But temporary	Average and possibly slightly above average
Yes	Yes	Yes	Yes	✓	Above average

Value Chain

The ability to be able to identify areas of operation that do and do not add value is referred to as the value chain analysis. This is an important piece to understand because an organization's profit potential increases when the value they create is more than the costs they incur. The value chain is a template that is used by organizations to clarify their cost position and direct the implementation of a specific business-level strategy through primary and support activities which you can see in Figure 2.7. Primary activities in the value chain bring the product to the consumer. These activities would include creating the product itself, selling and shipping it to buyers, and providing customer service after the sale. Support activities are assistance activities that occur to make sure that the primary activities happen. These supporting activities are illustrated in Figure 2.9. The most valuable piece in the value

chain as a whole is the people who have the knowledge of their consumers.

Let's have a closer look at the primary activities in the value chain. Below are the primary activities defined:

- **Inbound logistics:** Actions that are utilized to receive, store, and distribute inputs to a product
- **Operations:** Actions that convert the inputs into the final product
- **Outbound logistics:** Actions that include gathering, storing, and shipping out the product to consumers
- **Marketing and sales:** Actions to entice consumers to purchase the product and providing outlets for the consumers to purchase from
- **Service:** Actions that boost or preserve the value of the product

Figure 2.7 Value chain activities

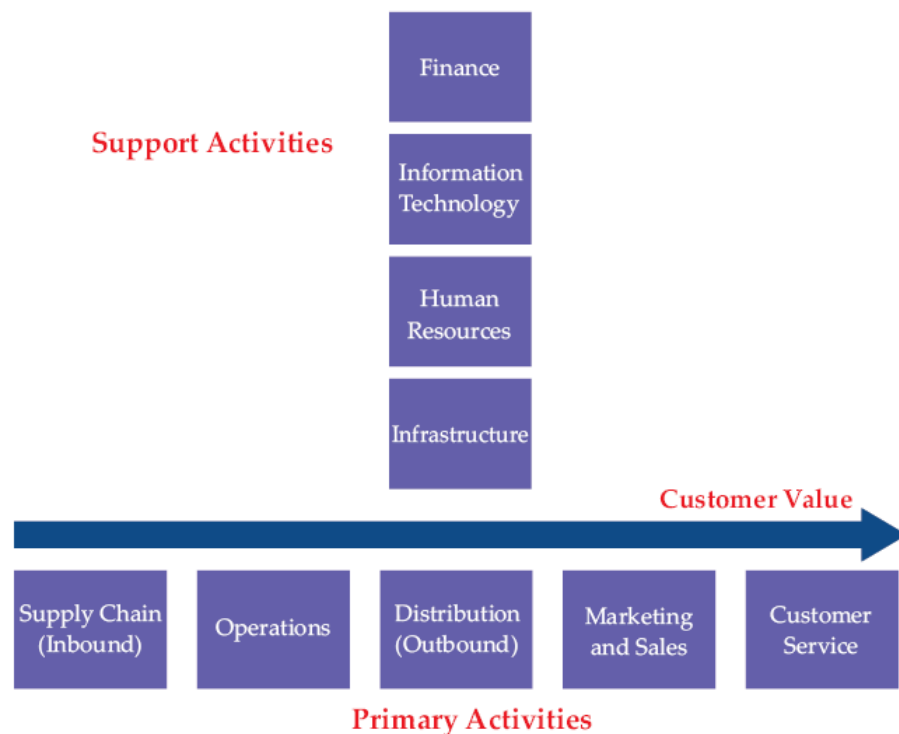
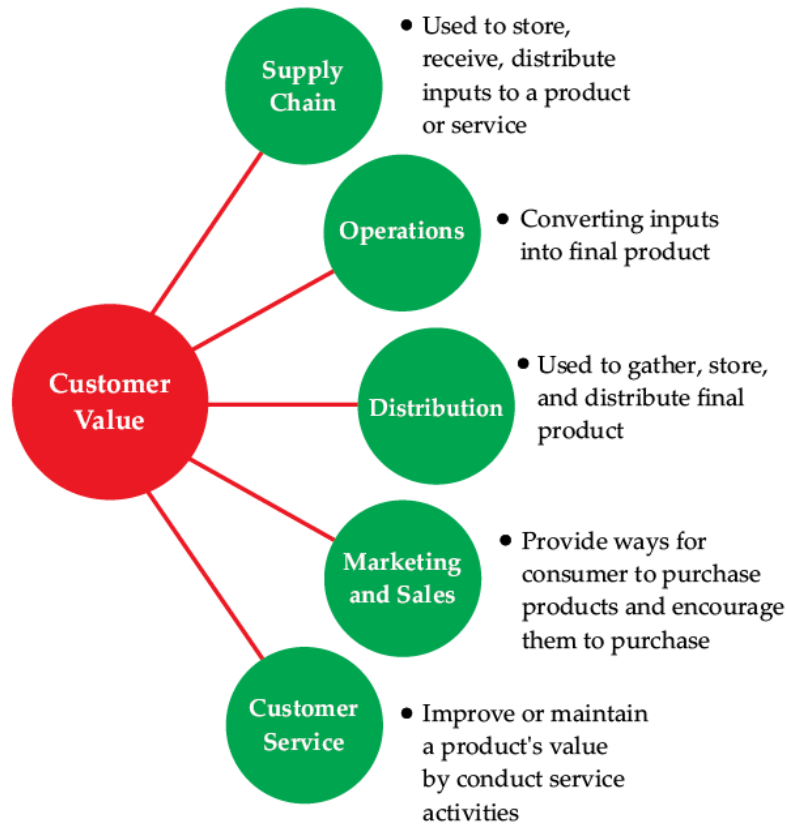


Figure 2.8 Value chain primary activities



Value Chain - Primary Activities

Using the Value Chain

The first step in using the value chain is to identify the primary activities of the value chain for your organization, shown in Figure 2.8. The next step is to identify sub-activities for each primary activity that helps in creating value. There are different types of sub-activities:

- **Direct:** Creates value by itself
- **Indirect:** Assists direct activities in running easily
- **Quality assurance:** Helps to make sure that both direct and indirect activities are meeting standards of quality

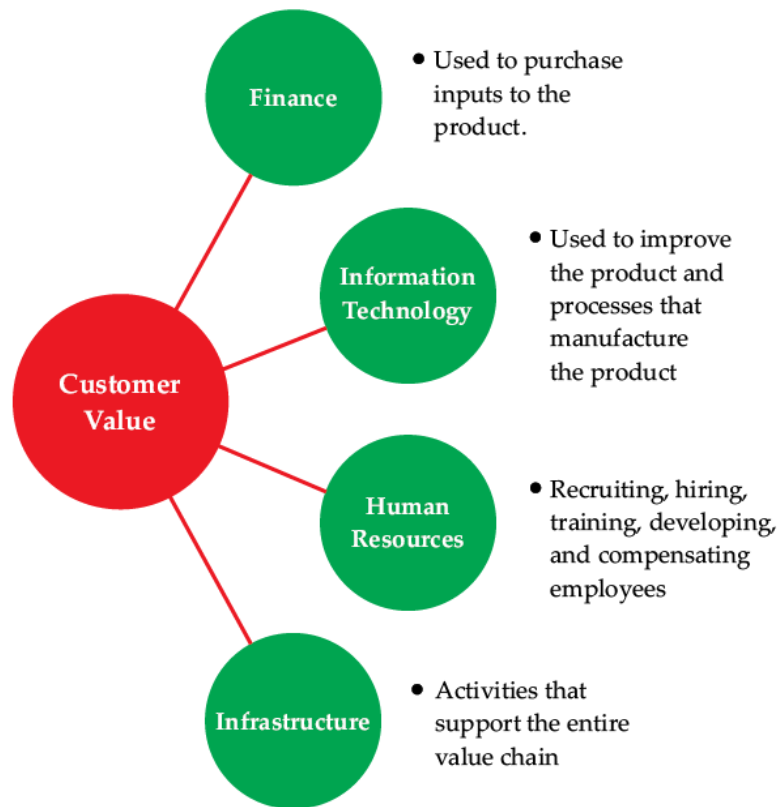
Next, ask the question, what are the activities that fall under support activities? Out of all of the primary activity sub-activities, which ones generate the most value? Essentially, you are following the lower-level activities

through the value chain and detailing what the value added is and if it is significant. After these steps, determine if the sub-activities are direct, indirect, or apply to quality assurance. Are there other activities that are value-adding that are part of your organization's infrastructure? If so, capture those as well. They may not be related directly to a primary activity and you also want to determine if they are direct, indirect, or related to quality assurance.

Fourth, ask the question, "How are all of these activities related?" Once you begin to answer this question, you begin to piece together your organization's competitive advantage from a value-chain viewpoint. For example, there is a link between sales force training and sales volumes.

Finally, ask yourself the question, "How can I improve or maximize the value my organization gives to the consumer with our products and services?"

Figure 2.9 Value chain supporting activities



Value Chain – Support Activities

A few important things to remember when identifying your organization's value chain:

- Align proposed changes with your organization's overall business strategies
- Determine a process and prioritize your list
- This process only gives you a big-picture perspective. For a more in-depth look, conduct a value chain analysis

Value Chain Analysis

A value chain analysis includes three steps:

- **Activity analysis:** What activities do you complete to provide your service?
- **Value analysis:** What can your organization add to these activities to provide the highest value to the consumer?

- **Evaluation and planning:** Examine the list of things you developed from point b) above and determine if completing the change would add enough value to be worth the work.

The activity analysis step includes brainstorming with your team or organization to list all the actions you take that add value or enhance your consumer's experience. Taking this from a top-down approach, you can first consider what this looks like from an organizational level. An example of an action that the organization takes that adds value is defining the business processes that are used to provide service to the consumer. These actions can include marketing, operations procedures, distribution, and customer support. If you look at this from an individual or team level, the actions would be the ones you do on a day-to-day basis that help you carry out the work you do. Also, be sure to include everything that adds value, not just the obvious daily activities, to provide the product. For example, activities like motivating the team members, recruiting a skilled workforce, or research and development on the latest technologies.

An important thing to remember about this brainstorming activity is that you will get more ideas and better answers if you brainstorm with a team rather than just brainstorming by yourself. Also, going through the exercise and coming up with ideas will encourage better buy-ins from team members regarding the proposed changes you come up with during the exercise.

After you have generated your list of activities from brainstorming, identify correlating "Value Factors" with each item. Value factors are things that your consumers place value on due to the method using which each activity is completed. Let's look at a doctor's office for example. One of the things on your list may be the nurse call process. Your consumer probably puts a high value on how quickly the nurse answers the phone or calls them back, how polite they are, and how knowledgeable they are. After you have identified the value of each activity in your list, examine what could be modified to give an even greater value to the consumer.

The last step is to look at the modifications you have listed and develop a

plan for the next steps to be taken. The previous step will result in a long list of activities that would be great if you could complete all of them. It is important to take a moment and think through how you will complete the changes you have listed and accomplish what you set out for in a timely manner. Instead of going down the list in the order in which you listed them, take time to prioritize. Pick the low-hanging fruit first. These activities are ones that are easy and quick to complete. Look through the remainder of the list and ask, “Is this change worth it?” and “What is the real value added at the end of the day?” Remove items from the list that require a large work effort and add little value. Then, prioritize the rest of your list in a way that will allow a steady pace of achievement and add value to keep both team members and consumers excited about your organization’s products and solutions. Another option for assistance in prioritizing the list is to consult with a customer you work closely with to get their input on the list.

Outsourcing

When an organization purchases a value-adding activity from a supplier that is external, they are outsourcing. Outsourcing allows organizations to be more flexible, alleviate risks, and decrease their investments in capital. More organizations are turning to outsourcing because they cannot obtain the resources and capabilities necessary to reach a competitive advantage in every primary and support activity. Outsourcing allows organizations to focus on the core competencies they really excel at.

If you intend to get involved in outsourcing at your organization, it is critical that you have the following skillsets: tactical thinking, negotiating, partnership authority, and change management. You need to be a strategic thinker because you must understand your organization’s core competencies and how an outsourcing partner could help you in gaining a competitive edge. You must be able to make deals or negotiate with outsourcers, so they can be used by organization management. You should be empowered to oversee and manage the relationship with the outsourcer. Finally, utilizing outsourcing can require a large amount of change so it is very important that you are able to manage

change.

The biggest downfall of outsourcing is the growing concerns from communities regarding the loss of jobs for local workers to outsourced companies. There is also a possible risk of loss of capability to effectively innovate. When considering outsourcing at your organization, you should be sure to plan for these concerns from consumers and employees and be ready to discuss them.

There are also advantages to outsourcing. It can possibly decrease costs and improve the quality of the actions that have been outsourced. By doing this, you add value to the products and services you provide to the customer. Therefore, outsourcing can result in a competitive advantage for an organization and allow value to be created for its stakeholders.

Case Study

Let's look at Apple as a case study to determine its strengths and weaknesses. Apple is a household name. Most consumers have heard of Apple and are aware of some of the items they produce such as the iPhone. This awareness is called brand awareness and it is probably one of the biggest strengths of Apple. They also have a strong brand identity. Consumers may describe their products as aesthetically pleasing and creative. The Apple brand can also be described as a status symbol. iPhones are coveted by consumers because they associate them with an extravagant or wealthy lifestyle. They are willing to wait for hours on end just to obtain the newest version of the phone.

What are Apple's weaknesses? First, their products are costly which definitely eliminates some consumers. The population who can afford their products is narrowed by their price point. The high price of their product is part of the prestige that is a strength, but it does affect them negatively by limiting the number of consumers that can purchase their product.

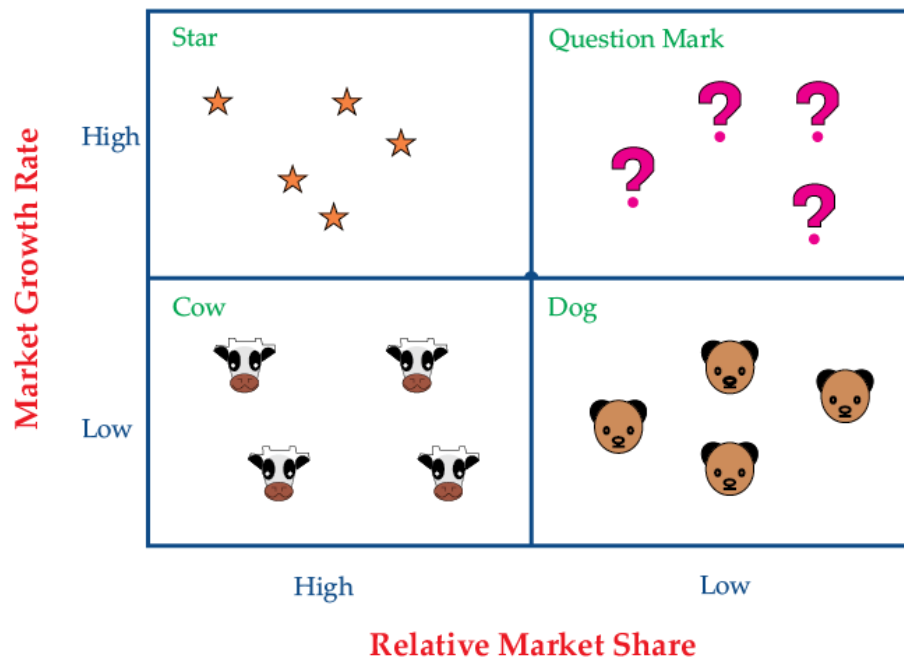
Business Portfolio

When we refer to the business portfolio, we are describing all of the

businesses and products that are a part of our company. This is the key to the relationship between strategy and individual parts of the business. Your goal in creating your business portfolio is to create one that fits the organization's strengths and weaknesses as well as takes into consideration the opportunities that are readily available in the environment. When "working" on the business portfolio, the organization is examining or analyzing which areas deserve the most attention and investment and determining how to create strategies where developing new products or businesses grows the organization.

The first step is to analyze the business portfolio. In analysis, leadership takes a close look at all of the businesses in the organization and evaluates them to determine where resources should and should not go. What are the key items that make up the company? Perhaps you want to invest the most resources in those items. These key units are also referred to as strategic business units (SBUs). SBUs are defined as separate entities in an organization that have their own mission and objectives. They can be treated as an independent unit from the other organization businesses. Examples of SBU are an organization division, product line, or brand. The next step after analysis is to look at the SBUs and determine which ones deserve more attention and resources. A great way to do this is to use the Boston Consulting Group box shown in Figure 2.10.

Figure 2.10 Growth Share Matrix



Source: "What Is the Growth Share Matrix?," BCG Global, n.d.,
<https://www.bcg.com/about/overview/our-history/growth-share-matrix>.

The diagram in Figure 2.10 is referred to as a growth-share matrix. When you are looking at the axes, you see that the vertical axis refers to market share while the horizontal axis refers to the growth rate. In essence, this diagram uses market attractiveness and the company strength to classify strategic business units. When you do this, you can break down the SBUs into four different categories.

- **Stars:** Populating the high growth rate and high relative market share section of this diagram are stars. Stars usually require significant investment to keep them growing quickly. After a while, these SBUs will slowdown in growth rate and become cash cows.
- **Cash cows:** The growth rate is low, but the market share is high for cash cows. Since they are not growing as rapidly as other SBUs, they do not require as significant an investment. Cash cows keep the lights on and the bills paid from the revenue they generate on a consistent basis.
- **Question marks:** High growth rates with low market share result in question marks. You need investment for these SBUs to be maintained

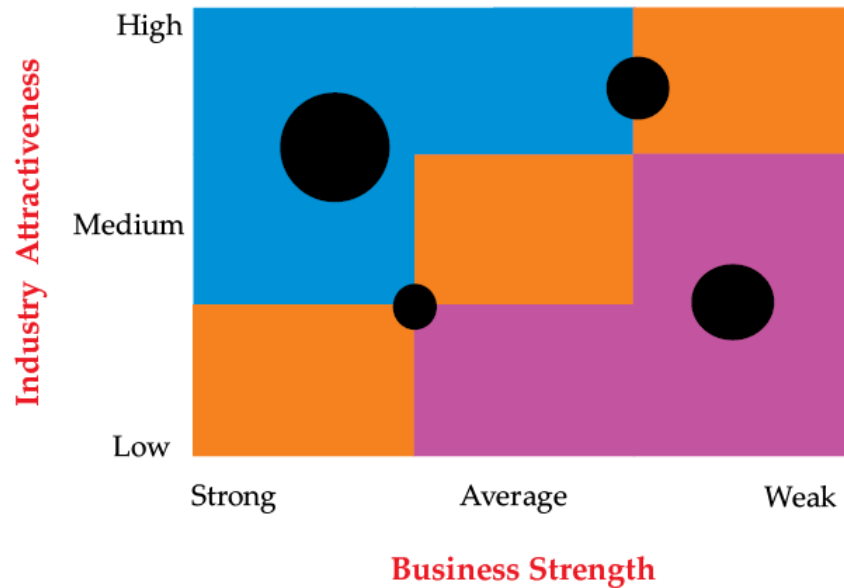
much less grow them. Question marks require managers to question whether to put in the investment for these items to grow or if they should be discontinued.

- **Dogs:** Low growth and low market share SBUs are referred to as dogs. These SBUs can sustain themselves but do not generate any additional revenue for the company.

After an organization determines what their SBUs can be classified as, they must determine how they will be utilized in the future. Is the question mark worth the investment? Is the star still growing or is it time for it to be phased into a cash cow? Strategic decision making depending upon these classifications is crucial to maintain and grow market share. This classification can also be used to forecast the life cycle of an SBU. Many of the SBUs start out as question marks and, with significant investment, become stars. As the growth rate begins to decrease, the SBU becomes a cash cow. Since cash cows generate income and require a lesser investment, it is critical to always be looking for SBUs that can be turned into cash cows from stars. Organizations want to continuously be developing SBUs to go through this cycle to sustain operations.

Another way to plan your business portfolio is to use the General Electric grid, shown in Figure 2.11. They refer to it as a strategic planning grid. In this grid, business strength is on the horizontal axis while industry attractiveness resides on the vertical axis.

Figure 2.11 Strategic planning grid



Source adapted from Cuofano, Who Is Gennaro. "What Is The GE McKinsey Matrix And Why It Matters In Business." FourWeekMBA, October 7, 2023. <https://fourweekmba.com/ge-mckinsey-matrix/>.

This grid looks at several things as a part of industry attractiveness including market size, growth rate, profit margin in the industry, level of competition, demand cycle, and structure of cost in the industry. All of these items are considered as a part of industry attractiveness. In the diagram example above, we are rating attractiveness as high medium or low.

Instead of simply using market share, the GE grid uses an index for business strength just like it does with industry attractiveness. Items that factor into business strength can include organization market share, competitiveness of price, quality of the good or service, customer and market familiarity, sales success and advantages in the geography. Usually these factors are all taken into consideration and then categorized into strong, average or weak.

The grid is further divided into three areas. The blue area represents strong SBUs that should be invested in, so they can grow and flourish. The orange area shows SBUs that come in at a medium level of attractiveness and therefore should be maintained with investment. The purple area includes SBUs that are overall weak and low in attractiveness. Careful consideration should be given to whether to discontinue or harvest these SBUs.

The circles in the diagram represent the SBUs and the size relates to the size of the industries they are in. You can take these circles a step further and divide them into pie slices to represent market share of the SBU. The same idea of strategic planning with the previous diagram also applies to this diagram. The idea is to look at the SBUs in the diagram, make strategic decisions about their future which will help to grow and sustain the organization, and determine where new growth needs to occur when forecasting how an SBU will cycle through the grid. With this grid, managers can plot current state and future state to help them decide where some issues may arise and where the opportunities are.

Both of the tools mentioned above, although are very helpful with strategic planning, have their flaws. Developing the grids themselves is time consuming. Implementing the changes determined from the grid can be costly. Definition of SBUS, their market share, and growth can sometimes be challenging to define. These approaches also place a lot of emphasis on current state with no advice for planning for the future. Also, using these approaches can cause organizations to place greater emphasis on the items that categorize the SBUs, which can lead to loss of awareness of other elements that may affect overall strategic planning.

External Audit

The external analysis of the organizational environment allows you to determine the organization's opportunities and threats. Opportunities are described as an opportunity to exploit an external condition that will improve the organization's strategic competitiveness. A threat is just the opposite. A threat is a condition in the general environment that could detrimentally affect an organization's strategic competitiveness.

When you are completing an external analysis, you are collecting and analyzing data on the industry, national environment, and the socio-economic environment. During this analysis, we are concerned about the competitors in the industry and their position as well as our position in the industry. We are

also looking at how the environment as a whole could affect us and our long-term planning including economic, social, governmental, legal, technological, national and international factors.

Let's continue with the Apple case study and look at their external factors. An opportunity externally that Apple has demonstrated time and time again is their unique ability to be able to effectively and efficiently collaborate with other companies. They have collaborated with companies that produce popular headphones to create a wireless Airpod product. They have also worked with gaming companies to have games specially created for the iPhone. On the flip side of opportunities, are threats. A huge threat that Apple faces is the large amount of imitation that occurs in the marketplace. Companies produce products that are similar to Apple products and a lower price point. Competition is also a big threat for Apple. Companies like Samsung advertise that their products have just as much functionality, if not more, at a lower price point, with less hassle and cost of future upgrades.

Environments - General

When completing an external analysis, you should consider three environments:

- General
- Industry
- Competitor

The general environment is described as broader societal dimensions that influence an industry and its organizations. These dimensions are divided into seven segments including:

- Demographic
- Economic
- Political/Legal
- Sociocultural
- Technological

- Global
- Physical

Please refer to the table below for more details on the elements included in these dimensions. In order to create a successful strategic plan, organizations should have knowledge of these dimensions.

- **Demographic**

- ◆ Population size
- ◆ Age structure
- ◆ Geographic distribution
- ◆ Ethnic mix
- ◆ Income distribution

- **Economic**

- ◆ Inflation
- ◆ Interest rates
- ◆ Trade deficits or surpluses
- ◆ Personal savings rate
- ◆ Business savings rates
- ◆ Gross domestic product (GDP)

- **Political/Legal Antitrust laws**

- ◆ Taxation laws
- ◆ Deregulation philosophies
- ◆ Labor training laws
- ◆ Educational philosophies and policies

- **Sociocultural Women in the workforce**

- ◆ Women in the workforce

- ◆ Attitudes about quality
- ◆ Concerns about the environment
- ◆ Shifts in work and career preferences
- ◆ Shifts in preferences regarding product and service characteristics
- **Technological**
 - ◆ Product innovations
 - ◆ Applications of knowledge
 - ◆ Focus of private and government-supported R&D expenditures
 - ◆ New communication technologies
- **Global**
 - ◆ Important political events
 - ◆ Critical global markets
 - ◆ Newly industrialized countries
 - ◆ Different cultural and institutional attributes
- **Physical**
 - ◆ Energy consumption
 - ◆ Practices used to develop energy sources
 - ◆ Renewable energy efforts
 - ◆ Minimizing an organization's environmental footprint
 - ◆ Availability of water as a resource
 - ◆ Producing environmentally friendly products
 - ◆ Reacting to natural or man-made disasters

It is important to note that the general environment cannot be controlled by organizations. Therefore, companies that are successful in this environment have a deep understanding of the segments, gather the appropriate data and analyze it, and then account for what they find in their strategies.

Organizations are influenced by the current states of the segments.

When organizations study the demographic segments, they try to consider the global climate due to possible effects in different countries since organizations may compete in global markets. When analyzing the economic segment, we are considering the where the economy is now and where it is going. Examining this segment helps to plan to meet a general goal of most organizations which is to compete in an industry that is relatively stable with potential for growth. The political/legal segment learn about the relationships between organizations and the government. We look at how they impact each other in the current state and how future state might be impacted so we can plan accordingly. Society's values, attitudes, and cultural views are considered in the sociocultural segment. These things can actually affect how the demographic, economic, political/legal, and technological segments behave and evolve. Innovation with new products, processes, and resources is the focal point of the technological segment. This segment includes developing new learnings and converting that knowledge into products, services, resources, and processes. The global segment looks at new and current markets, how they are changing, pertinent international events, and critical cultural qualities. Finally, the physical segment is focusing on supporting the environment. Organizations have begun to gain a clearer understanding of how the physical environment can influence business practices, so they include this segment to plan accordingly.

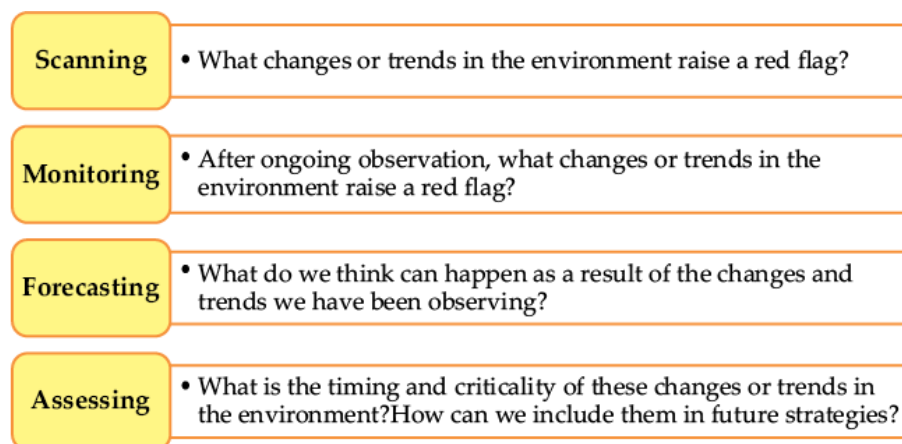
The industry environment that organizations refer to can consist of things like demographics, shifts in lifestyle and economic cycles per businessdictionary.com. It includes Porter's Five Forces: risk of new competitors, power of suppliers and buyers, risk of duplication, and intensity of competitor rivalry. The key to this environment is to find a position in the market where your organization can positively influence the forces or successfully protect themselves against their influence. This is particularly helpful in volatile industries like the airline industry where there is intense rivalry amongst competitors and getting pushed out of the industry is

relatively common even for the industry's leaders.

Gathering information about other competitors in the industry and analyzing that data is referred to as competitor analysis and is used to understand the competitive environment. Competitor analysis couple with the information from industry and general environment analysis give organizations a great big picture of what they are dealing with. General environment analysis focuses on forecasting the future. Industry environment analysis is pinpoints the influences on an organization's profitability potential within its industry. Looking at analysis on competitors helps us understand how competitors may act in the future so that your organization can respond appropriately.

In an effort to better manage and comprehend the current environment, organizations conduct an external environment analysis. This analysis, shown in Figure 2.12, is comprised of four segments: scanning, monitoring, forecasting, and assessing.

Figure 2.12 External environment analysis



There are many sources that can be referenced when you are collecting data on the general environment. Those sources include:

- Trade publications
- Newspapers
- Business publications

- Academic research
- Public polls
- Trade shows
- Suppliers
- Customers
- Employees

Scanning

The first step in the external environmental analysis process is scanning. Scanning involves looking at all segments in the general environment. Scanning often results in early signals of possible changes and helps to identify any changes that are already happening. This part of the process is a data gathering activity. You collect raw data from several different sources but how the information is related is still unclear and often incomplete. It is important that the scanning activities are in alignment with the environment. For example, the scanning system for a stable environment should be calibrated for stable environments not volatile environments.

Today, organizations often utilize software specialized to identify these changes and trends. This software is set up to look for specific pieces of information which can sometimes cause a false alarm. Organizations are willing to take the tradeoff of this software raise false alarms if it increases the probability of early detection of red flags. Another way to detect changes is by using capabilities in internet browsers that allows organizations to collection information about those who click through their sight.

Monitoring

At this step, researchers are sifting through the data gathered to determine what pieces are meaningful. After determining this, they begin to actively monitor the changes and trends to see if something worthwhile that could affect their strategies is happening in the environment. To be effective in monitoring, organizations must accurately identify their stakeholders and

know what their standing is amongst those stakeholders. Understanding this allows organizations to meet the needs of their unique population they serve. Industries with high technological ambiguity find scanning and monitoring particularly critical. It gives them information, develops new knowledgebase items about the environment, and helps them determine the best strategies for marketing their new technologies.

Forecasting

After monitoring the trends and performance of the current environment, analysts gather the information and use it to help them determine what could happen in the future and when. For example, analysts may forecast how long it will take the government to put a particular regulation in place or how quickly a competitor is bringing new technology to the consumer. Technology is improving at such a rapid rate, that it often expedites the product life cycle which in turn makes accurate forecasting difficult. Therefore, the greatest challenge in forecasting is accuracy. If you are unable to forecast accurately, your potential profitability could be affected. For example, Company A forecasted a 22% increase in sales for 2017 but the increase was actually 32%. Your first reaction may be positive since we sold even more than we had anticipated. But, the supplies for your products were ordered in quantity to support a 22% increase in sales. Company A found itself in a situation where it had more demand than supply due to an incorrect estimation of the increase. This did affect profitability because the company was unable to sell as much as what the customer was demanding.

Assessing

We have collected the data, pieced it together, and determined which pieces are meaningful, and which are not. Now, understanding the timing and significance of the effects of the changes and trends on strategic management is important. The organization is now postulating the effects of the things they have learned in the organization itself. The key thing to remember here is that how the data is interpreted is paramount. If the interpretation of the

information gathered is incorrect, inadequate strategies are developed and the organization's profitability is affected. Many companies gather the data and organize but they do not assess it to see what it means to them. In these cases, they are increasing their risk of an inaccurate strategy implementation.

Assessing ensures that the proposed strategy is correct.

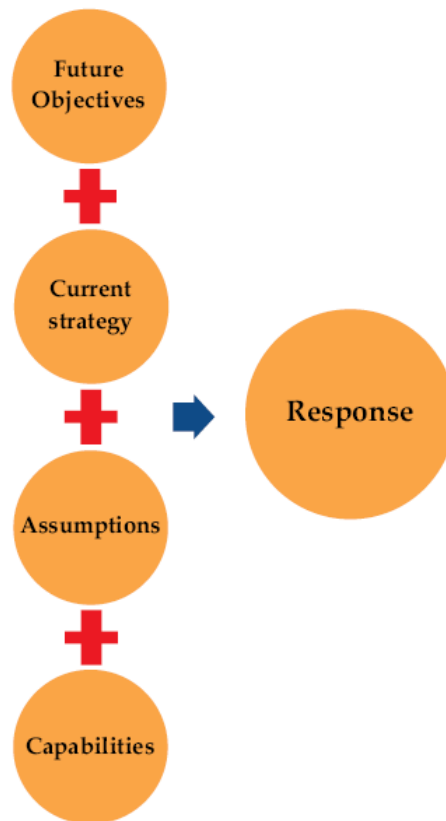
Environments – Competitive

After completing an industry analysis described in an earlier chapter, the last piece of external analysis is a competitor analysis. In this analysis, we are looking at every company that your organization competes with. This analysis is most interested in the competitor's objectives, strategies, assumptions, and abilities. In this analysis, we want to know:

- **The competitor's driving force:** What objectives do they want to reach in the long term?
- **The competitor's current state:** What are their current strategic plans?
- **The competitor's industry beliefs:** What do they believe to be true regarding the industry?
- **The competitor's abilities:** Where is the organization strong and where is it weak?

Having this information allows an organization to determine how to respond. Figure 2.13 shows the inputs needed to develop a sound response.

Figure 2.13 Response inputs



When an organization considers future objectives, they are looking at:

- In comparison to our competitors, what do our goals look like?
- In the future, where should we place the most importance?
- How risk averse are we?

When an organization considers its current strategy, they are looking at:

- Currently, how are we competing?
- Are changes in the competitive structure supported in their strategies?

When an organization considers assumptions, they are looking at:

- Are we assuming a volatile or stable future?
- What are the assumptions that our competitors hold when they look at the industry and themselves?

When an organization looks at capabilities they are looking at:

- Where are we strong and weak?
- If we were to rate ourselves and our competitors, where do we fall on the list?

Using the answers to these questions we can determine a response that answers the following questions:

- Our competitors are likely to do (fill in the blank) in the future.
- What do we have to offer over our competitors?
- Does this change our relationship with our competitors? How?

Case Study

Let's take a case study of a successful environmental scanning example and an unsuccessful environmental scanning example.

PepsiCo

PepsiCo, a popular soft drink and beverage manufacturer, completed an environmental scan and found that nowadays, health and wellness are becoming a big part of the food and beverage as well as other industries. The CEO took this to heart and began developing a long-term strategy to include healthy snacks and beverage alternatives in their portfolio of products. The CEO set a goal of tripling their healthy products business by the year 2020. The company decided to use an acquisition strategy to get them into the health and wellness market more quickly with already successful products such as those manufactured by Naked. They also increased the research and development budget related to healthier ingredients that can be backward-engineered into their current products.

PepsiCo made the right decision at the right time to move with the industry quickly. Other companies have suffered because they did not do appropriate planning to incorporate health and wellness.

Borders

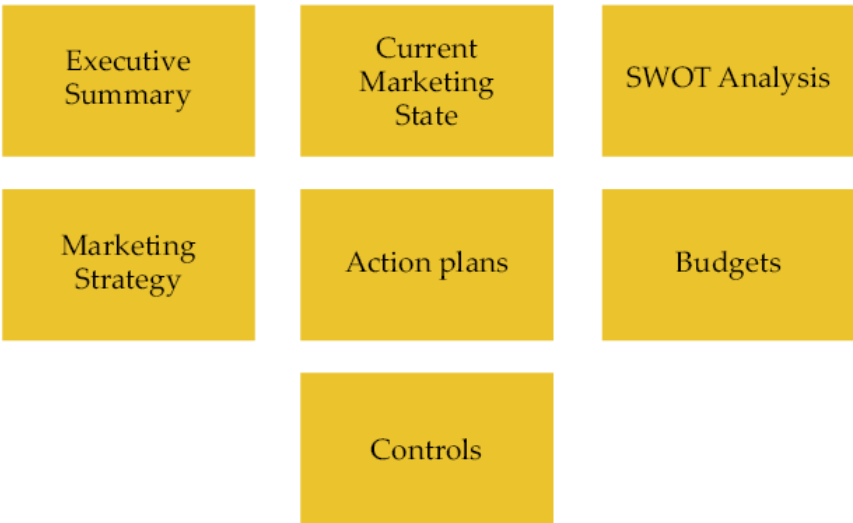
Borders filed for bankruptcy in 2011 due to poor environmental scanning and not acting on what was returned from environmental scanning analysis. Despite reports of a growing internet presence from other stores in the industry and an increased use of online purchasing outlets, Borders chose to invest in its CD business and its physical book business instead of focusing on beefing up its internet presence. Environmental scanning also indicated that digital downloads were on the rise for CDs as well as eBooks for books. Due to their lack of reaction to these environmental trends, they were forced out of business. This is definitely an example of poor environmental scanning and its analysis.

2.3 The Marketing Plan

Each strategy plan has a marketing plan for each business or SBU. Since products can widely differ, it is very important to have different marketing plans for each item.

Figure 2.14 shows the elements that make up a marketing plan.

Figure 2.14 Elements of a marketing plan



Marketing Plan Elements

The executive summary is a short summary of what you will find in the detailed marketing plan. This includes what the main goals of the plan are and any important recommendations you wish to include. When developing this summary, ask yourself, “What are the quick points I want chief executives to know if they just glance at this plan?” A template for this summary may be used below to help guide your summary development.

Marketing plan name: (include product name in plan name)

Goals and objectives:

- Goal
- Goal
- Goal

Risks:

- Risk
- Risk
- Risk

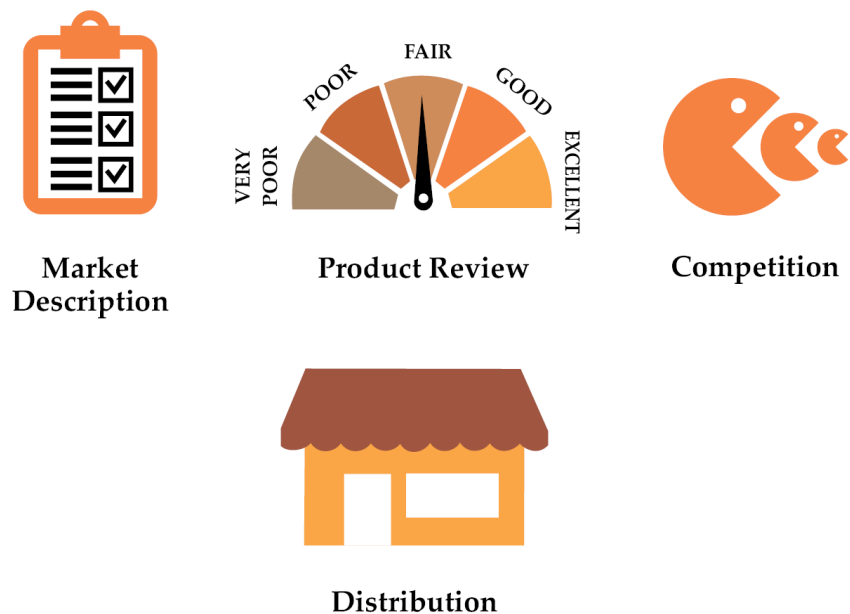
Recommendations:

- Recommendation
- Recommendation
- Recommendation

The current marketing state describes the current situation and background. It may include market, product, competition, and distribution data. The current state includes internal and external audits described in earlier sections of this document. Using this information, you are able to thoroughly examine your organization’s internal and external environments to locate possible problem areas and opportunities. The beginning of the report should describe the focus market and the organization’s current position. The components in Figure 2.15 should be driven from the perspective of the strategic imperatives

including objectives, policies, and strategies passed down from other plans. The next area of the report focuses on the current state. In the current state, we look at market information and details (also known as market description), how the product performs, competitors, and dissemination. Next, the product review details the sales, prices, and gross margins of the top products in the line. After that, the competition section describes the top competitors and strategies for quality, pricing, dissemination, and marketing. Lastly, the distribution section maps out recent sales trends in the main distribution channels.

Figure 2.15 Marketing report components



The SWOT analysis pulls strengths, weaknesses, threats, and opportunities from the current market state. It shows a list of factors that are critical to success as well. SWOT diagrams like you see in Figure 2.16 can help you decide whether a business venture or a new product is worth moving forward with. It also serves as a great picture of how to allocate resources and plan for future marketing efforts.

SWOT analysis is completed by going through the following steps:

- State your objective
- Develop a grid
- Label each area, “Strengths”, “Weaknesses”, “Opportunities”, and “Threats”
- Add appropriate strengths and weaknesses, both qualitative and quantitative
- Conclude

Figure 2.16 SWOT diagram



In the marketing strategy section of the marketing plan, we look at the overall strategy or plan of attack for meeting the goals. Basically, this section outlines how you plan to achieve marketing goals. This section segments the market into digestible pieces, so you can easily address how each segment will be handled to meet strategic objectives.

The action plans tell you what will happen when “the rubber meets the road.” This plan answers critical questions about the marketing strategy:

- What will we do?

- When will we do it?
- Who will do it?
- What is the cost?

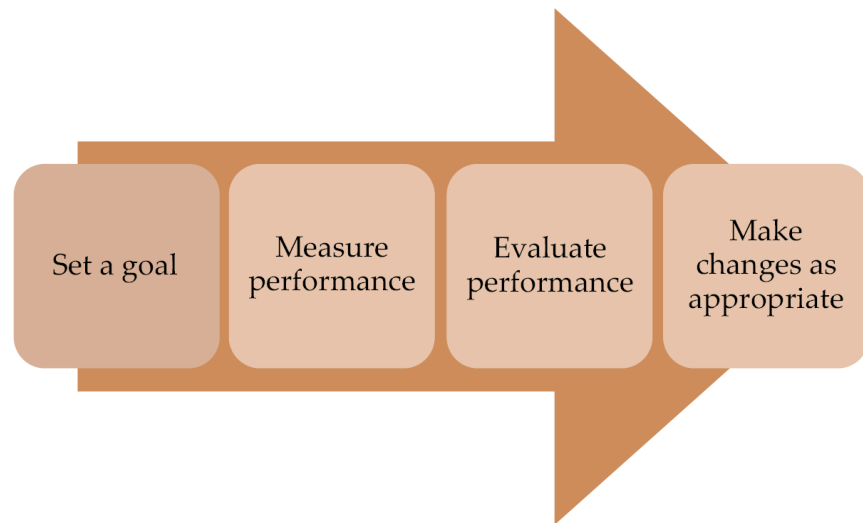
The plan details when actions will be started and finished. It projects profit and loss along with the supporting marketing budget. The budget looks at forecasted sales and average prices for revenues. For expenses, it includes production, dissemination, and marketing. The difference between the two is the projected profit. This budget will assist managers in their purchases and actions moving forward.

Control is the final element of the marketing plan, illustrated in Figure 2.17. It essentially details how the process will be controlled and monitored for progress. This section helps us tell upper-level management how we measure up to the goals and objectives we set with the marketing plan. Marketing control is the method of quantifying and appraising the outcomes of marketing tactics and plans and making changes to ensure that the marketing objectives are achieved. In order to properly measure and document marketing controls, we must answer the following questions:

- What is the goal?
- What is occurring?
- Why is it occurring?
- What should our next step be?

Answering these questions allows us to establish goals, measure how we perform to those goals, evaluate how we are performing, and determine if any corrective action needs to be taken.

Figure 2.17 Marketing plan control



2.4 Implementation

The marketing plan is only as good as how effectively it is implemented. Marketing implementation can be described as the process of creating marketing actions out of marketing strategies to facilitate achieving objectives.

In order for implementation to be successful, it is critically important that all employees at all levels of the organization are dedicated to implementing the plan. Marketing strategies are broken down into actions at a day-to-day task level that must be consistently implemented. Successful implementations are also a product of an organization's ability to effectively blend its people, structure, decision procedures, reward mechanisms, and culture into one cohesive program that supports the strategy well. Decision procedures and reward mechanisms can also be a deciding factor in success. If leaders are incented to meet the budget or show short-term results, the likelihood of success increases as the manager works to attain the incentive. Finally, the marketing strategy must be hand in hand with the organization's culture. The culture guides the employee's actions on every level and if the two are well-fitted, strategy becomes easier to achieve.

Quiz

1. **An annual plan includes objectives, strategies, and budgets for _____.
a. the next 3-5 years
b. the next year
c. the long-term
d. the senior leadership team**
2. **An annual plan is created from which plan?
a. Short-term
b. Long-range
c. Previous annual plan
d. Marketing plan**
3. **Which of the following are NOT included in a long-range plan?
a. The reasons and factors for why the annual plans are structured as they are
b. Forecasting
c. Long-term objectives
d. Marketing plan**
4. **The plan that provides the overall strategy of how an organization will use its competitive advantage to maintain or attain a successful position in the market is called the _____.
a. roadmap
b. marketing plan
c. long-range plan**

d. strategic plan

5. Which element does NOT set the stage for the marketing plan?

- a. Strategic plan
- b. Roadmap
- c. Annual plan
- d. Long-range plan

6. Unfulfilled customer needs, wants, and desires are imperative to understand when working with which concept?

- a. Marketing
- b. Societal
- c. Both a and b
- d. Leadership

7. Which of the following steps is NOT part of the marketing process?

- a. Situation analysis
- b. Marketing strategy
- c. Budget forecasting
- d. Marketing mix decisions

8. Marketing mix decisions are part of which process?

- a. Strategic planning
- b. Marketing process
- c. Annual planning
- d. Consumer behavior

9. The marketing strategy step includes which of the following components?

- a. Segmentation
- b. Targeting
- c. Positioning
- d. All of the above

10. Which of the following is NOT a type of value chain sub-activity?

- a. Direct
- b. Indirect
- c. Quality control
- d. Quality assurance

Answers	1 – b	2 – b	3 – d	4 – d	5 – b
	6 – c	7 – c	8 – b	9 – d	10 – c

Chapter Summary

- The three types of plans are Annual (short-term), Long range (long-term), and Strategic (competitive advantage).
- The marketing process consists of a situational analysis, marketing strategy, marketing mix decision-making, and implementation/control.
- Strategic Audit contains an internal and external audit process.
- Internal audits: determine an organization's strengths and weaknesses
- Organization's Resources include Tangible resources and Intangible resources.
- Value can be added to any product or service through capabilities, such as distribution, human resources, information systems, marketing, management, manufacturing, and R&D.
- Core competencies are the source capabilities that are useful, unique, require expensive replication, and have no viable alternatives, and what organizations have over their competitors.
- A Value Chain identifies an organization's cost position based on primary and support activities and includes Inbound Logistics, Operations, Outbound logistics, Marketing and Sales, and Services.

Chapter 3

Marketing Budgets

Where should you spend your money? This is a question we grapple with in our personal and professional lives.

A marketing budget is no different. You start by asking a series of triage questions to determine whether your marketing budget is pre-determined or if it is your job to build a budget and seek approval. You lean heavily on the strategic vision of the organization and your marketing team to develop marketing plans, which might be a comprehensive, 3 - 5 year plan, an annual roadmap with identified initiatives, or a tactical, campaign-specific plan.

Knowing the culture of your team and organization is critical in determining how you engage in budget-setting and calibration over time, e.g., a small startup will have different processes and risk appetite than a mid-sized, or publicly traded company.

Additionally, a variety of factors contribute to how you allocate annual and multi-year spending that requires continuous monitoring and return-on-investment (ROI) analysis.

In this chapter, we'll dive into budget-building approaches, look at trends in marketing spending, and practice building a budget.

Key learning objectives should include the reader's understanding of the following:

- What is a marketing budget
- How to develop a marketing budget and what to consider
- Budgeting approaches
- Marketing allocation trends

3.1 What is a Marketing Budget

Marketing departments should be revenue-generating units, rather than expense centers. Too often, executives make comments that imply that the first place to “cut” is marketing because it is viewed as non-essential to achieving the organization's vision or that it is too “soft” and not measurable.

But, what is a marketing budget exactly? What does it include? A marketing budget is a comprehensive allocation of all activities being performed that “market” the business, e.g., employee salaries, paid advertisement campaigns, freelance fees, and software subscriptions. A component of this overall budget that Marketing Managers and Strategists are responsible for developing is a marketing campaign budget. This is a budget that aligns resources to successfully execute a marketing plan. A marketing budget

allocation indicates your ceiling for each item in your marketing strategy. For example, let's say you allocate \$50,000 to digital marketing, \$100,000 to print advertising, and \$25,000 for conference sponsorships. These amounts are reflected as line items in your budget.

When you create a budget, you can keep track of this using a simple, month-by-month campaign budget, (shown in Table 3.1). A table like this can be created using many tools with the most ubiquitous being Excel, Google Sheets, and Smartsheet.

Table 3.1 Monthly campaign budget allocation

Category	Jan		Feb		Mar	
	Total Expenses	% of Total	Total Expenses	% of Total	Total Expenses	% of Total
Print Advertising	\$ 30,200.00	53%	\$ 20,500.00	47%	\$ 1,500.00	5%
National	\$ 30,000.00	99%	\$ 20,000.00	98%	\$ 500.00	33%
Local	\$ 200.00	1%	\$ 500.00	2%	\$ 1,000.00	67%
Sponsorships	\$ 13,300.00	23%	\$ 7,300.00	17%	\$ 7,050.00	24%
Conference A	\$ 10,000.00	75%	\$ 5,000.00	68%	\$ 5,000.00	71%
Conference A collateral	\$ 1,500.00	11%	\$ 500.00	7%	\$ 250.00	4%
Press Releases	\$ 1,800.00	739%	\$ 1,800.00	406%	\$ 1,800.00	392%
Content Marketing	\$ 1,200.00	2%	\$ 1,200.00	3%	\$ 1,200.00	4%
Sponsored Content		0%		0%		0%
Email Newsletter	\$ 1,200.00	100%	\$ 1,200.00	100%	\$ 1,200.00	100%
White Papers / ebooks		0%		0%		0%

Social Media	\$ 400.00	1%	\$ 400.00	1%	\$ 400.00	1%
Twitter	\$ 100.00	25%	\$ 100.00	25%	\$ 100.00	25%
Facebook	\$ 100.00	25%	\$ 100.00	25%	\$ 100.00	25%
Instagram	\$ 100.00	25%	\$ 100.00	25%	\$ 100.00	25%
Linkedin	\$ 100.00	25%	\$ 100.00	25%	\$ 100.00	25%
Advertising	\$ 4,850.00	9%	\$ 8,350.00	19%	\$ 18,350.00	63%
Online (PPC)	\$ 2,500.00	52%	\$ 2,500.00	30%	\$ 2,500.00	14%
Print	\$ 850.00	18%	\$ 850.00	10%	\$ 850.00	5%
Outdoor		0%	\$ 5,000.00	60%		0%
Radio	\$ 1,500.00	31%		0%		0%
Television		0%		0%	\$ 15,000	82%
Market Research	\$ 800.00	1%	\$ 800.00	2%	\$ 800.00	3%
Surveys	\$ 800.00	100%	\$ 800.00	100%	\$ 800.00	100%
Sales Campaigns	\$ 5,900.00	10%	\$ 5,200.00	12%	\$ -	0%
Campaign A	\$ 5,900.00	100%		0%		
Campaign B		0%	\$ 5,200.00	100%		
Totals	\$ 56,650.00	100%	\$ 43,750.00	100%	\$ 29,300.00	100%

Table 3.2 is readily found in a sales environment where projected monthly or quarterly sales revenue is included in a marketing budget plan. The information in these budget sheets lends itself to increased accountability and transparency in how marketing tactics are performing in relation to sales revenue. It is not intended to be an mROI calculation. Rather, a high-level illustration of which tactics appear to contribute to meeting projected sales numbers.

Table 3.2 Projected sales and marketing budget example

		Q1			Fiscal Year	Spark Lines
		Jan	Feb	Mar	Totals	
Projected Sales		\$ 1,200,000	\$ 850,000	\$ 1,000,000	\$ 3,050,000	
Agent / Broker	Total:	\$ 121,000	\$ 93,500	\$ 148,000	\$ 363,000	
Training		\$ 20,000	\$ 12,000	\$ 12,000	\$ 44,000	
Communication		\$ 22,000	\$ 12,000	\$ 21,000	\$ 55,000	
Promo		\$ 7,000	\$ 10,000	\$ 11,500	\$ 28,500	
Commission/ Discounts	20%	\$ 72,000	\$ 59,000	\$ 104,000	\$ 235,500	
% of Total Sales		30%	35%	52%		
Customer Acquisitions & Retention	Total:	\$ 108,500	\$ 118,500	\$ 108,500	\$ 335,500	
HR - Cost		\$ 85,000	\$ 85,000	\$ 85,000	\$ 255,000	
Communication		\$ 22,000	\$ 32,000	\$ 22,000	\$ 76,000	
Promo/ Discounts		\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500	
Distributors	Total:	\$ 52,300	\$ 82,900	\$ 83,500	\$ 218,700	
Training		\$ 12,000	\$ 12,000	\$ 12,000	\$ 36,000	
Communication		\$ 10,000	\$ 32,000	\$ 20,000	\$ 62,000	
Promo		\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500	
Commission/ Discounts	20%	\$ 28,800	\$ 37,400	\$ 50,000	\$ 116,200	
% of Total Sales		12%	22%	25%		
Retail	Total:	\$ 75,100	\$ 67,800	\$ 67,500	\$ 210,400	
Training		\$ 12,000	\$ 12,000	\$ 12,000	\$ 36,000	
Communcation		\$ 22,000	\$ 22,000	\$ 22,000	\$ 66,000	
Promo		\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500	
Commission/ Discounts	10%	\$ 39,600	\$ 32,300	\$ 32,000	\$ 103,900	

% of Total Sales		33%	38%	32%		
Direct Marketing	Total:	\$ 23,900	\$ 35,500	\$ 26,500	\$ 85,900	
Direct Mail	Total:	\$ 23,900	\$ 35,500	\$ 26,500	\$ 85,900	
>HR - Cost		\$ 1,400	\$ 4,000	\$ 4,000	\$ 9,400	
>Material		\$ 21,000	\$ 30,000	\$ 21,000	\$ 72,000	
>Postage		\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500	
>% of Direct Marketing Sales		50%	50%	50%		
Total Expenses		\$ 380,800	\$ 398,200	\$ 434,500	\$ 1,213,500	

A third example is illustrated in Table 3.3. This is a channel-specific budget that an employee would submit to their marketing manager or Chief Marketing Officer for approval or inclusion in their integrated marketing plan budget. Table 3.3 is a snapshot of a social media marketing budget.

Table 3.3 Social media marketing budget

Category	Total Budget	% of Budget	Amount spent to date	Budget remaining	% of Budget remaining	Q1		
						Jan	Feb	Mar
Content Creation	\$ 23,000	6%	\$ 3,050	\$ 19,950	87%	\$ 1,800	\$ 1,250	
Content Management	\$ 18,000	5%	\$ 2,200	\$ 15,800	88%	\$ 1,100	\$ 1,100	
Licensed Content	\$ 1,200	0%	\$ 200	\$ 1,000	83%	\$ 100	\$ 100	
Human Resources - Cost	\$ 110,000	29%	\$ 18,250	\$ 91,750	83%	\$ 9,125	\$ 9,125	

Advertising	\$ 86,000	23%	\$ 15,000	\$ 71,000	83%	\$ 7,500	\$ 7,500	
Promotions	\$ 18,000	5%	\$ 2,200	\$ 15,800	88%	\$ 1,100	\$ 1,100	
Agency Fees/ Retainer	\$ 26,000	7%	\$ 3,960	\$ 22,040	85%	\$ 1,980	\$ 1,980	
Hardware	\$ 14,000	4%	\$ 2,200	\$ 11,800	84%	\$ 1,900	\$ 300	
Software Licenses	\$ 11,500	3%	\$ 10,000	\$ 1,500	13%	\$ 10,000		
Graphic Design	\$ 46,000	12%	\$ 4,800	\$ 41,200	90%	\$ 2,200	\$ 2,600	
Video Production	\$ 24,000	6%	\$ 6,500	\$ 17,500	73%		\$ 6,500	
Totals	\$ 377,700		\$ 68,360	\$ 309,340		\$ 36,805	\$ 31,555	

Budgets help dictate the roadmap of how you will achieve your marketing goals. Every budget tells a story and where you allocate dollars shows where your priorities are and how you believe these will be materialized.

3.2 Develop a Marketing Budget

When the marketing manager is tasked with developing and overseeing a budget, their internal monologue should ask a series of questions. Whether you are new to the organization or validating annual budget processes, Table 3.4 will get you started.

Table 3.4 Budget-related questions

Sr. No.	Questions
1.	What is the company's budget planning cycle?
2.	What are your department's current and projected budgets?
3.	How has your department built budgets in the past? Is this method the same or different from other departments?
4	What is the risk appetite of your organization? Is your company comfortable spending money on tactics that are new and innovative or tried and true? This is also meaningful as you manage expectations for ROI.
5	Does the strategic planning cycle coincide with the budget cycle? Or, is there a likelihood that direction could change after initial budget allocations are set?
6	Who needs to be involved in the budget planning process? For example, you will likely want to consult your functional leads, e.g., digital marketing manager, content marketer, sales lead, etc. to understand their goals, annual aspirations, and explore any trends they are seeing that will help you determine spend allocation and set an optimization cadence.
7	What is the budget approval process? This is particularly

important to understand so you know if your budget will be presented to a steering group, board of trustees, or reviewed exclusively within your own department.

8 Are there any constraints to consider? For example, there is a new strategic plan being developed for next year that will yield an onslaught of new initiatives and possibly require reconfigured resources from your department, the company wants to grow the marketing analytics and search engine optimization services of the business so you'll want to consider if a current resource can be repurposed, if you'll be able to add overhead, or review your existing contracts with vendors to ensure you're able to negotiate rates or sunset contracts, as needed.

9 What is your Chief Financial Officer's (CFO) view on marketing? Are they a supporter? Resistor? Advocate? What is your relationship with the CFO?



Tip

Before creating your marketing budget, make sure to understand how marketing budgets are structured in your organization and what funding sources are available. This may appear unrelated to your budget planning, but it is ideal to have a level of transparency into how your organization allocates and spends marketing dollars to continue optimizing

performance and aligning expectations. It's also helpful to know funding options if you're fighting for dollars.



Activity

Using the questions in Table 3.4, think of a current or future budget you will be developing. Respond to each of these questions to see how well you know your organization.

Sr. No.	Question	Response
1	What is the company's budget planning cycle?	
2	What are your department's current and projected budgets?	
3	How has your department built budgets in the past? Is this method the same or different from other departments?	
4	What is the risk appetite of your organization? Is your company comfortable spending money on tactics that are new and innovative	

or tried and true? This is also meaningful as you manage expectations for ROI.

5 Does the strategic planning cycle coincide with the budget cycle? Or, is there a likelihood that direction could change after initial budget allocations are set?

6 Who needs to be involved in the budget planning process? For example, you will likely want to consult your functional leads, e.g., digital marketing manager, content marketer, sales lead, etc. to understand their goals, annual aspirations, and explore any trends they are seeing that will help you determine spend allocation and set an optimization cadence.

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8 Are there any constraints to consider? For example, there is a new strategic plan being developed for next year that will yield an onslaught of new initiatives and possibly require reconfigured resources from your department, the company wants to grow the marketing analytics and search engine optimization services of the business so you'll want to consider if a current resource can be repurposed, if you'll be able to add overhead, review your existing contracts with vendors to ensure you're able to negotiate rates or sunset contracts, as needed.

9 What is your Chief Financial Officer's (CFO) view on marketing? Are they a supporter? Resistor? Advocate? What is your relationship with the CFO?

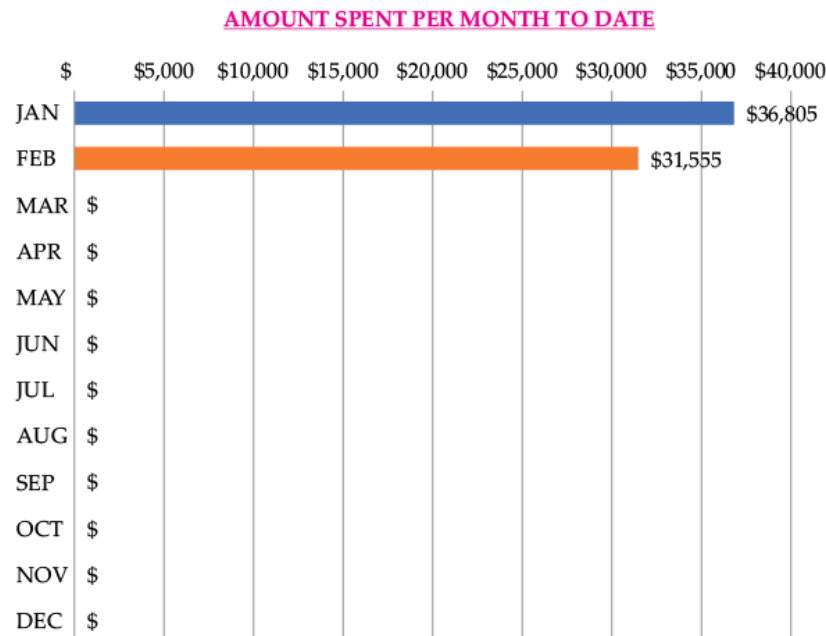


Discussion

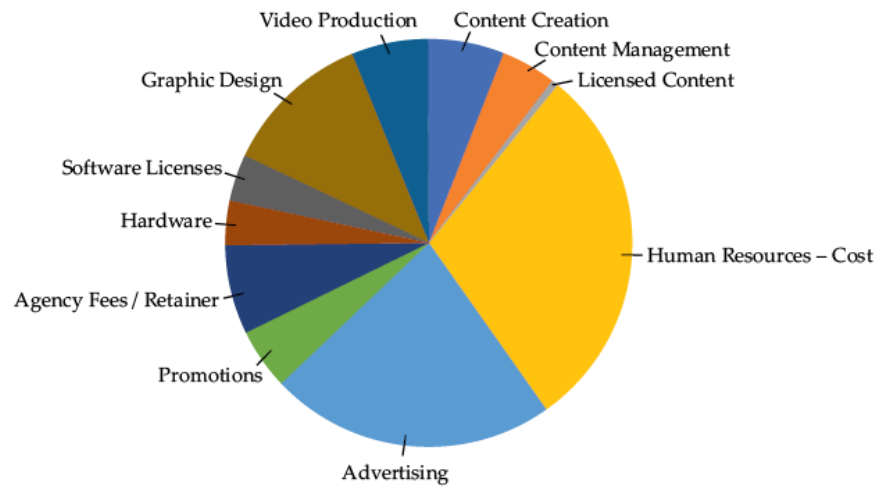
If you do not have clarity on the items listed above, what should you do? How can you obtain this information that will help inform your budget evaluation and allocation?

When determining the format you will use for the marketing budget, be thinking about your audience and how they will prefer to see the budget progress. For example, Figure 3.1 demonstrates how your budget spend can be visualized.

Figure 3.1 Budget spend



% OF BUDGET BY CATEGORY



Activity

It is the beginning of the fiscal year, you created your marketing department budget that includes staffing, allocations for campaign tactics, and resources earmarked toward ongoing marketing subscriptions. This budget was presented and approved by senior leadership. Mid-year, you get an email that your product team is concerned about a trending decline in sales. The Vice President of Sales needs a marketing campaign to grow their customer acquisition pipeline and upsell their current customer base.

You didn't budget for this, but your team develops a marketing plan with a campaign budget of \$250,000. This "emergency campaign" needs to come out of your budget. Thus, you

must find a way to reallocate current budget line items while continuing to do the work you already promised.

- 1. How might you address the following scenario? Be mindful of the other items in your budget that will be impacted.
- 2. Write down questions you might ask and steps you could take to deliver against this new request, e.g. Is this expected to be a one-time initiative or multi-year effort that needs to be planned for next year?
- 3. Brainstorm Impact and Risk for the ways you’re thinking of addressing this scenario. Refer to Table 3.5 as an example.

Table 3.5 **Impact and Risk Assessment**

Approach	Impact	Risk (High, Medium, Low)
Decrease the amount allocated toward freelancers	In-house team will need to absorb the work of the freelancers	Low: While a line item was dedicated to freelancers, last year the department underspent for this resource, so it’s a relatively low risk that the team will be asked to absorb much, if any, additional work. Risk that I’ve taken too much

money from this “bucket.”

Information is currency. And, it is a necessary input when building a strong marketing budget.

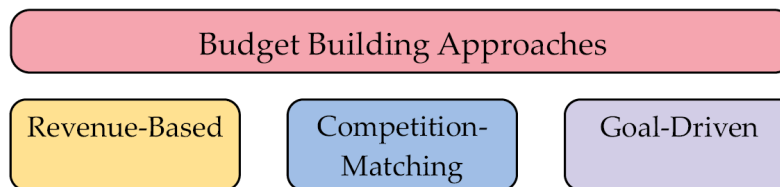
Whenever possible, strive to budget against your organization's strategic vision, not simply your department's view of the world. This approach will help you identify efficiencies, opportunities for collaboration, and ways to provide more value.

3.3 Budget approaches

Regardless of the one that is selected, marketing management requires the continued monitoring, refining, and optimizing of performance.

We will dive into three budgeting approaches, shown in Figure 3.2, and how to apply them to marketing budgets.

Figure 3.2 Budget approaches



Revenue-Based: This is also referred to as the percentage method where a percentage of projected revenues are allocated to marketing. When your organization uses this approach, they clearly see marketing as a revenue-generating unit rather than an expense center. This also means that marketing initiatives are

directly tied to company revenue goals.

If a part of your marketing department operations includes services that are not quantifiable nor tied directly to revenue goals, e.g., internal communications then be sure to clearly articulate either how this portion of your department requires a different set of expectations and possibly an alternate funding source. With revenue-based budgeting, it's assumed that you have a clear, annual, or multi-year goal - a "North Star." If you lack direction on your annual revenue targets, this will be a challenging method to use as you try to tie your return-on-investment directly to revenues.

As points of reference and consideration, the U.S. Small Business Administration recommends that businesses making less than \$5 million annually should set aside about 8% of their gross revenue for their marketing budget. Small businesses (85) were also surveyed and more than half had a monthly spending between \$5,000–\$15,000 on marketing and 16% spent more than \$15,000 according to a 2022 Databox survey. Figure 3.3 shows how this breaks out by firm/industry.

Figure 3.3 Firm/Industry breakouts

<u>Economic Sector</u>		
	% Budget	% Revenue
B2B Product	10.9%	8.5%
B2B Services	7.9%	10.3%
B2C Product	17.8%	16.1%
B2C Services	15.0%	10.0%
<u>Industry Sector</u>		
	% Budget	% Revenue
Top Sectors	Consumer Packaged Goods (22.6%)	Communications/ Media (19.4%)
Bottom Sectors	Mining/ Construction (3.8%)	Mining/ Construction (3.5%)

Source: Christine Moorman. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

Competition-Matching: This is an arms race that can be tempting to pursue, but may not yield the results your organization is hoping for. Why? The competition-matching method leaves you at the mercy of your competition's spending rather than your own. Their allocations and business strategy may be different than yours, but the fight for audience attention and brand recognition drives this method. Be mindful that just because you budget the same amount of money, your outcomes may be different than your competitors. This, and your assumptions about their outcomes may be inaccurate.



Tip

Information about your competitor's marketing spend is more difficult to acquire, however, there are trend reports from leading companies like Gartner that can be trusted for these types of insights. Additionally, you can use tools like SEMRush for a more micro view of channel spend and market share analysis. Depending on your industry, there may also be conferences as we have in higher education that allow for colleague networking where these details are shared.

Another tool to review during budgeting is Moat. While this tool will not provide marketing spend, it will show you what other brands are saying in their digital advertising. This allows you and your team to confirm that a competitor is allocating spend to display advertising and design marketing campaigns advantageously.

Goal-Driven: The Goal-Driven approach ensures you are crafting and refining your budget against a set of specific goals and strategies. With this approach, you can take into account past performance, customer behavior, and desired outcomes to build a tailored budget.

If your Goal-Driven budget is in pursuit of new customer acquisition, you should appropriately budget for this outcome by identifying the goal number of new customers and the cost to

acquire a new customer. These two numbers are multiplied then fixed costs are added. For example, your team determines that the cost-per-acquisition is \$500 and you need to gain 1,000 new customers. Your fixed costs are \$50,000.

Your budget would be: $(500 \times 1,000) + \$50,000 = \$550,000$

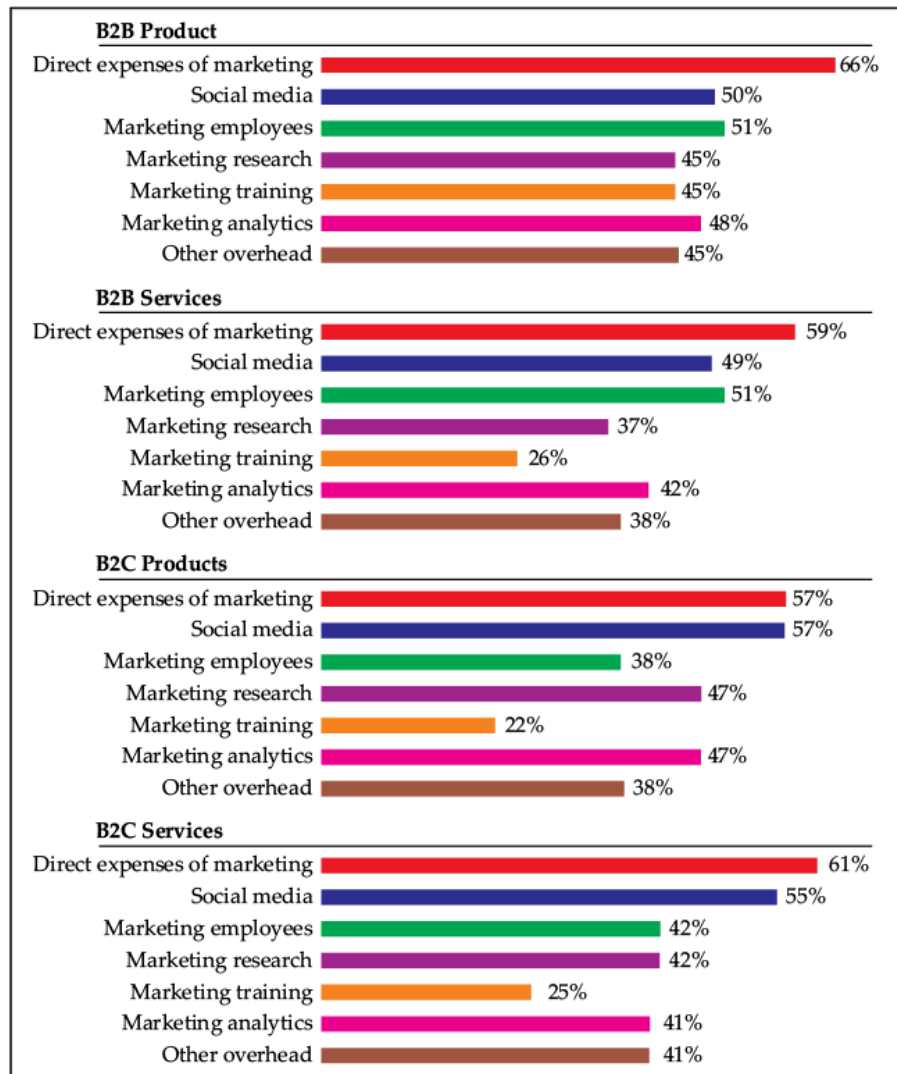
3.4 Marketing Spend Trends

The COVID-19 pandemic will forever be a “blip” that impacted marketing spending in ways that were unanticipated. However, as people, businesses, and operations settle into their new normal, we can feel more confident in our marketing planning and budget forecasting.

Figures 3.4 - 10¹ provide insight that you can use when benchmarking and developing a marketing budget. From expenses by industry to trends in digital and traditional advertising spend, these are data that serve as a guide for you and your team.

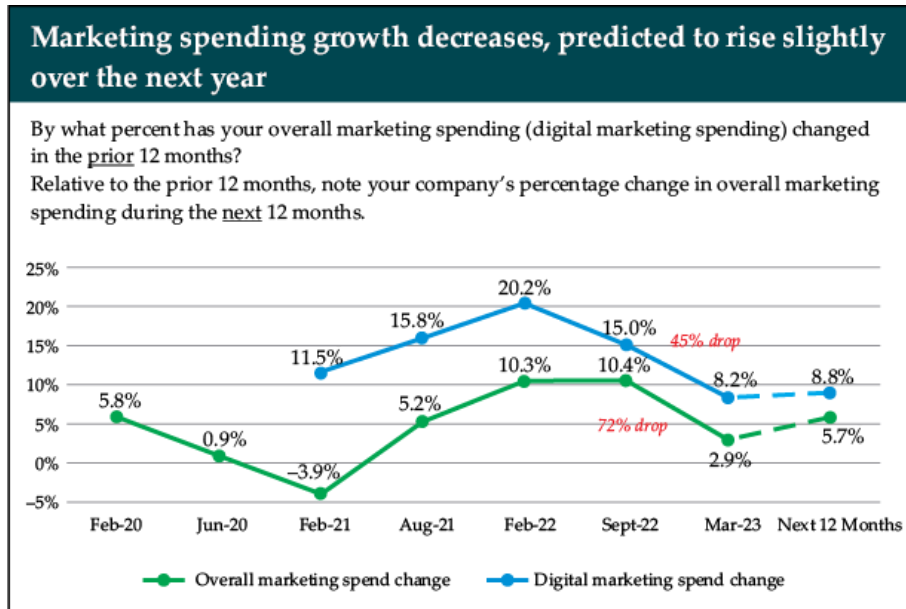
Marketing expenses in your company include the following (review all that apply).

Figure 3.4 Marketing expenses by industry



Source: Christine Moorman. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

Figure 3.5 Digital marketing growth

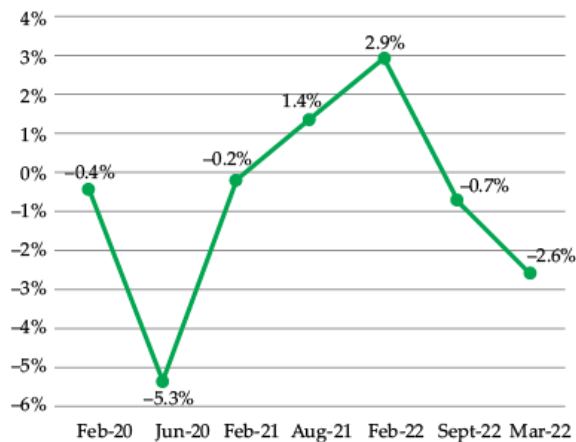


Source: Christine Moorman. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

Figure 3.6 Traditional advertising spend change

Traditional advertising marketing spend continues to dip into pre-Covid negative growth territory

Relative to the prior 12 months, by what percent do you expect your marketing budget to change in the next 12 months in traditional advertising?

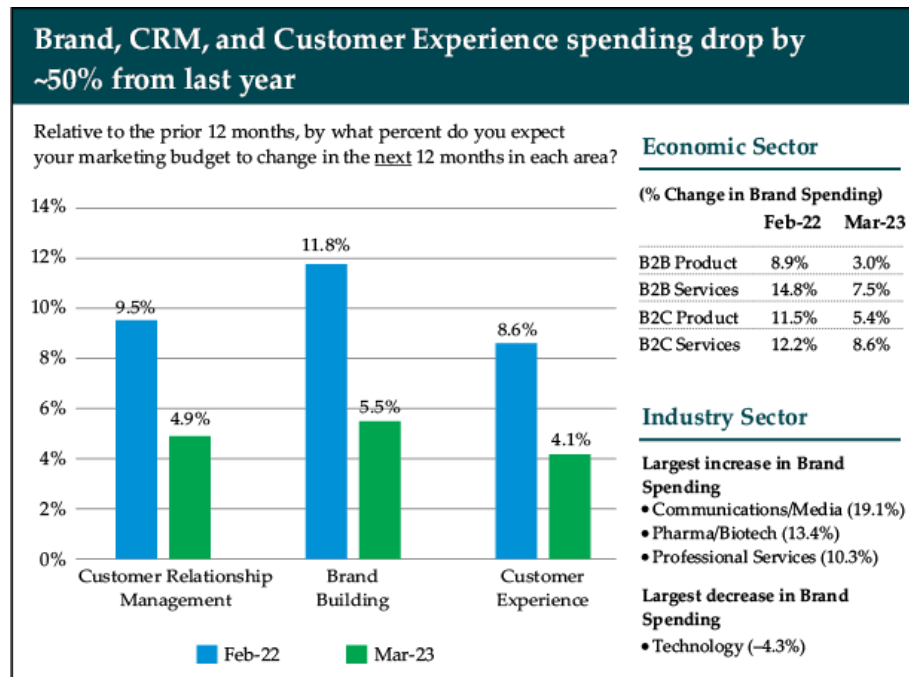


Insights

After traditional advertisement spend hit an all-time high one year ago, it once again reverts to a decade-long trend of negative growth. All economic sectors have taken a dip in traditional advertising spending, with B2B Product dropping the most (-3.6%). Among industries, Technology reports the largest drop in traditional advertising investments (-6.1%). In contrast, Energy plans to invest most heavily in this area with an additional 7% of marketing budget on traditional advertising spend over the next 12 months, surpassing all other industries. Medium-sized companies (with <\$500-\$999 million in sales revenues) expect a small increase of spend in this area (0.6%) while smaller and larger companies plan to decrease spend.

Source: Moorman, Christine. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

Figure 3.7 Brand and customer relationship management budget trend



Source: Christine Moorman. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

According to the research summary from The CMO Survey, “marketing budget as a percentage of company budget dropped to 12.3%, near pre-Covid levels. However, the marketing budget as a percent of company revenues rose to 10.9% from 8.7% in September.” ²



Tip

Your organization may need to outsource certain marketing functions. Though this may

be more expensive in the long term, the urgency of the skills may be worth the immediate expenses. According to the Drift Research *Marketing Leadership Benchmark Report*, between 10-20% of marketing budgets are allocated to outsourcing. The more common functions are:

- Web development
- Creative/Design
- Paid acquisition marketing (PPC, Ads)
- Content marketing
- Public Relations/Brand Marketing/Strategy

Take note of these skills and if you have an opportunity to expand your skill set, you will provide your organization with an in-house option that may significantly reduce their expenses while growing their internal pipeline of talent.

The CMO Survey along with research from Gartner and Drift provides insight into what's next in the common channels and areas of marketing budget allocation.

Whether you subscribe to Revenue-Based, Competition-Matching, or Goal-Driven approaches, it's critical to know the landscape for your industry to help plan and manage organizational expectations.

3.5 Build A Budget

Now it's time to actually build your marketing budget so let's assume you already have a solid understanding of your organization's budget practices and you have determined which budget approach to use. These three steps, shown in Figure 3.8, articulate a simplified version of how to build your marketing budget.

Figure 3.8



1. Brainstorm some of the first questions you might ask. For example:

- What is the funding source?
- Is there a not-to-exceed budget number in place? Or, is this a Goal-Driven budget?
- Who is the approving authority?

- d. How will the work outlined in the marketing plan get done?
What resources are in place or need to be acquired?

2. Create your marketing plan in tandem with your budget.

Recall in Chapter 2 that you learned how to develop a marketing plan. The more informed and strategic your marketing plan, the more precise your budget will be. Below are ideas to get you started as you create your marketing plan that goes hand-in-hand with your budget.

3. Gather internal and competitor insight.

What do we know about how our audience is reached, what our competitors are spending, and their combination of tactics?

4. Create SMART goals for your marketing campaign.

These are essential to a successful marketing plan and equally so for budget building. For example, if your company needs to bring a new product to the market versus increasing overall sales by 5%, generate 100,000 new leads through the website. The budget is greatly impacted by the goal, resources, and timeline required by the marketing plan.

5. How will you monitor and adjust your budget throughout the campaign, if needed?

Early into the campaign, the marketing team realizes that print ads with QR codes are not generating the website traffic they expected and the cost for placement is too high to justify the minimal return. The team decided to invest more heavily in social media ads. How will you be made aware of this as the marketing manager overseeing the budget? Should you have a say?



Tip

A SMART goal is an effective way to create actionable plans. SMART stands for specific, measurable, achievable, relevant, and time-bound.

3.6 Case Study: Lessons Learned

Documenting, and reflecting upon, lessons learned is critical to future success. Table 3.3 gives examples of a collection of lessons learned from marketing professionals.

Table 3.6 Lessons Learned

The mistake	The lesson learned
Not understanding your place in the organization.	You need to know how you fit into the budget process to ensure you include the appropriate stakeholders, receive the right inputs, and package the budget to sell it to the approving authorities. If you are the approving authority, then you need to recognize this as well and present the budget in a way that is easy for your team to understand.

The timing was off.

In marketing, a call for a campaign may be out of sync with the organization's budget cycle. This might mean that you are asking for new dollars ad hoc or you need to re-allocate your existing department budget.

Make sure you have visibility into your company's budget cycle and process to ensure you know when other areas of the organization are competing for dollars and when your marketing initiative could be seen as "unplanned."

Underestimated the impact of re-allocation.

Picture this: It is the beginning of the fiscal year, you created your marketing department budget that includes staffing, allocations for campaign tactics, and resources earmarked toward ongoing marketing subscriptions. This budget was presented and approved by senior leadership. Mid-year, you get an email that your product team is concerned about a trending decline in sales. The Vice President of Sales needs a marketing campaign to grow their customer acquisition pipeline and upsell their current customer base.

You didn't budget for this, but your team develops a marketing plan with a campaign

budget of \$250,000. This “emergency campaign” needs to come out of your budget. Thus, you must find a way to reallocate current budget line items while continuing to do the work you already promised.

Overestimated the capacity of the people actually doing the work.

This is painful to learn in real life because this mistake can have a longer impact on office culture and morale.

Picture this scenario: You worked with senior leadership to satisfy what we believed would reach our annual performance metrics - based solely on campaign revenues. The budget allocations were precise, organized, and on par with the latest mix of tactics. The problem? You inaccurately projected the resource capacity of the people actually doing the work. This became apparent when competing priorities created tensions that eventually boiled to the surface. You then needed to dip into your contingency dollars, which was allowed, but not ideal during the Q1-Q2 timeframe. A combination of freelance and outsourced vendor talent was acquired and was only possible because you had a contingency reserve.

Always try to build a contingency budget. Call it a rainy day reserve, if needed, but try to create

your budget with one in mind.

Rushed the
process.

Don't worry so much about the total department budget that a constraint is placed on the marketing strategy and creative teams. You can indicate a range, but a more effective approach is to manage expectations that your role is to take their "blue sky" thinking and align it with the budget - working collaboratively with the team on any trade-off decisions.

Having regular check-ins as their thinking progresses, will also indicate earlier rather than later if the potential marketing plan will need \$10,000 or \$1M.

Quiz

- 1. What does SMART stand for?**
 - a. Strategic, Measurable, Assessment, Relevant, Timely
 - b. Specific, Measurable, Actionable, Reliable, Timebound
 - c. Strategic, Measurable, Actionable, Relevant, Timebound
 - d. Specific, Measurable, Achievable, Relevant, Timebound

- 2. Marketing departments should be _____, not expense centers.**
 - a. revenue generating units
 - b. efficient
 - c. strategic and effective
 - d. inexpensive

- 3. The Goal-Driven approach ensures you are crafting and refining your budget against a set of _____.**
 - a. specific goals and KPIs
 - b. metrics
 - c. research and tactics
 - d. specific goals and strategies

- 4. In a Goal-Driven approach, you add the goal number of new customers and the cost to acquire a new customer.**
 - a. True

b. False

5. One of the tools to research competitor's spending is _____?

- a. Moot
- b. SEM Rush
- c. SEM Tactics
- d. Both a and b

6. SEM Rush, Moat, and _____ are ways to research your competitor's marketing.

- a. conferences
- b. word-of-mouth
- c. None of these
- d. Google searches

7. The U.S. Small Business Administration recommends that businesses making less than \$5 million annually should set aside what percentage of their gross revenue for their marketing budget?

- a. 10%
- b. 20%
- c. 8%
- d. 5%

8. How many budget-building approaches are covered in this chapter?

- a. Four
- b. Three
- c. Six
- d. Five

9. When developing a marketing budget, information is _____?

- a. crucial
- b. currency
- c. up in the air
- d. uncertain

10. Which of these is NOT a lesson learned?

- a. Underestimated the impact of re-allocation.
- b. The timing was off.
- c. Not understanding your place in the organization.
- d. An undefined vision of the organization.

Answers	1 – d	2 – a	3 – d	4 – b	5 – b
	6 – a	7 – c	8 – b	9 – b	10 – d

Chapter Summary

- A marketing budget is a comprehensive allocation of all activities being performed that “market” the business.
- A marketing budget allocation indicates your ceiling for each item in your marketing strategy.
- Three steps to building a marketing budget are: identify your goals, know your audience, and determine your marketing channels.
- There are three types of budget approaches defined in this chapter: Revenue-Based, Competition-Matching, and Goal-Driven.
- The U.S. Small Business Administration recommends that businesses making less than \$5 million annually should set aside about 8% of their gross revenue for their marketing budget. Small businesses (85) were also surveyed and more than half had a monthly spending between \$5,000–\$15,000 on marketing.
- Budgets help dictate the roadmap of how you will achieve your marketing goals.
- It’s important to know how you (and your

budget) fit in the organization's budget process to ensure you include the appropriate stakeholders, receive the right inputs, and package the budget to sell it to the approving authorities.

1. The CMO Survey is an objective source of marketing information and a non-commercial service dedicated to the field of marketing. Sponsors for the 30th edition include Deloitte LLP, Duke University's Fuqua School of Business, the Coach K Center for Leadership and Ethics, and the American Marketing Association.

2. Christine Moorman. 2023. Review of The CMO Survey Highlights and Insights Report. CMO Survey. https://cmosurvey.org/wp-content/uploads/2023/03/The_CMO_Survey-Highlights_and_Insights_Report-March_2023.pdf.

Chapter 4

Marketing Return-on-Investment

You measure what you value. And, you allocate a budget to what you value. This begins at the organizational level with strategic planning and cascades to business units, departments, and individual employee performance.

As you learned in a previous chapter, marketing should be a value-add to the organization that advances its goals. Whether your marketing budget is a percentage of company revenue or developed bottom-up to attain a specific goal, once the marketing plan and budget are set, it's critical to reach an agreement on what indicators will be measured and monitored along the path to achieving the outlined goal(s). Marketing return-on-investment (mROI) is the proof point needed to sell your organization, or Chief Financial Officer, on the performance of marketing efforts and tactics.

In this book, you learned about some of the essential marketing skills needed for a successful career. Possessing the analytical skills and knowledge of how to set up, measure, and optimize mROI is near the top of the list for marketing managers and senior leadership. These skills are foundational to ensuring the development of high-performing budgets that

are allocated using data-driven insights and justified spending.

Key learning objectives should include the reader's understanding of the following:

- Definition and purpose
- Calculating mROI
- Deciding what to measure
- Performance benchmarks

4.1 What is Marketing Return-on-Investment

Marketing return-on-investment (mROI), also known to marketers as return-on-marketing investment (ROMI), is a practice to determine the efficacy of marketing campaigns, specific channels, and overall impact on the organization's bottom line. On paper, mROI is straightforward. You want to make more than you spend.

For marketing departments to earn the reputation as “value and revenue-generating units” rather than expense centers, we are compelled to measure what we can while managing expectations about what we cannot fully attribute. mROI is illustrated as a percentage and its simplest formula is:

$$\text{mROI} = \frac{(\text{Revenue Growth} - \text{Marketing Costs})}{\text{Marketing Costs}} \times 100\%$$

For example, if your team told you that the recent marketing campaign broke even, what might this look like using the formula?

$$\text{mROI} = \frac{(\$1,500 - \$1,500)}{\$1,500} \times 100\%$$

Your mROI is 0%.

If you're in the business of lead generation, then mROI can be measured by identifying the following items:

- **The percentage of leads that became customers**, e.g., your lead-to-customer rate is 10% if 10 out of 100 leads became customers.
- **Marketing spend (\$)**: This is where you'll want to understand what you're considering a marketing cost; is it simply the spend on advertising or are salaries part of the equation?
- **Sales price (avg)**: Using an average helps your marketing team account for seasonable discounts or price fluctuations.
- **Number of leads**: Just because someone clicked on a display advertisement doesn't mean they became a lead. Perhaps you need someone to click on your ad, land on a webpage, and signup for a newsletter by inputting their email address. That conversion is your lead. The person who simply clicked your ad is part of your cost-per-click for the display advertisement tactic.

This is the formula.³

$$\left[\frac{(\text{number of leads} \times \text{lead-to-customer rate} \times \text{average sales price}) - \text{cost or ad spend}}{\text{cost or ad spend}} \right] \times 100.$$

However, marketers don't have time to crunch these numbers. Luckily there are ROI calculators with these formulas built in.

Marketing ROI becomes cloudy when determining attribution. For example, let's say your customer sales cycle is 1 year and your

marketing team launches an annual marketing campaign. Your customers' buying cycle doesn't precisely sync with the date your team goes live with a campaign - some customers have seen your brand in the market in previous years, during previous campaigns, or have heard about your product through word-of-mouth.

So, how confident are you that the sales goals and/or revenue was generated directly from your marketing campaign tactics? A way to account for benefits from long-term efforts is to use the following formula that subtracts "organic growth." You can identify organic growth by looking at a 12-month sales trend before launching a campaign. This isn't always possible, but marketing campaigns don't launch overnight so as soon as you begin planning, start observing the sales (or growth) trend. For example, if the 12-month average is 10%, then the formula below should subtract 10% from the revenue growth you're seeing during a campaign.

$$\text{Marketing ROI} = \frac{(\text{Revenue growth} - \text{avg organic revenue growth} - \text{marketing cost})}{\text{Marketing cost}}$$

Some of the first questions to ask senior leadership before launching a campaign or even as far upstream as annual planning sessions are:

- How comfortable is the organization about making assumptions about attribution?
- What level of detail needs to be obtained to prove mROI and show investment value?
- Who are the key stakeholders who will be interested in these mROI and what are their expectations?

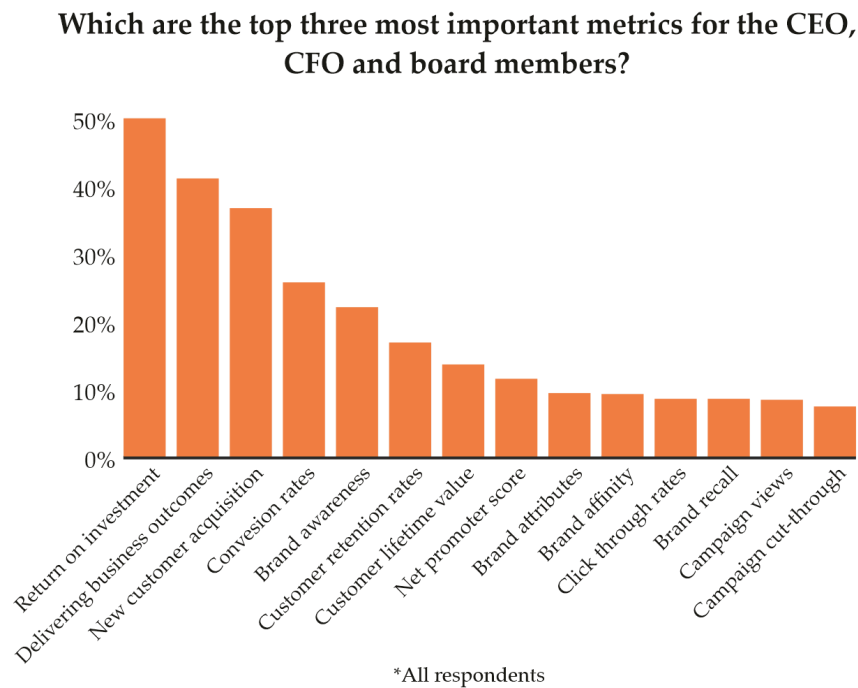
It is not uncommon for the marketing and finance departments to be at odds. One of the reasons is mismanaged expectations and buy-in on goals. A Chief Financial Officer (CFO) is responsible for the bottom line. If your marketing campaign is a 2-year brand awareness effort, direct attribution to short-term sales revenue is not your goal. Therefore, this might translate to your CFO as purely a cost center rather than an investment or revenue-generating unit. Thus, it is highly beneficial to receive clarity on the questions listed above, to be transparent about the goals of various marketing tactics, and campaigns, and to be over-communicative about industry benchmarks and expectations.

4.2 Determine What To Measure

What should you measure? The truth is...everything you can. If you are running a B2C marketing campaign, the chances are that you have a 60% digital tactic mix. If marketers should measure everything they can, then the follow-up is, “What matters most?”

In the 2022 Marketing Week Language of Effectiveness Survey (see Figure 4.1), which captured data from more than 1,600 marketers, we can see that the most significant metrics for executives are: ROI, delivering business outcomes, and new customer acquisition. This makes sense because there is no mission without margin. These metrics offer proof that investments are allocated properly and that marketing is advancing the organization toward achieving its mission.

Figure 4.1 Top most important metrics for the CEO, CFO, and board members



Source: Charlotte Rogers. 2022. "'Marketers Need to Get Real': Addressing the Significance of ROI." Marketing Week. September 7, 2022. <https://www.marketingweek.com/addressing-significance-of-roi/>.



Tip

A marketer's ability to analyze, optimize, or course correct is essential to ensuring that the budget goes toward the highest value tactic(s). For example, a leading indicator of customer email acquisitions might be email open rates (minus unsubscribes).

When presenting initial findings to senior leaders, make sure to provide insights and recommendations for actionable next steps.

Illustrating cost-per-conversion metrics is a way to effectively identify low-performing campaigns to team members.

Thankfully, search engines and tracking is both advanced and accessible whether you're at a small business or a publicly traded company. There are also marketing mix software available to help marketers extract mROI and attribute more precisely. You can measure performance in a long-term campaign view with media mix modeling (MMM) while multi-touch attribution (MTA) enables marketers to be more granular by capturing consumer-level digital engagement. Another option is using a platform for unified marketing metrics (UMM), which allows marketers to have a more holistic view of digital and offline campaign performance. Regardless of the approach, knowing the terminology, and stakeholder expectations of proving mROI are key to implementing tracking and interpreting results.

Table 4.1 outlines the terms from Marketing Evolution's marketing dictionary that you should know as you plan, implement, analyze, and optimize your marketing tactics.

Table 4.1 Marketing metric definitions⁴

Term	Definition
Impact Measurements	Impact measurements are the metrics to which marketers refer to understand their progress toward a key goal. <i>These measurements look beyond</i>

	<i>basic information to understand how marketing is affecting the bottom line, how efforts are shaping the customer journey, etc.</i>
Impact Data	This refers to KPIs such as sales, brand awareness, downloads, etc.
Gross Rating Point (GRP)	The GRP represents 1 percent of the target market reached. <i>If a campaign has 5 GRPs, it is reaching 5 percent of the target audience being measured. GRP is often determined by multiplying the reach of an ad or campaign by the frequency of ad exposure.</i>
Bounce Rate	This refers to when visitors leave a website after only viewing one page. <i>A high bounce rate is typically negative, as marketing teams want to move consumers from discovery pages, such as blog posts, to converting pages.</i>
Churn Rate	Churn refers to customer loss. <i>Thus, the churn rate measures how many customers have left your brand or organization over a given period of time.</i>
Click Through Rate (CTR)	Click-through rate measures the ratio of how many people will click on an ad when they see it. <i>This is done by dividing the clicks on the ad by the number of times the ad is shown.</i>

Cost Per Click (CPC)	CPC measures how much it costs to earn each click on an ad. <i>If an ad is shown 100 times for \$1 per display, and only 1 person clicks it, the brand is paying \$100 per click, which means the ad may not be worth the spend.</i>
Cost Per Thousand (CPM)	This is a ratio determined by measuring the cost of reaching 1,000 people.
Impressions	In digital marketing, impressions refer to how many times an ad or message was displayed, regardless of whether it was displayed to unique or repeat consumers.
Cost Per Impression (CPI)	The cost amount an advertiser pays for each impression in an online campaign.

4.3 Performance Benchmarks

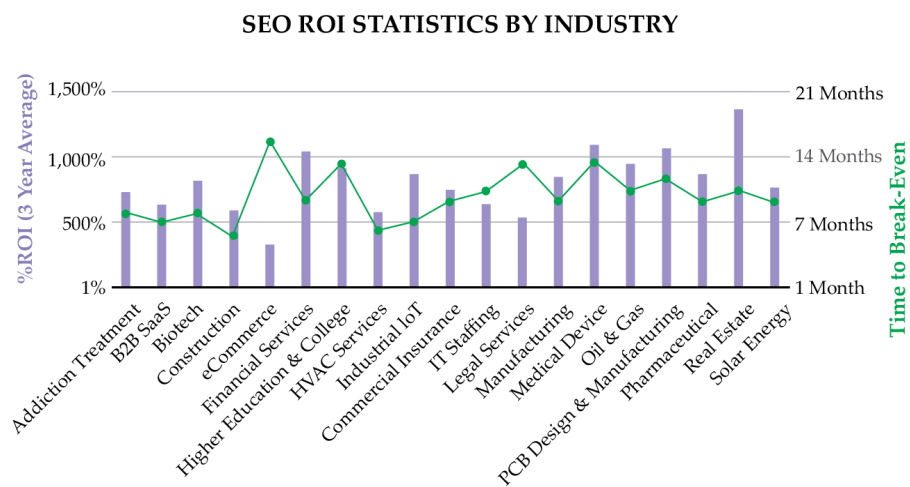
Your mROI is an input for budget planning so it is important to have working knowledge of trends to help manage expectations about potential return-on-investment and to more effectively collaborate with the budget manager to establish the allocations for the campaign. Though benchmarks vary by industry, channel, e.g., display, email marketing, and type of business, e.g., B2B versus B2C, it is a starting rule of thumb that mROI should earn you \$5 for every

dollar spent and returns less than 200% (\$2 for every dollar spent) are critically reviewed.

Let’s summarize marketing channel benchmarks.

According to First Page Sage, the 2023 average SEO ROI is 825%. The ROI is illustrated by industry in Figure 4.2.

Figure 4.2 **SEO ROI statistics by industry 2023**



Ninety-five percent of marketers who use generative AI for email creation rate it “effective”⁵, with 54% rating it “very effective.” Despite email being a ubiquitous marketing tactic, the level of investment continues to rise as marketers sharpen their content, automation, and segmentation strategies, as shown in Figure 4.3.

Figure 4.3 **Email marketing revenue**



Source: Statista. 2023. "Email Marketing Market Value 2027." Statista. January 6, 2023.

<https://www.statista.com/statistics/812060/email-marketing-revenue-worldwide/>.

A mix of marketing tactics commonly includes search engine ads, e.g., primarily Google. Thus, the terminology you learned earlier in this chapter is a prerequisite to placing, analyzing, and optimizing these types of ads. Benchmarks, shown in Figure 4.4, vary so you will want to drill into the CPC, CPL, CTR, and CVR performance for your industry to ensure your expectations, and those of your stakeholders, are managed.

Figure 4.4 Average CPC, CPL, CTR, and CVR benchmarks per industry

	Avg. Cost Per Click (\$)	Avg. Cost Per Lead (\$)	Avg. Click-Through Rate (%)	Avg. Conversion Rate (%)
Animals & Pets	3.13	23.57	8.12	13.41
Apparel/Fashion & Jewelry	2.72	72.24	6.46	1.57
Arts & Entertainment	1.55	76.71	11.78	3.03
Attorneys & Legal Services	9.21	111.05	4.76	7.00
Automotive - For Sale	2.08	42.52	8.77	5.72
Automotive - Repair, Service & Parts	3.06	21.12	5.91	12.61
Beauty & Personal Care	2.89	36.97	6.87	8.16
Business Services	5.47	87.36	5.11	4.94
Career & Employment	3.78	132.95	6.67	3.11
Dentists & Dental Services	6.69	65.37	5.34	10.40
Education & Instruction	4.10	62.80	6.41	7.07
Finance & Insurance	4.01	90.02	6.18	4.11
Furniture	2.77	107.85	6.19	2.57
Health & Fitness	4.18	51.42	6.44	8.40
Home & Home Improvement	6.55	66.02	4.80	10.22
Industrial & Commercial	4.35	59.74	5.57	7.91
Personal Services	3.90	40.85	7.54	8.70
Physicians & Surgeons	3.97	37.71	6.73	13.12
Real Estate	1.55	66.02	9.09	2.88
Restaurants & Food	1.95	34.81	8.65	5.06
Shopping, Collection & Gifts	2.44	31.50	6.39	3.69
Sports & Recreation	1.77	31.82	10.53	5.69
Travel	1.63	62.18	10.03	3.87

Source: Susie Marino. 2023. "Google Ads Benchmarks 2023: Key Trends & Insights for Every Industry." WordStream. 2023.

<https://www.wordstream.com/blog/ws/2023/05/15/google-ads-benchmarks>.

Being a successful marketer means you must be analytical, strategic, and a lifelong learner. Remember, when demonstrating mROI, consider your audience. Executives are looking for a more high-level view of leading indicators and actionable next steps toward achieving goals and driving revenue whereas your team is interested in the nuts and bolts of specific tactic performance. Regardless of your audience, mROI is an essential aspect of

marketing.



Discussion

Who might you consult on your team or in your organization to determine what and when to measure marketing performance?

When seeking benchmarks, emerging trends, and a community of marketers to consult with, the top outlets are:

- Gartner
- HubSpot
- American Marketing Association (AMA)
- The CMO Survey
- The Journal of Marketing

Quiz

1. Marketing departments are sometimes described as _____
 - a. Creative departments
 - b. Sales offices
 - c. Expense centers
 - d. Advertising departments
2. The rule-of-thumb is mROI should earn _____
 - a. 2:1
 - b. 7:1
 - c. 5:1
 - d. 10:1
3. AI is an effective tool for email creation.
 - a. True
 - b. False
4. Benchmarks vary by _____
 - a. Industry
 - b. Customer demand
 - c. Channel
 - d. Both a and c

- 5. This is a ratio determined by measuring the cost of reaching 1,000 people.**
- a. Cost Per Click (CPC)
 - b. Cost Per Thousand (CPM)
 - c. Cost Per Impression (CPI)
 - d. Click Through Rate (CTR)
- 6. Churn Rate refers to which of the following?**
- a. Customer acquisition
 - b. Employee attrition
 - c. Customer loss
 - d. Customer satisfaction rate
- 7. Which metric is important when measuring ad performance against spend?**
- a. CTR
 - b. Bounce Rate
 - c. CPC
 - d. GRP
- 8. If a campaign has 10 GRPs, it is reaching what percent of the target audience?**
- a. 10%
 - b. 100%
 - c. 1%

d. 5%

9. What is one of the biggest challenges to providing mROI?

- a. Budget constraints
- b. Attribution
- c. Executive buy-in
- d. Customer demand

10. Multi-touch attribution (MTA) is often used to see _____

- a. Long Term campaign performance
- b. Aggregated digital and offline performance
- c. Consumer-level digital engagements
- d. Consumer-level offline engagements

Answers	$1 - c$	$2 - c$	$3 - b$	$4 - d$	$5 - b$
	$6 - c$	$7 - c$	$8 - a$	$9 - b$	$10 - c$

Chapter Summary

- Marketing return-on-investment (mROI) is also referred to as return-on-marketing investment (ROMI). Marketers calculate ROI to determine the efficacy of marketing campaigns, specific channels, and overall impact on the organization's bottom line.

- The simplest mROI formula is:

$$\text{mROI} = \frac{(\text{Revenue Growth} - \text{Marketing Costs})}{\text{Marketing Costs}} \times 100\%$$

- A marketer's ability to analyze, optimize, or course correct is essential to ensuring that the budget goes toward the highest value tactic(s).
- Your mROI is an input for budget planning so it is important to have working knowledge of trends to help manage expectations about potential return-on-investment, and to more effectively collaborate with the budget manager to establish the allocations for the campaign.
- The starting rule of thumb is mROI should earn you \$5 for every dollar spent and returns less than 200% (\$2 for every dollar spent) are critically reviewed.

- Executives are looking for a more high-level view of leading indicators and actionable next steps toward achieving goals and driving revenue whereas your team is interested in the nuts and bolts of specific tactic performance.
- The top three most important metrics for executives are ROI, delivering business outcomes, and new customer acquisition.

3. Bump, Pamela. 2021. "A Simple Guide to Marketing ROI [Formula & Examples]." Blog.hubspot.com. February 1, 2021. <https://blog.hubspot.com/marketing/measure-content-marketing-roi>.

4. Evolution, Marketing. n.d. "The Modern Marketer's Dictionary: Digital Marketing Analytics and Metrics." Www.marketingevolution.com. <https://www.marketingevolution.com/knowledge-center/the-modern-marketers-dictionary-digital-marketing-analytics-and-metrics>.

5. Katrina Kirsch. 2022. "The Ultimate List of Email Marketing Stats for 2022." Hubspot. November 30, 2022. <https://blog.hubspot.com/marketing/email-marketing-stats>.

Chapter 5

Research in Marketing

Information is currency. And, in marketing this intelligence comes in the form of research. In order to carry out all of the work described in the previous chapters, research must be completed to gather all of the information needed - about your audience, your competitors, and market trends to name a few. This information is referred to as market research.

In this chapter, we will discuss how to pull together the research that will guide your marketing planning and help your organization achieve its strategic plans.

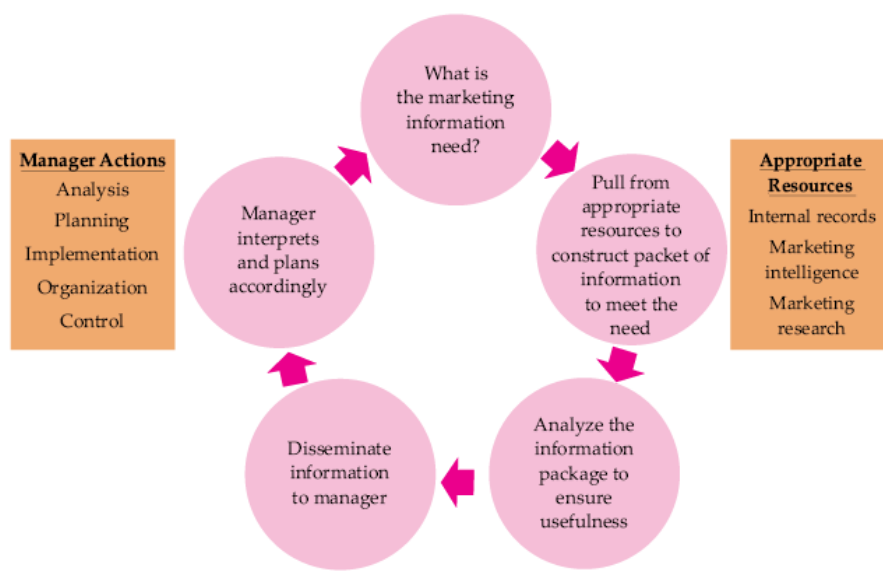
Key learning objectives should include the reader's understanding of the following:

- The types of marketing research and intelligence
- The process and approaches to gather research and interpret findings
- Ethics in marketing research

5.1 Information Systems

Information systems exist for almost every business function. The same is true for marketing. A Marketing Information System (MIS) (as shown in Figure 5.1) uses people, equipment, and procedures to pull together, organize, review, interpret, and disseminate marketing information to the appropriate decision-makers. Marketing managers are the operators, in a sense, of the MIS. First, the marketing manager works with the MIS to determine marketing questions that need answers. Next, the MIS gleans from various information sources to construct the needed information for the marketing manager. Lastly, the MIS distributes the gathered information to the manager to help answer the posed questions, so that they can plan, implement, and control operations moving forward. The marketing manager walks hand-in-hand with the MIS throughout the entire process.

Figure 5.1 Marketing Information System



5.2 Constructing Information

Information is constructed from various resources. These resources can be classified into three different categories including internal records, marketing intelligence, and marketing research. Information systems pull this information and package it together to ensure that the information is presented in the correct context, is appropriate, and is applicable to the marketing question at hand.

If we examine further, we can describe internal records as information that is gathered internally from the organization to help identify strengths and weaknesses, issues and opportunities, and overall performance. This information could include things such as financial statements, sales records, reporting on manufacturing efficiencies and capabilities, and customer service feedback and issues. Utilizing internal records is a quick function and is low cost compared to trying to pull information from outside sources. The downside is that the information can often be incomplete or not in a context or format that is useful for marketing purposes. An even larger problem is the sheer amount of data and information a company can generate. The effort of combing through this information for the right data can be time-consuming and difficult to find or track.

5.2.1 Marketing and Competitor Intelligence

Another area is marketing intelligence. Marketing intelligence is described as information about the current marketing environment and its developments that can help managers create and manage their marketing plans. This intelligence is gathered by scouring the current

environment and delivering it to the marketing manager. Often marketing intelligence comes from the organization's own employees. They are a great source of information but it can be difficult to pull the information out of them because they do not understand the importance of the base of knowledge they have. Marketing managers use persuasion to get buy-ins from employees to encourage their participation by thoroughly explaining the importance of communicating what they know. Another source of marketing intelligence can be the suppliers and customers. Persuasion is also needed to encourage these groups to provide information. Information can often be pulled from public sources about competitors because competitors report it themselves. These public sources can include annual reports, advertisements, and reports in the press. Finally, information can be bought from outside suppliers. There are several research companies available out there that will sell marketing intelligence to companies when requested.

Marketing intelligence refers to the marketing environment in general whereas competitor intelligence is the information collected that specifically focuses on the competitor and what they are doing. Some organizations spend extensive amounts of money on their competitor intelligence by developing a specialized office that does nothing but collect and circulate marketing and competitor intelligence. The employees staffed in this office are rifling through publications, websites, news reports, and other sources looking for pertinent information. They collect this information in a file or database that they share with the marketing manager. It is important to know that information gathering in marketing intelligence is a critical function but is not so critical that illegal actions should be

taken to gather the information.

Marketing intelligence can be collected using a few different outlets. First, organizations can utilize documentation and material that are publicly available. Examples of this type of information would be:

- Government agency publications
- Annual reports
- News reports
- Websites
- Advertisements
- Trade organization sites
- Search engines
- Internet harvesting sites

Another way of collecting information is by simply watching what the competitors do and taking note of it. Some organizations will purchase a competitor's product and take it apart to reveal its advantages and disadvantages. After noting what works and what does not, the competitor will attempt to improve upon the competitor's existing product.

Often people who work with competitors are good sources of competitive information. If a customer works with a competitor frequently, he or she can inform your organization of the latest happenings of the competitor. Sometimes, companies will go as far as sending a "spy" to gather information on competitors. There is an obvious ethical question about this method that your organization will need to answer internally before considering this option. Job

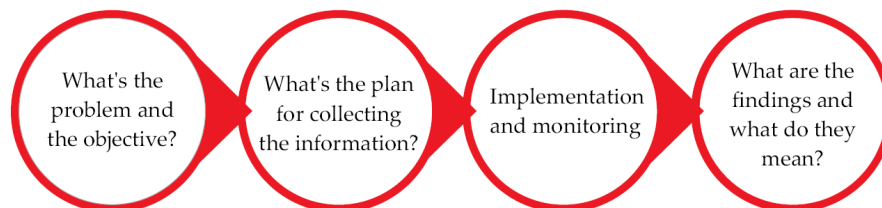
interviews or discussions with competitor staff may also yield valuable information.

5.2.2 The Process of Marketing Research

The final information category is marketing research. Marketing research focuses on linking the consumer/customer to the organization, specifically the marketing manager. Linking the two allows organizations to gather information to help them determine their opportunities and issues, review marketing actions, understand how well they are performing, and increase comprehension of the marketing process.

Figure 5.2 identifies the marketing research process. This process is what marketing researchers follow.

Figure 5.2 Marketing research process



What's the Problem and the Objective?

The first step in the marketing research process is to ask the question, “What is the problem I am trying to solve and what is my objective?” A clear understanding of the answers to this question by the researcher and the manager is critical to obtaining relevant information that will affect the decision-making. Some describe this step as the most difficult of all the steps in the process because there

are instances where you know the problem, but you do not know its cause. When you have instances such as these, it is helpful to understand the most common objectives for marketing research.

One common objective of marketing research is for exploratory purposes. Essentially, the organization wants information that will help it clarify the problem it is trying to solve and suggest possible causes to test for. Another objective is for descriptive purposes. This research focuses on better detailing the marketing issue, condition, or market. Lastly, researching for casual purposes helps organizations detect cause-and-effect relationships when trying to test out possible causes of an issue.

What's the Plan?

The next step in the marketing research process is to determine the plan of action for collecting the information needed. We first need to understand what our information needs are, so we reference the problem or objective stated in step one and translate that to answer the question, "What's the information needed?" Start your action plan by collecting secondary and primary data. Secondary data is information that is out there somewhere but was collected for a different reason. Secondary data can be obtained quickly and costs less to attain. Unfortunately, there are instances where the type of data you are looking for does not exist which presents a problem.

A common source of data for the marketing process includes commercial sources such as outside suppliers who sell secondary data reports. Online databases and the internet provide some great resources for conducting searches of secondary data.

Primary data is collected specifically for the reason at hand. It includes qualitative and quantitative data. Qualitative looks at a small group of customers' views. Quantitative actually looks at a larger group and provides statistics. Primary data can be gathered by simple observation which is called observational research.

Approaches to Research

Observational research consists of observing people, actions, and conditions to gather information. Observing people electronically is a popular approach where organizations use devices such as televisions (with people meters), checkout scanners, and other single-source data systems to conduct observational research. Observational research allows researchers to glean information from the target population that they would not normally share.

Survey research is also another way of gathering primary data. Surveys are best used to collect detailed information. Surveys can be structured or unstructured. Structured surveys are a designed list of questions for respondents. Unstructured surveys can be used during interviewing when the interviewer can modify their questions based on previous responses. Surveys can also be direct or indirect. Direct surveys ask the immediate question at hand. For example, "Why have you stopped shopping at Walmart?" Indirect surveys use indirect questions to come to an answer, such as, "How would you characterize the average Walmart consumer?"

Survey research is very commonly used to collect primary data. The big advantage is that surveys can be flexible. Also, if designed well, surveys can be a quick and low-cost way to collect the data needed. Survey research has a downside as well. People may be unable to

answer questions for various reasons or they may choose not to respond altogether. People may also make up an answer or try to give the answers they think the interviewer is looking for. Finally, surveys require time from people and in this day and age of multi-tasking, a lot of people do not have the time.

Collecting primary data by delineating different groups of people, giving them different interventions, and looking for differences is called experimental research. In experimental research, organizations are looking for relationships that have a cause and effect.

Methods of Contact

Research can be done through various contact methods such as mail, telephone, face-to-face, or through the internet. Each method has its advantages and disadvantages. The most commonly used method is through the internet because you can get to a population that you can't get to through mail or telephone. Depending on how it is structured, internet data collecting is quick and relatively easy to do. Table 5.1 helps you understand the advantages and disadvantages of the more popular contact methods. Each of the characteristics is measured on a low, medium, or high scale.

Table 5.1 Research contact methods advantages and disadvantages							
	Flexibility	Quantity	Interviewer control	Sample Control	Response speed	Response rate	Cost
Mail	Low	Medium	High	Low	Low	Low	Low

Telephone	Medium	Medium	Medium	High	High	Medium	Medium
Personal	High	High	Low	Medium	Medium	Medium	High
Internet	Medium	Medium	High	Medium	High	Low	High

The best contact method depends on what the researcher is looking for and how much information is needed. There is not a “one size fits all” answer to the best contact method question. It really depends on what will fit your specific project.

Planning Your Sample

When researchers are developing their plans for market research, they need to determine what the sample of the population that is representative of the whole population they need the information from looks like. A sample group is designed to represent the larger group as a whole. When designing these samples, it is helpful to include a few details. First, who will you study? Answer this question carefully as the answer is not always clear. For example, who is the target audience to ask questions about a family car purchase? Is it the husband, wife, both, neither, or someone else?

Next, how many people will you study? You want to make sure you have a large enough sample size to represent the larger population and improve reliability. Sample sizes that are too small can affect the reliability of the results. As a general rule of thumb, if you choose a sample size of slightly less than 1 percent of the larger population, your sample size is considered to be well-sized.

Lastly, how will these people be selected? There are all kinds of

different ways to select the people in your sample. Probability samples include representatives of each population member; the researcher uses statistical analysis to determine confidence level and sample error. Non-probability samples are not measurable by sample error and are less costly and quicker than probability samples.

Research Devices

Research is usually conducted using one of two types of instruments. The first instrument is the questionnaire, which is the most commonly used one. It is a group of questions that is distributed to people in the sample for their responses. Flexibility is a major advantage of questionnaires because you can ask a question in a multitude of ways. The downside is that sometimes questions that should be asked are left out, or sometimes the questions included are not really needed or obtainable.

When developing questionnaires, it is important to understand the form of questions so you can get the type of response you are looking for. If you ask an open-ended question, respondents can freely write their answers without any specific set of prescribed answers. Close-ended questions give the respondent all of the possible answers and ask the respondent to choose from the preset answers. Questions should be carefully constructed so as not to create any bias among respondents. They should be easy for anyone to read. The questions should generate interest, so respondents are incited to continue filling out the questionnaire.

The other type of instrument is a mechanical instrument. Examples of mechanical instruments may be people meters, pupilometer, or supermarket scanners. All of these instruments have an automated

way of surveying respondents. People meters are commonly distributed by Nielsen and are attached to TVs to monitor what people are watching. Pupilometers measure eye movements to understand a person's interest based on certain stimuli. Supermarket scanners track what people are buying.

Present the Plan

After gathering all of the items above, the information should be arranged into a written proposal. There are many elements to a research plan so writing out the proposal helps management get the big picture. The plan should include what the problem is, the objectives, the data included, the sources and methods for the information, and the recommendations. Costs should also be included in the plan.

Implement the Plan

Implementing the plan involves gathering and reviewing the information. Gathering information during this phase is generally the costliest part of the research process and has a high risk of error. This phase should be monitored closely to manage cost and the risk of error. This phase is also very time-consuming as researchers have to come through with results to tabulate answers and ensure completeness.

Interpreting the Results

The final step is to interpret the findings of the research. At this time, the research is drawing conclusions based on the data and providing them to leadership. It is important to note that conclusions from researchers should not be accepted by managers at face value.

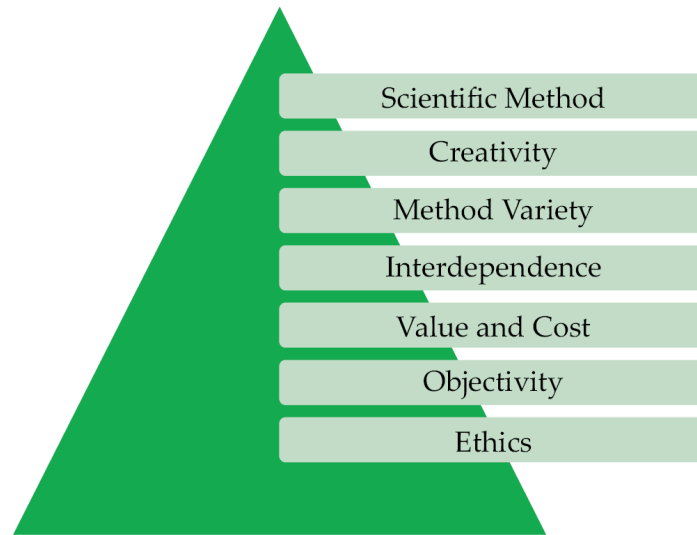
Managers are the most familiar with the problem so if something does not seem right, more investigation should take place. Also, the manager should conduct a process of checks and balances to ensure that the process itself was completed correctly and objectively. At the end of the day, the marketing manager is the one who either accepts or denies the conclusions and creates plans based on those conclusions, so ensuring accuracy and objectivity is critical. Managers should also be careful not to bring their own biases into the interpretation of the results.

With advances in technology today, more and more organizations are utilizing marketing decision support systems that help marketing managers improve their decision-making. These systems include hardware and software that collects the data and helps to interpret it with recommendations.

Characteristics of Valid Market Research

The market research process, shown in Figure 5.3, is a lengthy and complex process. With so many steps and manual work to be done, there are many places where errors can occur and invalidate the data. When managers are reviewing the process for validity and substance, they should look at specific characteristics to help them review the data.

Figure 5.3 **Market research process**



Let's look at these characteristics in a bit more detail:

- **Scientific method:** Good research uses the scientific method — observe, hypothesize, predict, and test.
- **Creativity:** Think outside the box when conducting research. Don't stay behind a desk and develop theories. Get out there with your customer and test ideas in real-time and in creative ways.
- **Method variety:** Using many methods allow you to validate the data in many ways to increase confidence in the results.
- **Interdependence:** Understanding that data is construed in ways that are reliant upon different models that drive you to specific types of information.
- **Value and cost:** The cost of the information is important but what is the value of the information collected? Did you spend \$30,000 on data that seems unreliable and lacks validity? Can the manager act on the data presented?
- **Objectivity:** It is important that no bias is involved in the interpretation of the data. Data should be reviewed with a

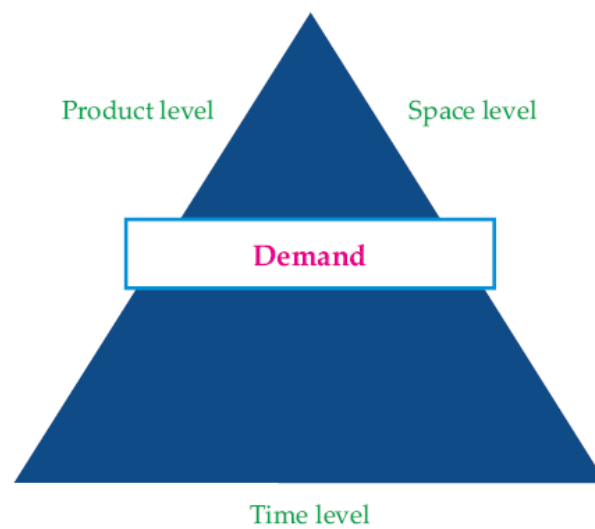
questioning attitude to avoid common pitfalls.

- **Ethics:** Was the data collected ethically and will it be used ethically? Do you run the risk of presenting a bad image to consumers due to ethical questions in research?

What is the Demand?

When pulling together information to make marketing decisions, it is important to understand the level of demand in a new and attractive market. Estimating the market demand is an important step that provides supporting information to help organizations make the decision of entering a new market. Demand can be measured and estimated using many characteristics. It can be measured on the product level such as product item, form, line, company sales, industry sales, etc. It can also be measured at the space level such as consumer, territory, country, region, etc. It can also be measured on time levels including short, medium, and long range.

Figure 5.4 Level of demand triangle



Each level of demand, illustrated in Figure 5.4, measures a specific item and has its own reason for being. For example, an organization may want to look at the short-range total demand for a product, so they understand how to plan. Or, an organization may look at the long-run regional demand for an existing product line to develop a plan for expansion.

5.3 Marketing Definitions

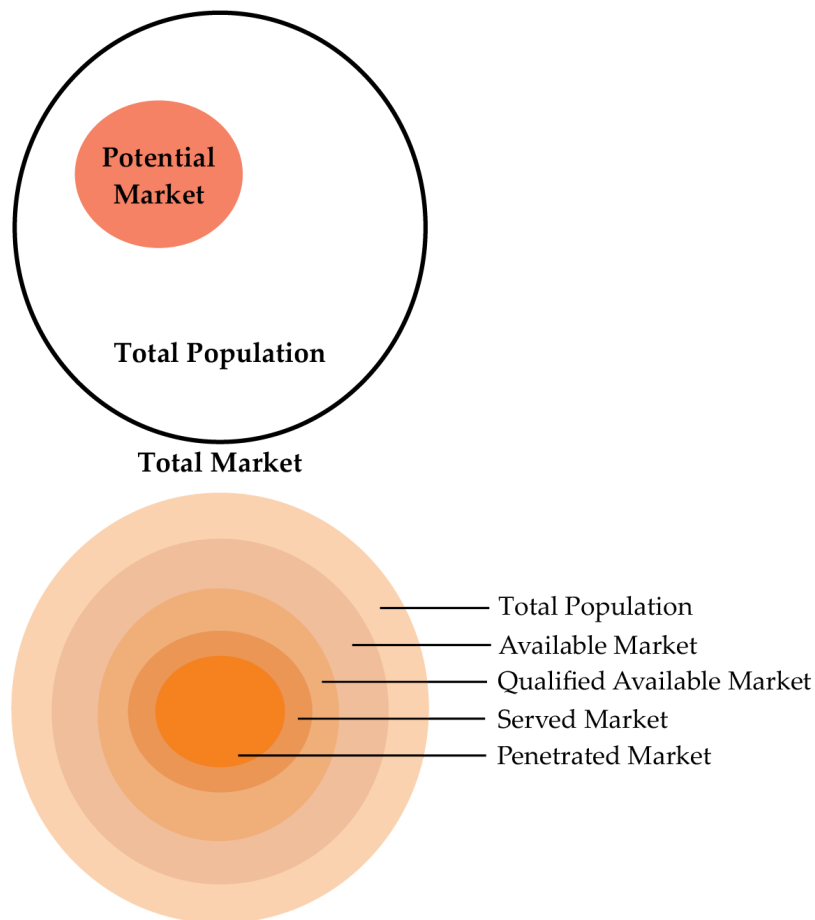
There are several terms commonly used in marketing that are important to define for your reference moving forward. This section will provide those definitions. Knowing these definitions is useful for planning.

As mentioned in the introduction, a market includes all buyers and possible purchasers of a product or service. Just as a market is all buyers, an industry is all sellers of a product or service. Buyers in a market are commonly referred to in terms of their level of interest, income, and access to the product. If you were to imagine all of the buyers that say they are interested in a product or service, you would be thinking of a potential market. Whereas, an available market is more reflective of the current state. The available market is made up of all the buyers who have the three characteristics (interest, income, and access). Taking it a step further, if you think about who you are really focusing your market on, you may disqualify some possible consumers because you are discouraging sales to them. In this case, the buyers that are qualified to be sold the product or service to, and who have the three characteristics are known as the qualified available market. Let's drill down even further. Your organization

may look at the qualified available market and decide to pursue a niche population of that market. The served market is that niche population.

We talked a lot about the market in terms of buyers but what about those who have already bought the product or service? This market is called the penetrated market. Let's look at a couple of diagrams in Figure 5.5 help us better picture what this looks like.

Figure 5.5 Penetrated market diagrams



5.4 What is the Current Market Demand?

Total market demand, area market demand, actual sales, and market shares are areas of current market demand that show the big picture to marketers.

First, total market demand gives a picture of the volume of a product or service that can be purchased using the different aspects of demand – space, product, and time. It looks at the target customer group who will purchase, takes into account the region in which the product will be purchased, and the time period in which it will be purchased. All these things are measured specifically to a defined level and mix of industry marketing efforts. The upper limit to marketing demand, or the level to which if you spend more on marketing it will not increase demand, is called market potential. On the opposite end, sales that would occur even if there are no marketing dollars spent are called the market minimum.

Looking at the distance between the market minimum and market potential tells us how sensitive the market is to any marketing efforts. This sensitivity is described by two different types of markets. The expandable market says the size depends on the level of marketing spending. Non-expandable says that marketing spending generates very little demand. In the non-expandable market primary demand is as given. Primary demand is the entire demand for all brands of a product or service. When primary demand is as given, the focus is placed on selective demand or demand for “our” brand of the product or service. All this is to say that when marketers estimate total demand, they should be careful to clearly define the situation at hand.

Below is a way organization can estimate total market demand:

$$T = b \times a \times m$$

T = total market demand

b = number of buyers

a = amount the average buyer purchases per year

m = price per unit

How would you estimate the total market demand in this instance? There are 5 million buyers of books each year. The average buyer purchases 12 books per year. The average price of a book is \$10.

$$5,000,000 \times 12 \times \$10 = 600,000,000$$

There is also a variation to this equation which is known as the chain ratio method. In this method, you multiply a base number by a chain of adjusting percentages.

The last piece of current market demand is estimating the actual sales and market shares. This can be done by looking at the industry's sales as a whole and seeing what ratio of sales an organization owns. Many companies can actually purchase this type of report rather than spend manpower trying to figure it out on their own. Understanding what ratio of the market sales your organization owns versus your competitors is crucial to knowing what your organization's place in the market is.

5.5 What Could the Demand Be for the Future?

Understanding our current state of demand is an excellent

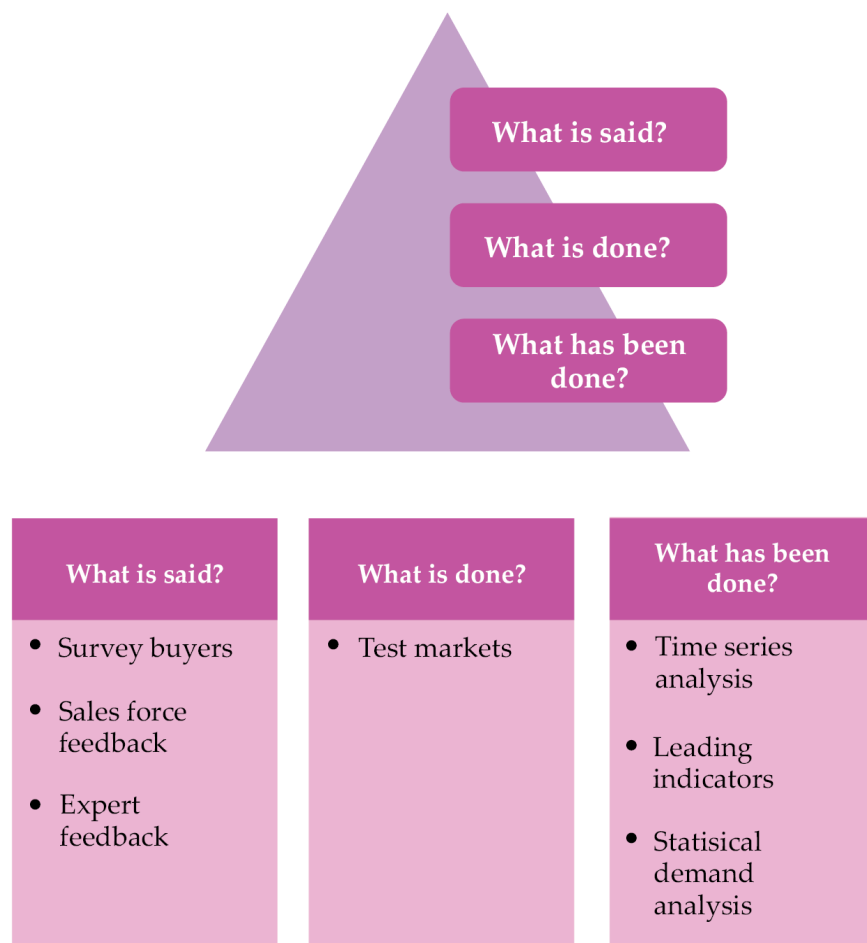
measurement to tell us how we are performing. But what about planning for the future? Forecasting looks at a set of conditions and estimates what the demand would be. Forecasting is a challenge because forecasting is not easily accomplished for many products and services. Good forecasting is critical because poor forecasting can lead to surplus inventories, lost sales due to low or no stock, and costly price reductions.

A three-stage process is typically used to help improve the accuracy of sales forecasting. **First**, an organization will complete an environmental forecast. This action is used to try to estimate what the future characteristics of the organizational environment might be so that planning decisions can be made for the future to deal with the environment of tomorrow. This forecast takes into account things like inflation, unemployment, government expenditures, and other environmental factors. This forecasting gives us an estimate of gross national product which will then go into forecasting industry sales. **Next**, they complete an industry forecast or market forecast. This forecast looks at the market itself and attempts to predict numbers, characteristics, and trends. The **last stage** is the company sales forecast which is where an organization is predicting numbers specifically for their company. This forecast takes into account a specific amount of industry sales.

When forecasting in any of these stages, we are basing our forecast on what trusted sources say, what people are currently doing, and what history shows us. Figure 5.6 helps illustrate the steps of forecasting. We survey our trusted sources, or buyers, to get their comments. We want to get an idea of what buyers intend to do, a big picture of sales team opinions on what they may do, and expert

feedback on what they may do. An organization actually puts a product into a test market when they are trying to figure out what people will do. This is an actual test conducted and used as an indicator for forecasting sales moving forward. Lastly, we look at past history to tell us how the buyers have behaved during specific time periods or seasons to help us forecast.

Figure 5.6 Forecasting analysis



5.5.1 What is Said?

If we want to know what buyers will do, why not ask them directly?

That is what this stage of the process does – surveys buyers directly. One common way of surveying is using a purchase probability scale. This scale asks the buyers a question and gives them a choice of responses based on their likelihood to purchase.

Below is an example:

How likely are you to purchase a new iPhone in the next six months?

- No chance
- Slight possibility
- Fair possibility
- Good possibility
- Strong possibility
- Definitely

Gathering this information allows companies to anticipate possible shifts in demand and plan accordingly. This can also be used on the business buying side in regard to plans, equipment, and material acquisitions.

When you can't interview buyers and prospective buyers, you can base forecasting on what the sales team is seeing out in the field. This information can be gathered by territory which makes it useful for planning. The downside is that an adjustment has to be made for human error. Sales team members are biased and could lean towards a pessimistic or optimistic side. Don't discount their feedback though. They are the closest to the buyer and can see trends in the environment early on. Also, they may be incented to meet their estimated targets.

Dealers, suppliers, consultants, marketing associations, and many others are known as experts. Expert feedback is commonly used for forecasting. The important thing to remember here is to ensure your organization is not solely reliant on the expert's opinion. Look for supporting data that will help provide more accuracy to their opinion before making plans based on them.

5.5.2 What is Done?

A great indicator of future sales is to look at the buyer's behavior today using test markets. This involves putting the product out in a test market to see how well it sells. This is a great tool for new product sales or established product sales that are moving into a new region or territory.

5.5.3 What Has Been Done?

Trend, cycle, period, and unpredictable components make up the time series analysis. Essentially organizations break down sales into these four areas for review and then recombine them to develop their forecast. When organizations detect a long-term pattern of action, either growth or decline in sales, as a result of some kind of change in population, technology, or capital, it is known as a trend. A cycle is detected when there are changes in the economy or competitive activity that cause a wavelike movement of sales. Period or seasonality shows a pattern of sales that is consistent throughout a particular segment of time such as hourly, daily, weekly, monthly, yearly, or by season. Lastly, unpredictable components include things like fads, strikes, weather, and other major disturbances in the environment.

Leading indicators have also been used to forecast sales. This means that an organization looks for a correlating indicator in another time series that moves in the same direction but ahead of organization sales. For example, a trim carpentry company may find that its sales increase when housing sales increase in their area.

Lastly, some companies use statistics to analyze past and future sales. Statistical demand analysis uses statistics to generate data on how important specific factors have historically been in terms of sales, so you can take them into account for future sales. Prices, income, population, and marketing are among the most commonly looked at factors. Statistics can be very complex and challenging so it is imperative that the marketer be very careful in designing, performing, and interpreting the analysis. With the rise of technology, statistical analysis is becoming more and more popular because all of the tedious calculations can be completed by computers.

5.6 Ethics in Marketing Research

Over the past several years, researchers have seen survey rates decline due to consumer resentment. Some consumers even refuse to be interviewed because they feel companies misuse the information they provide. The sentiment of “big brother is watching” is rampant in our society today and is a reason why people have stopped taking surveys. They are concerned that large organizations are using the data to monitor them and manipulate their buying habits. For the most part, they just see the constant attempts to seek responses to research surveys as an intrusion of their privacy, so they avoid telephone, email, and mail surveys altogether.

Another reason people avoid participating in research is because they are afraid that the feedback will be misused. Essentially, buyers have found that those posing as researchers are really just looking for sales leads.

Quiz

- 1. A Marketing Information System (MIS) uses which of the following to pull together, organize, review, interpret, and disseminate marketing information to decision makers?**
 - a. People
 - b. Business
 - c. Revenue
 - d. Consumer behavior

- 2. Who works with the MIS to determine the marketing question(s) that need answered?**
 - a. Chief Executive Officer
 - b. Human Resources professionals
 - c. Business Analysis
 - d. Marketing managers

- 3. Which of the following are NOT one of the MIS Manager Actions?**
 - a. Analysis
 - b. Planning
 - c. Implementation
 - d. Technical support

- 4. Which position directly benefits from marketing intelligence?**
- a. Marketing managers
 - b. Chief Financial Officers
 - c. Budget managers
 - d. Both a and c
- 5. Sources of marketing intelligence can be which of the following?**
- a. Suppliers
 - b. Customers
 - c. Internal employees
 - d. All of the above
- 6. Marketing Intelligence is collected using all of the following outlets EXCEPT_____.**
- a. annual reports
 - b. gut feeling
 - c. advertisements
 - d. Websites
- 7. How many steps are involved in the marketing research process?**
- a. Three
 - b. Six
 - c. Four

d. Nine

8. “What is the problem I am trying to solve and what is my objective?” – Which step in the marketing research process asks this question?

a. Step 1

b. Step 6

c. Step 4

d. Step 2

9. Implementation and monitoring is which step in the marketing research process?

a. Step 6

b. Step 3

c. Step 4

d. Step 2

10. Which of the following is NOT a level of demand?

a. Product level

b. Space level

c. Time level

d. Market level

Answers	1 – a	2 – d	3 – d	4 – a	5 – b
	6 – b	7 – c	8 – a	9 – b	10 – d

Chapter Summary

- Marketing Information Systems utilize people, equipment, and procedures to evaluate marketing information for decision-makers.
- Information is constructed through Internal records, Marketing Intelligence, and Marketing Research.
- Marketing Intelligence can be described as information about the current marketing environment and its developments that can help managers create and manage their marketing plans.
- A Penetrated Market is a market that has already begun buying a specific type of product or service.
- Forecasting is a strong tool for estimating demand, but is highly dependent on what is said, done, and has been done.

Chapter 6

Relationships with Customers and Marketing Management

You get what we give you is no longer the tone organizations take when providing buyers products and services. Historically, there has been little need for customer relationship management especially as seen in the marketing sector. Sellers weren't required to please customers because there were monopolies and shortages, so customers accepted what they got.

Now, successful organizations recognize that consumers are in the driver seat and customer relationship management is an essential aspect of marketing management. As the tables turned and markets became buyers' markets, customer satisfaction became key because they had a wide array of choices and a multitude of suppliers to choose from. If the customer is not satisfied, they can easily go to a competitor to get their needs met.

If sellers want to survive in today's economy, they must make sure their customers are satisfied with their product or services. In this chapter, we will touch upon concepts like maintaining

amiable customer relationships, and why customers should be a priority for every organization that sells products/services to name a few.

Key learning objectives should include the reader's understanding of the following:

- What relationship management is and how it applies to marketing
- Customer value creation and satisfaction
- Types of customers and their orientation
- How to ensure and measure customer relationships

6.1 Customer Value

Organizations should be customer centered – they must provide the target customer a grander value than their competitors. They can do this by developing relationships with customers and they must utilize the mechanics of market engineering rather than solely focusing on the engineering of the product itself.

Creating customers is an organization's first objective in order to be successful. In order to do this, an organization must understand how the customer makes choices. One answer to this question is that customers consult various marketing offers and choose the one that gives them the best value. The value given to the customer, also known as customer-delivered value, is the total customer value minus the total customer cost. Total customer value is the total value

observed by the buyer including products, services, personnel, and images. The total customer cost is, in its entirety, the money, energy, intellectual time, and time-related to the marketing offer.

Figure 6.1 Customer value equation



The customer value equation in Figure 6.1 is an important one to know an important equation to know because it can be used to help succeed in selling products and services. The organization can look at improving the total customer value by increasing the benefits of the product, service, personnel, or image. It can reduce the total customer cost by decreasing energy, time, and intellectual time. Or, it can reduce the cost of the product or service to help with increasing sales, or in the long term, reduce operating costs with the value passed on to the customer.

Organizations utilize customer value assessments to better understand customer value by looking at the customer's wants, needs, or expectations. The assessment looks at things like:

- Do customers prefer the solution the organization is offering?
- Are customers getting what they want when they want it from the organization?
- Is the financial value attractive that the organization provides?

- Does the customer think the organization is important?

If an organization wishes to deliver a higher value addition to the customer, it can lower the price which increases the value delivered to the customer and therefore increases the incentive to purchase. This delivered value is essentially a profit given to the customer.

Some marketers argue that not all buying behavior can be rationalized. In these cases, this type of behavior can be explained by things like:

- Loyalty to long-term relationships
- Lowest price seeking
- Low level of funds

Ultimately, buyers operate under different limitations that can affect their behavior that cannot be explained by the model mentioned above.

6.2 Customer Satisfaction

Customers develop their own judgments of value and what the value of a product or service is to them. Looking at customer satisfaction, the customers actually look at how well a product or service performs for them and/or according to their expectations. If it performs really well, they may be more than just satisfied. If it performs as expected, they may be satisfied. If it performs worse than expected, they may be unsatisfied. Customers usually base these expectations on:

- Past experience

- Insight from others
- Promises from marketers and/or competitors

Organizations have historically seen customer satisfaction as a delicate dance. If you set your expectations low, you could experience issues getting new buyers. If you set your expectations too high, you could be setting up customers for disappointment. However, some organizations are willing to take the risk of setting their expectations high with the intention of meeting them. This approach is using the philosophy of total customer satisfaction. When organizations embrace this philosophy, they rely heavily on the following process shown in Figure 6.2.

Figure 6.2 Customer satisfaction



Today's top organizations are looking at customer satisfaction on a regular basis along with customer expectations and perceived

performance. When they look at customer satisfaction, the focus is not on past satisfaction scores. What passed as satisfying in previous years may no longer be satisfactory due to changes in competitor performance. As competitors enter new and better products in the marketplace, the standards become higher. Therefore, tracking customer satisfaction on a real-time basis is critical to reaching organizational goals and achieving success for customer-centered organizations.

High levels of customer satisfaction are desirable for today's organizations but maximizing that satisfaction is not the objective. Satisfaction can usually be improved by increasing services or lowering the price, but this can have a long-term outcome of lower profits. So, the goal of marketing is to create value for the customer profitably and not increase satisfaction at the expense of other partners.

6.2.1 Customer Satisfaction Tracking

There are several ways to track customer satisfaction. The simplest way is a complaint and suggestion system. You may see suggestion boxes at different organizations where customers can provide comments or complaints on service. Another method is through satisfaction surveys. This method is commonly used at service organizations such as hospitals. Satisfaction surveys give organizations a better idea of what is going on with customer satisfaction than complaint and suggestion systems. Organizations distribute surveys on a regular basis for real-time feedback and they take action based on that feedback. They make changes that are

needed according to the survey response. Ghost shopping is a popular tracking method used in retail stores. People go into an establishment posing as a customer and report back on their experience with great detail about how things went. This can be done internally as well by managers as they walk around and see how customers are being treated. Or, managers can pose as a customer themselves. Lastly, exit interviews are a great way to find out how you can improve. Interviewing customers that are no longer using your products or services gives insight into improvements needed to maintain the customer base.

6.3 Providing Satisfaction

Value is provided through the value chain as described earlier in this writing. Customer satisfaction and profitability are closely related to the quality generated and delivered to the customer through the value chain. When there are increased levels of quality, there are also increased levels of customer satisfaction. Customers are willing to pay higher prices for higher quality. This is where Total Quality Management (TQM) comes in. TQM increases profitability using continuous improvement measures throughout the organization to deliver higher-quality products and services. Today, marketing shares the accountability for focusing on high quality. Since customer satisfaction is central to marketing and total quality management, there needs to be a strong commitment to being an advocate for the customer's satisfaction. Considering an organization that is both quality and customer-centered, marketing can have a couple of responsibilities. Firstly, marketing management

will take part in the process of developing strategies and procedures that allocate appropriate resources. The main goal is quality excellence. Secondly, marketing needs to ensure quality in product production as well as in marketing.

Historically, marketing has not been thought of as being included in quality projects. Today, marketing is recognized as being close to the consumer, so their participation is key. First, marketing can help pinpoint the customer's wants and needs. They can also facilitate communication with customers to ensure that product design and production is on point. Next, marketing plays a role in making sure customers' orders are processed correctly and in a timely manner. Marketing facilitates training and technical assistance for the product. Finally, they keep in touch with the customer after they have purchased and used it. This is where we gather information about how satisfied they are and any ideas for future enhancements or fixes for the product.

TQM, as mentioned earlier, has really helped in educating organizations on quality and that it is more than just a well-manufactured product. TQM brings home the point that quality goes hand in hand with customer satisfaction. It also helps marketing understand that quality is more than just in their department. It is acquiring, retaining, and satisfying exceptional employees so that the organization can acquire, retain, and satisfy customers.

6.4 How Much is a Customer Worth?

How much is a customer worth? This is a critical question to ask

when considering how much an organization is willing to spend to improve quality to retain customers and gain new ones. A profitable customer is a customer whose revenues, during a specified period of time, are greater than the organization's costs of marketing, selling, and servicing that customer. For customer profitability, we are not focused on a single transaction but the lifetime revenues and costs. This is termed customer lifetime value – the amount where revenues exceed organization costs over a specified period of time. Measuring customer value and profitability is a challenge because often transactions can be spread across multiple departments. The organizations that have been successful at tracking customer profitability and lifetime value have been surprised at how unprofitable their customers are.

6.5 Retaining Customers

When there is high customer turnover, costs are higher than if all customers are retained and no new ones are obtained. Organizations have to take out the time to monitor what their customer rate of defection. The first step in doing this is to state, monitor, and measure the rate of retention. If you are an organization that offers a subscription service, your retention rate may be your renewal rate. Next, the organization should define the different causes for why patients defect and determine which of these can be addressed. An easy way to do this is to conduct a satisfaction study.

When retaining customers, it is important to note that customers do switch providers when they think a better value is out there. Even

if they incur high switching costs (i.e. learning a new product, learning a new service), customers will deal with it. There is little research that suggests that incompatibility gives an organization a real advantage at the end of the day. What's more important is to have the best product or service out there and not being the first to market or having a grand base of customers. Remember, the incompatibility (or high switching costs) outside of the purchase price are not as important to the customer as a better offer.

6.6 Relationship Marketing

A marketing function where organizations develop, maintain, and improve strong relationships with high levels of value with customers and stakeholders. Notice that the focus is on long-term relationships and not transactions. The goal here is to provide value to customers for the long term and term success as long-term customer satisfaction.

There are several different relationships that can be developed with customers as shown in Figure 6.3.

Figure 6.3 Customer relationship types

Basic	• Product sold by sales person • No follow up
Reactive	• Product sold by sales person • Follow-up left to customer to initiate if there are any issues or questions
Accountable	• Product sold by sales person • Sales person follows up by phone for satisfaction • Sales person asks for suggestions for improvement and any issues
Proactive	• Product sold by sales person • Sales person and/or others in the organization follow up for suggestions for improvement and new products
Partnership	• Product sold by sales person • Organization continuously communicates with all customers to see how value can be better delivered

Organizational relationship marketing planning is related to how many customers it has and its profitability. For example, organizations with low-profit margins and few customers will practice a reactive marketing strategy. However, if their number of customers grows to medium or high, they will use a basic marketing strategy. If an organization has a medium profit margin and anywhere from a few to medium customers, it will utilize an accountable marketing strategy. But, if their number of customers grows to many, their strategy becomes reactive. The most varying is when there is a high-profit margin. The strategy changes with the number of customers. For a few customers, it is a partnership strategy. For a medium number of customers, it is a proactive strategy and for many customers, it is an accountable strategy. As the number of customers increases, the amount of effort that should be put into the relationship marketing strategy lessens.

So how do organizations go about building those bonds with

customers? There are three approaches to this:

- Add financial benefits
- Add financial benefits and social benefits
- Add financial, social, and structural benefits

An example of adding financial benefits would be a frequent flyer program, where customers can get a free upgrade or free flight with their airline miles. Social benefits happen when an organization builds a personal bond with the customer by understanding their wants and needs and then personalizing products and services to meet those wants and needs. Structural ties are adding something to the product or service delivered to build a stronger relationship. An example would be how a bank provides an online banking or bill payment solution with their checking accounts free of charge.

To set up a relationship marketing program, a few steps should be followed:

- Clarify which customers you are targeting for relationship management
- Develop relationship manager roles and assign one to each targeted customer
- Ensure the job description of the relationship manager is clearly defined
- Establish long-term customer relationship plans with relationship manager input
- Develop an overall manager role to manage the relationship managers

6.7 When Do I Use Relationship Marketing?

Since there are different types of customers, there are different customers that are appropriate for relationship marketing. Customers that are short-term and can easily switch to a better offer with little effort or amount spent, are better served with transactional marketing. Customers that are more long-term and have high switching costs are ideal for relationship marketing.

6.8 Relationship Management

Relationships with customers are typically managed with a customer relationship management strategy. This strategy helps solidify our relationships with our clients. This system reduces cost and time, and enhances productivity and profitability in an organization. The system collects all the data from all over the organization regarding clients and places them in a central location so that employees can access them when needed. This system not only collects data on existing clients, but also captures the organization's relationships with prospective clients.

An effective customer relationship management system has the following features:

- Identifies client needs including likes and dislikes
- Documents client response activities to any inquiries or requests (this includes both positive and negative interactions with the client)

- Measures the client's level of satisfaction by taking feedback from the client
- Measures the client's level of loyalty by looking at whether the client would recommend our organization, how often they come for return business, whether they are going to competitors for any needs, etc.
- Promotes customer retention
- Tracks customer complaints and how they were handled
- Delivers information and services through customer service

Customer relationship management systems are important because they provide a wealth of knowledge on clients in one spot that can easily be analyzed and acted upon. It reduces redundancies between departments since each department is not managing their own customer files. The system provides a mechanism to review the progress you have made with a customer. You can look at their full history with the company. Customer relationship systems, illustrated in Figure 6.4, are also very cost-effective and helpful in tracking new relationships with potential customers.

Figure 6.4 Customer relationship management model



6.9 Defining Customer Relationship

Dictionary.com defines a relationship as the way in which two or more people are connected. Relationships evolve over time. Think about the relationships in your life. Your best friend was not your best friend the first day you met. The relationship evolved over time. The same concept applies to customer relationships.

Figure 6.5 outlines the evolution that relationships typically go through.

Figure 6.5 Typical relationship evolution

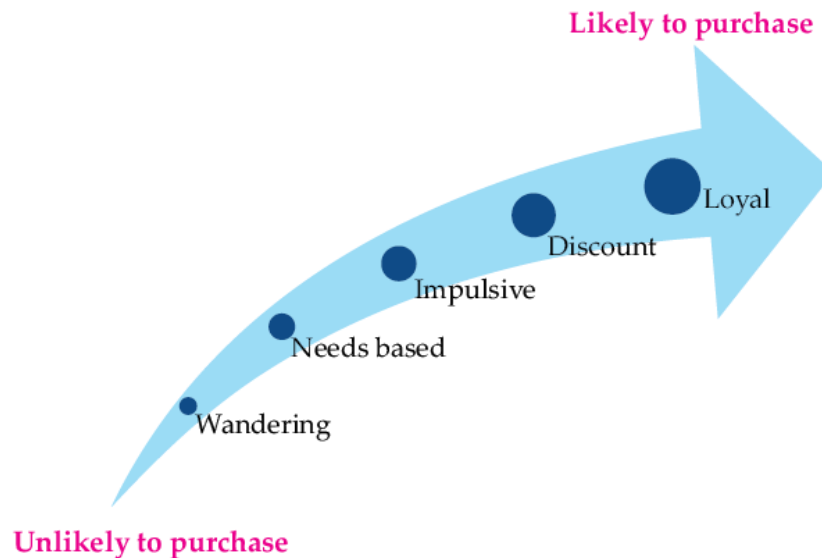


- **Exploration:** The prospective client is investigating or testing your organization's capabilities and performance. They are comparing industry standards and the performance of competitors. At the same time, they are looking at the product's or brand's usefulness and asking, "Is this really worth it?"
- **Awareness:** The prospective client has an understanding of the motivational values of the organization and their products.
- **Expansion:** The customer puts their faith in your organization and agrees to do business with you. A relationship of interdependence is formed. At this time, expansion of services and products is a great possibility.
- **Commitment:** Your organization now understands what business rules your client operates under. You work to follow those roles and not just meet their needs but go above and beyond.
- **Dissolution:** The relationship ends with the client. The customer no longer needs the services your organization offers and begins to look for better prospects.

6.10 Types of Customers

Since customers are such a critical part of an organization's business, it is important to understand that customers can be categorized into groups to better demonstrate their value. In order to properly manage your customers, identifying which group your customer belongs to is essential. The categories of groups the customer can fall into are in Figure 6.6.

Figure 6.6 Types of customers



- **Loyal customers:** These customers are the ones that will act as an advocate for your organization. They refer customers to you and they act as references to contact prospective customers. These customers repeatedly contact your organization for business, so it is imperative that you stay in touch with them regularly. These customers expect prompt response and attention and recognition of their loyalty to you.
- **Discount customers:** These customers may visit you frequently but only when you are offering a discount on services. In fact, the better the discount, the more likely they are to purchase from you. Beware of these customers because there is a risk that they will quickly jump to a competitor if a better discount is offered.
- **Impulsive customers:** These customers are driven by the urge to buy. They don't necessarily have a particular need they need to meet or a product to buy but they have the urge to buy. These customers can prove challenging because they don't know what

they want so it is difficult to pinpoint what they may purchase. The good thing about these customers is that if you are able to find something that piques their interest, there is a high probability that these customers will purchase a lot of that product/service.

- **Need-based customers:** These customers have a specific need they are seeking to fulfill from your organization. They tend to purchase a specific product and nothing more. It is difficult to transition these customers over to purchasing other products in your product line. These types of customers are not necessarily loyal to your organization so if they experience a negative interaction, they may look for other prospects.
- **Wandering customers:** These customers are window shoppers and are the least profitable. They are not really sure what they want to buy and are really just gathering information on products for comparison and need analysis.

6.11 Customer Orientation

Another aspect of customers that you should be aware of is their orientation. What are they most concerned about? Knowing this will allow you to better sell to the customer as well as meet their customer service needs.

- **Cost oriented:** These customers are most concerned about the cost, even if they have to sacrifice efficacy, performance, or quality. These customers typically end up buying the lowest-cost product which sometimes leaves them with a loss. They are also

quick to blame the supplier when a product they purchased failed rather than looking at the low cost they paid resulting in lower quality. These customers also are known to purchase second-hand products and expect them to work as good as new ones as well as use local vendors to fix products at lower cost and lesser quality. Both of these expectations result in a failure of the product and the customer turns to the supplier to fix the issue. Therefore, these customers can be very costly.

- **Value oriented:** These customers are looking for the most efficient and high-performing products. They are willing to invest higher dollars for the value they receive from a longer-running product. In fact, these customers recognize that making a premium investment could result in cost savings in the future, so they are willing to spend the money. Since these customers will spend money on quality products, they tend to be satisfied customers with good relationships with their suppliers.
- **Technology oriented:** These customers look for the best technology regardless of cost, quality, or performance. Their outlook is that technology is changing so often that it is in their best interest to stay with the latest technology which will help them sustain productivity. For suppliers that focus on frequently releasing the latest and greatest technologies, this is the ideal customer. They are innovative and interested in trying the newest things out. These customers are typically satisfied customers and have good relationships with their suppliers due to frequent referrals.

6.12 Ensuring Quality Customer Relationships

Your organization needs customers in order to sustain everyday business and grow. Therefore, it is vitally important that you take time to examine your relationships with your customers and ensure that they are beneficial for both parties. What is most important to a good customer relationship is providing quality goods and services efficiently and effectively. If you can demonstrate to your customer that you can do this better than your competitors, you can win a trustworthy and loyal relationship with a customer. Trust in the relationship gives confidence and security to both parties. Commitment indicates a mutual long-term relationship where both parties work together to uphold the relationship.

Other characteristics of a high-quality relationship are:

- **Courtesy:** Even when a customer becomes annoyed and even rude due to different reasons, it is imperative that the supplier keep their cool. Remaining calm and sympathizing with the issue will help in driving customer satisfaction.
- **Availability:** Some customers prefer to speak to a person rather than through email, voicemail, or electronic responses. Therefore, it is ideal to have a human contact that they can easily get in touch with should they have questions or concerns. This also helps with developing a relationship with the customer that is an emotional bond that helps to drive more business.
- **Responsiveness:** Prompt response and follow-up to questions and concerns go a long way to bolster a customer relationship.

Lack of response and follow-up can also break a customer relationship and cause them to go to another vendor.

- **Intelligence:** Customers are looking for good deals including discounts and reasonable prices. Suppliers should be strategic in their ability to offer discounted prices to customers to avoid the customer going to a competitor for a better price.
- **Futuristic:** Try to stay up to date with technological changes. As technology evolves, some services and products will become obsolete. Also, if you aren't careful, competitors will develop solutions and services that are more compatible with newer technologies, resulting in customers going to the competitor.

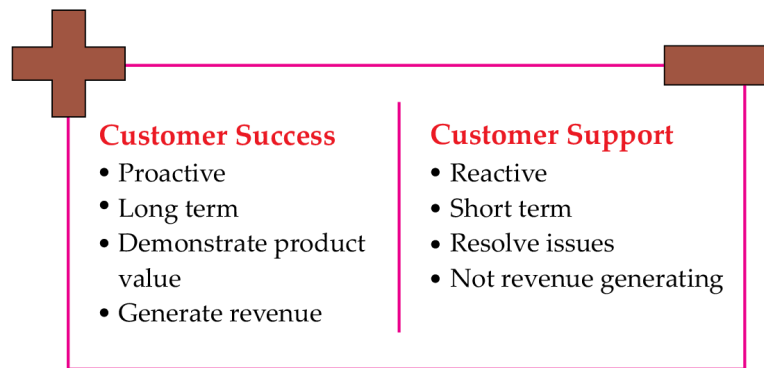
6.13 Measuring Customer Relationships

How do you quantify your relationships with your customers rather than basing them on a subjective feeling? Understanding the strength of the relationships you have with your customers helps you plan your next steps. Strengthening relationships means wanting to do activities that will add to long-term success rather than just short-term wins with the customer. Essentially you are investing in customer success instead of customer support. A side-by-side is shown in Figure 6.7.

Customer success takes into account the long-term relationship. It works proactively to anticipate issues and needs of the customers before they voice them. The goal is to help the customer get as much value from the product or service as they can. We want to help the customer generate revenue with our product(s).

Customer support focuses on the short term. It is reacting to customer concerns or issues as they come up. The main goal is to address the issue occurring with the product. This does not help the customer generate revenue.

Figure 6.7 Customer success and support side-by-side



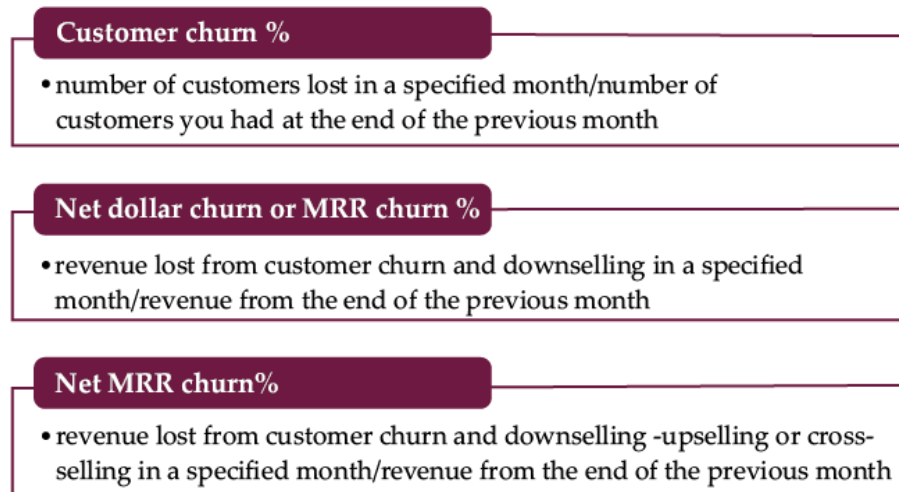
As we look at measuring customer relationships, we want to put our primary focus on measuring customer success. There are several customer success metrics that are being measured in various industries today. Let's take a look at some of the more popular ones.

6.13.1 Churn

Your customer churn rate is defined as the percentage of customers who decide to discontinue use of your product during a specific period of time. There are actually three different types of churn rates that organizations typically calculate on a monthly basis as shown in Figure 6.8. The first is the customer churn rate previously described. Next is the gross dollar churn rate which is the percentage of your total revenue that is lost because your customer downgrades to a less expensive option. Third is the monthly recurring revenue churn

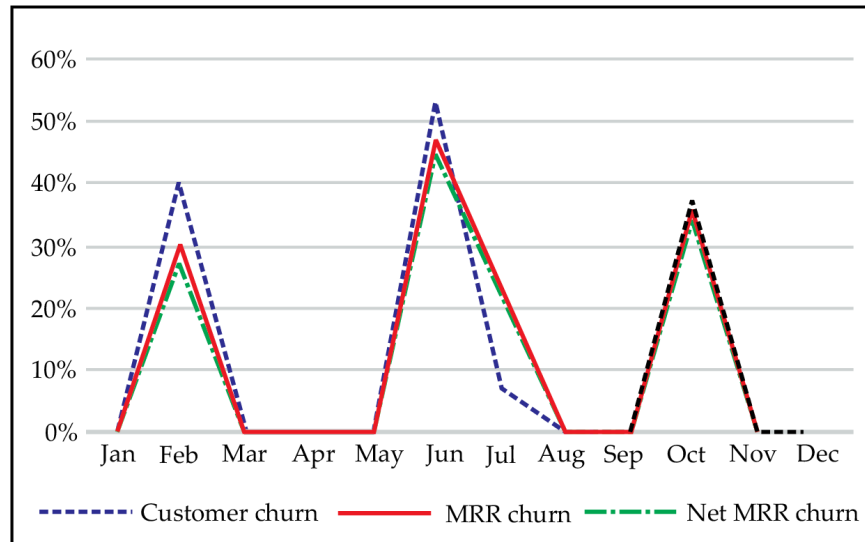
(aka net MRR churn) which is the net dollar churn, but it also takes into account the gains that come from customers who make additional purchases and/or upgrade their products.

Figure 6.8 Types of churn rates



Once you have collected these numbers, what does it all mean? Let's take a look at a graph comparing the three types of churn in a sample business, Figure 6.9.

Figure 6.9 Three types of churn graph



When you look at this chart, you can see that you cannot see the entire picture just by looking at customer churn. If you look at July, you see that the customer churn rate was only 7%. That sounds good, right? Looking at the MRR churn we see that it is 25% which is rather large indicating that a customer who was paying high dollars has left. Essentially, this shows us how the dissolution of one high-paying customer can really affect our business.

Organizations usually set a goal for a customer churn rate below 5%, an MRR churn rate below 1% if they choose to be best-in-class, and a net MRR churn rate of anything -%.

You can gather more information by looking at the actual dollars as well. When you look at dollars, you are putting an actual amount to your churn rates which can indicate to you just how bad your issue is. For example, if you have a small customer base, the loss of one customer can fluctuate the numbers significantly when you look at percentages. When you look at the actual dollars, you see a better picture that can help you determine if this is really an issue you need

to work on.

6.13.2 Expansion Revenue

Expansion revenue is another measurement that is helpful to look at when judging the success of your customer relationships. It gives you an idea of the percentage of new revenue that is coming from your existing customers. Where churn measures retention, expansion measures how well you are able to get your client to grow with your products and solutions.

Measuring expansion revenue on a monthly basis is called expansion MRR. Calculate expansion MRR using Figure 6.10.

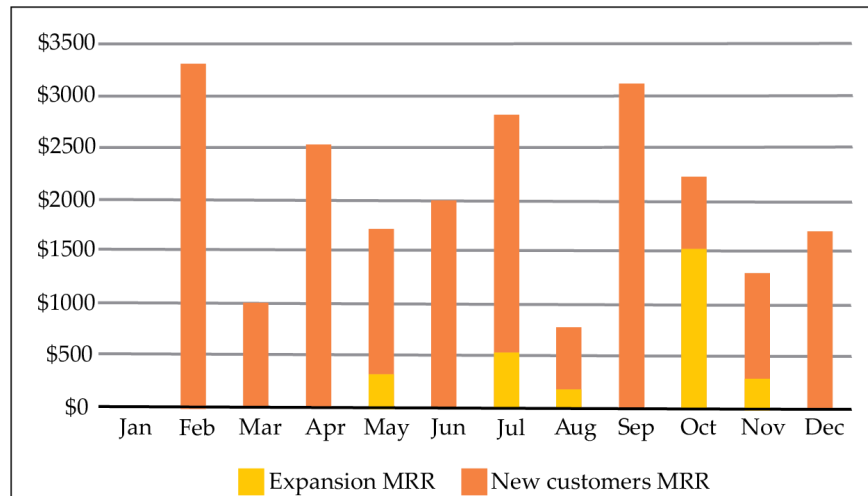
Figure 6.10 Measuring expansion revenue calculation

Expansion MRR

- new revenue from upselling and cross-selling in a specified month/
revenue you had at the end of the previous month

What does expansion MRR tell you about the bigger picture of your organization? Take a look at the graph in Figure 6.11.

Figure 6.11 Expansion MRR and new customers MRR



The orange bars are sales achieved by the sales team. The yellow bars indicate how well you are doing with your customer or your customer's success. In an ideal scenario, the expansion MRR is so large that a negative net MRR churn rate is achieved. When this is accomplished, you can grow your revenue even if you cannot get new customers.

The typical goal for expansion MRR in most industries is to offset the churn rate with the expansion MRR and make the MRR churn negative.

6.13.3 Customer Satisfaction

We have looked at metrics that tell us what the customer's actions have been. We know if they have been leaving us or if they have been buying more from us. The gap we have is understanding how the customer is feeling towards our products and company. If you can identify customers whose feelings are not satisfactory, your organization can develop plans to address their concerns and put the relationship in good standing.

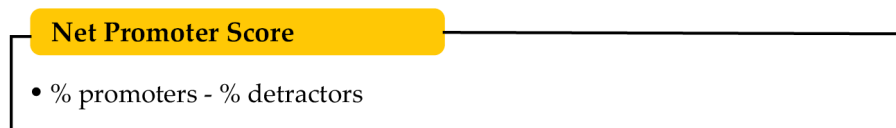
6.13.4 Net Promoter Score

Net promoter score is widely used to measure customer satisfaction today. It is a very simple tool to use in that you ask the customer just one question – “How likely are you to recommend our product/service/organization to your friends?” The customer chooses a number between 0 and 10. 0 indicates unlikely to recommend at all and 10 indicates will definitely recommend. The responses are gathered and categorized into three groups:

- 0-6 = Detractors, people who will not recommend your product and may even give your product bad reviews to others
- 7-8 = Passives, people who think the product is ok but probably will not be an active advocate of how great your products are
- 9-10 = Promoters, people who are very happy with your products and will refer your products to their friends and family

Net Promoter Score (NPS) is calculated as shown in Figure 6.12.

Figure 6.12 NPS calculation



NPS is a great indicator for your potential for growth. It also forecasts your customer loyalty. Your goal is to move your passive scorers to promoters. Detractors are typically more difficult to move so most companies focus on their passive scorers to improve their customer loyalty and therefore, potential for growth.

NPS goals vary by organization and industry. 50 is typically

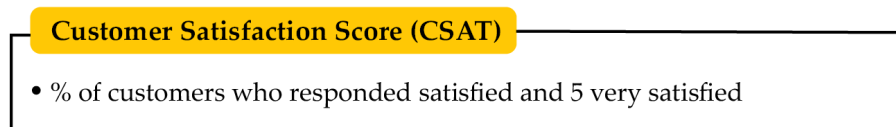
viewed as good but it is recommended to look at NPS scores of your competitors for comparison. For example, if an organization manufactures MP3 players, it may strive for an NPS score of 90 since Apple's latest score was 89.

6.13.5 Customer Satisfaction Score (CSAT)

When you look at the customer satisfaction score, you are focusing more on their short-term happiness with your product or solution. At the time of taking the survey, how satisfied was the customer with your solution?

In a CSAT survey, there is usually a question that asks, "What is your overall satisfaction with the (product/service/organization)?" The customer is asked to rate from 1 to 5 where 1 is very unsatisfied, 2 is unsatisfied, 3 is neutral, 4 is satisfied, and 5 is very satisfied. The surveys are collected and feedback from this question is calculated into a percentage. The end result is a percentage of customers that answered with either satisfied or very satisfied as shown in Figure 6.13.

Figure 6.13 CSAT example



If you received a score of 75%, it would mean that 75 out of the 100 customers who took the survey were satisfied or very satisfied as shown in Figure 6.13.

A common goal for CSAT in most industries is 80%.

Quiz

- 1. What is an organization's first objective in order to be successful?**
 - a. Brand awareness
 - b. Strategic planning
 - c. Creating customers
 - d. Product development

- 2. Increasing the benefits of which of the following are ways to improve the total customer value?**
 - a. Service
 - b. Personnel
 - c. Marketing
 - d. Both a and b

- 3. Customer satisfaction is based on expectations. Customers may acquire their expectations from which of the following?**
 - a. Past experience
 - b. Promises from marketers
 - c. Insight from others
 - d. All of the above

4. When companies look at customer satisfaction, the focus is on

- a. future satisfaction scores
- b. past satisfaction scores
- c. real-time scores
- d. both b and c

5. What is the simplest way to track customer satisfaction?

- a. Word-of-mouth
- b. Surveys
- c. Feedback system
- d. Focus groups

6. Which of the following are customer satisfaction tracking methods?

- a. Feedback system
- b. Quarterly reviews
- c. Exit interviews
- d. oth a and c

7. What is the term used to answer “How much is a customer worth?”

- a. Customer lifetime value
- b. Total cost of ownership
- c. Customer acquisition value

d. Past customer value

8. It costs a company more to _____.

- a. acquire new customers
- b. retain existing customers
- c. re-recruit previous customers
- d. run marketing campaigns

9. Choose a reason why customers switch providers.

- a. Less expensive
- b. Innovation
- c. Social responsibility
- d. Perception of value

10. Which of the following is a type of relationship that can be developed with customers?

- a. Accountable
- b. Reactive
- c. Passive
- d. Both a and b

Answers	1 – a	2 – d	3 – d	4 – c	5 – c
	6 – d	7 – a	8 – a	9 – d	10 – d

Chapter Summary

- In order to create customers, organizations must create a value called Customer Delivered Value.
- Customer Satisfaction is based on past experiences, insight from others, and promises from marketers and/or competitors.
- Total Quality Management increases profitability using continuous improvement measures throughout the organization to deliver higher quality products and services, thus improving customer satisfaction.
- The Customer Worth, or Lifetime Value, is based on the collective revenues compared to the organization's costs to sell/market the product.
- Relationship Marketing: A marketing function where organizations develop, maintain and improve strong relationships with high levels of value with customers and stakeholders.
- Relationships with customers are classified as either Basic, Reactive, Accountable, Proactive, or a Partnership.
- Customer Relationship Management focuses on

customer loyalty, retention, satisfaction, response, complaints, service, and needs.

- The three types of customer orientations are Cost (pricing of all traits), Value (most efficient and high-performing), and Technology.
- The five characteristics of quality customer relationships are Courtesy, Availability, Responsiveness, Intelligence, and Futuristic.
- Customer relationships are measured through success and support.
- Customer Churn Rate is the percentage of customers who decide to discontinue use of the product.
- Expansion Revenue depicts the percentage of new revenue coming from existing customers.

Chapter 7

Digital Marketing

It's not uncommon for people to think they know what digital marketing means or, at least, have an inkling. Gone are the skeptics unsure if digital marketing was actually a potent marketing plan or a mere fancy term to use during meetings. Marketers now understand and embrace the concept of digital marketing, allocating budgets and resources to this once unknown area of marketing.

Digital marketing is defined as the use of digital technologies to carry out the marketing cycle. Simply put, it is marketing done through digital platforms, as against the former, now near-obsolete, means of marketing. The increased usage of digital devices has made it absolutely necessary to embrace and fully maximize the benefits proposed via this medium.

Digital marketing is carried out through a number of channels, each of which can create, hasten, and communicate the value of products or contents from origin (perhaps a manufacturer or wholesaler) to a consumer stop (be it a final consumer or retailer).

Unlike the first impression of many marketers, digital marketing is not limited to online networks. It is also possible

via offline channels. In this blog, our expert digital marketers have explained the channels through which you may access digital marketing. These channels are broadly categorized into hard and soft skills. Let's take a deeper dive into this invaluable aspect of the marketing mix.

Key learning objectives should include the reader's understanding of the following:

- The definition and scope of digital marketing
- The soft and hard skills needed to be a successful digital marketer
- The importance of analytics in digital marketing

7.1 Hard Skills in Digital Marketing

These refer to the core channels through which digital marketing is possible. In this section, we'll discuss the six most effective skills:

7.1.1 Search Engine Optimization (SEO)

The basic concept behind search engine optimization is simple, but could be tricky. The internet's greatest strength is its worst failing as well. It is used as a huge dumping ground; any person with a digital device and connection can post anything online. Consequently, this makes it very difficult to stand out amongst the mass heaps of junk and gems.

In 2016, verified statistics showed that 2 million blog posts were

published by WordPress users everyday. That meant 24 posts were created every second. Forward to 2019, the figure has nearly doubled, with key stats verifying that at least 35 WordPress posts were updated per second.

This means that at least 175 posts were published as you read the above paragraph. And that's for WordPress users only. Considering other blogging platforms, we could be looking at a figure tripling the count above.

How then do you stand out in such a crowded subway?

Search engine optimization helps your content rank higher in search results under organic listings (free searches). To break it down, proper use of SEO ensures that your pages appear on the first page results on search engines. As already mentioned, the internet offers thousands of pieces of information about a single inquiry, and in this age where impatience is the day's order, no net user is willing to click on 'more results' or 'next page' when using a search engine, say Google.

To begin with, Google is the most used search engine, accounting for 75% of web searches according to verified metrics. Coupled with the fact that the first 5 links in a search get 67% of the clicks, you may just start to understand why you have to appear on the first page.

Google probably has over 250 factors it uses to rank your page, but no one knows for sure. However, what we are clear about is that certain keywords play a very important role in SEO. Google is tailored to serve users and hence always delivers results it considers most suitable for a query. That is, you could write a blog about cars,

add useful keywords about universities, and rank 1st or 2nd on search queries regarding universities. Quite straightforward and maybe dumb, right?

This however goes wrong eventually. Offended web users could report your page to Google and get you blacklisted and that just about spells the end. If you are uninterested in long-term usage and are merely concerned with quick gains, you may just use effective keywords with no content. This is often termed black hat SEO.

If you are interested in maintaining your page for a long time, then you must create helpful content and use the right keywords. This amounts to white-hat SEO. Creating content can be complicated sometimes, so you may have to settle for a balance between the two: Gray Hat SEO.

7.1.2 Pay-Per-Click (PPC)

You have probably heard of this before. You might even have an idea of how it works but are unsure about how to start. A PPC is a digital marketing model that requires websites to pay referrals on every click their ads get. The referrals, in most cases, are from popular search engines such as Google and Bing. They can also be other related sites that have wider traffic. Say, for example, you're starting out a fashion blog, you could place ads on other fashion blogs that are already well-established and hence generate more traffic than you currently do. For each click that your ads get, you have to pay the website on which you have placed the advert. In other words, it's buying visits to your sites instead of earning them normally.

As already said, the most used form of PPC is search engine advertising. Via this option, you can bid for the top spot in results to search queries pertaining to your offerings or content. When you use this medium, your website or blog is shown as a sponsored link in search results. On every click your link enjoys through the sponsored link, you have to pay a token to the referring engine. When the PPC is working appropriately, the fee paid is often insignificant as it is very little compared to the profits generated from the clicks.

Creating an effective PPC strategy requires more than just paying though. You must research and offer the right keywords to your referral engine or website in order to generate clicks. Your keywords must be arranged intelligently. More importantly, your PPC landing page (the page users are directed to upon clicking your links) must be optimized for conversion. If users are satisfied with your links, Google charges you less than normal as you're helping in return. This consequently means more profit for you.

To create a useful PPC campaign, the following points have to be considered:

- **Keyword:** Ensure that you use the right keywords, develop tight keyword groups, and common ad text.
- **Landing page:** See that your landing page is attractive enough to keep users surfing upon landing. Content must be relevant, clear, helpful, and persuasive.
- **Score:** Your score is how Google grades your keywords and landing page. You must have a quality score so as to enjoy more clicks for lesser fees.

- **Creativity:** Your designs have to be pleasant to the eye. You may use special tools to generate important designs or hire a professional to handle the visual aspect.

7.1.3 Digital Display Advertising

Visuals catch one's attention faster and leave more remarkable impressions. Digital display advertising is primarily visuals. It is done in the form of banners, whether images or texts, and strategically placed on certain pages or social media platforms. Display adverts may be in several forms, but it all comes down to the same fundamentals.

Display ads work just as PPC does, albeit in this instance, the emphasis is on the graphics. You can use a number of platforms to place display ads, although the most popular is Google AdWords. There are no limits to the formats of adverts you may place on these platforms. The only restriction would be the size. Google AdWords, for example, recommends the following sizes:

Top performing ad sizes

- 300 x 250 – Medium Rectangle
- 336 x 280 – Large Rectangle
- 728 x 90 – Leaderboard
- 300 x 600 – Half Page
- 320 x 100 – Large Mobile Banner

Regional ad sizes

- 240 x 400 – Vertical Rectangle
- 980 x 120 – Panorama
- 250 x 360 – Triple Widescreen
- 930 x 180 – Top Banner
- 580 x 400 – Netboard

Other supported ad sizes

- 320 x 50 – Mobile Leaderboard
- 468 x 60 – Banner
- 234 x 60 – Half Banner
- 120 x 600 – Skyscraper
- 120 x 240 – Vertical Banner
- 160 x 600 – Wide Skyscraper
- 300 x 1050 – Portrait
- 970 x 90 – Large Leaderboard
- 970 x 250 – Billboard
- 250 x 250 – Square
- 200 x 200 – Small Square
- 180 x 150 – Small Rectangle
- 125 x 125 – Button

7.1.4 Pros of Display Advertising

The top importance of display adverts is its ability to reach a wide range of users within a short period of time. Google AdWords is an impressive platform, offering millions of potential customers on every display ad. This aside, digital display advertising is very flexible. This means that it can be easily created. There are a few restrictions with the forms of a display ad.

Importantly, display ads can easily be kept track of. Every click and conversion are recorded as they occur, giving you the opportunity to know the state of the ad at all times.

7.1.5 Cons of Display Advertising

The wide availability of display ads could be a disadvantage in some cases. As display ads are available almost on every page while browsing, people have started to develop a perceived blindness towards them. This is further worsened by the presence of ad blockers in popular browsers. As far back as 2015, 45 million US surfers were using ad blockers and this figure has only increased with time. It has therefore become very relevant to design catchy, enticing graphics.

7.1.6 Email Marketing

You might have heard from several people that emails are becoming quickly obsolete and have now been replaced by the faster, more direct medium, which is chatting. Before you believe this popular opinion, you may want to ask yourself how many official business discussions or transactions you have completed via

chat. Have you ever submitted a job proposal via Facebook or WhatsApp chat? Your answer is most likely no. There, you have your answer. We may assume that postal mailing is dead, but not email.

Email marketing is as self-explanatory as it sounds. It is a form of digital marketing that involves sending messages to prospects and customers via electronic mail. Over the years, email marketing has been a huge source of revenue for many establishments. For example, the Traffic and Conversion Summit was launched in 2009 with just 258 attendees. With the proper use of email marketing, this figure bulged to 4500 in 2017. What's more, T&C realized above \$20 million in revenue from email marketing in a single year.

As attractive as email marketing appears, it is dangerous and could cripple a firm if not done rightly. Quickly think back: how many promotional emails have you replied to in your inbox? This becomes worse if the mail shows up under the spam folder.

Email marketing has an unbelievable ROI of 4400%, which is an expected return of \$44 on every \$1 spent. But as already mentioned, email marketing must be done well to make profits. So how is it done?

Getting a list of emails to send messages to starts the cycle. This can be easily done via any of the email generators we have online. What matters most is how the bait is taken. A lead magnet would do very well to get your mail's positive consideration. A lead magnet is a reward you give in exchange for messaging a prospect. It doesn't have to cost anything; it could be a document, some helpful stats, an mp3 file, a short video, a webinar, a free quote, to name a few.

For example, if you message a prospective customer on a product related to heart issues, it would do you very well to attach a free PDF file that gives some information on cardiology. This way, the prospect is likely to open your message and trust you due to the offer you've made.

Email generators are not advisable. You can place your lead magnet in certain positions on your website so as to get visitors to give their email addresses in exchange for the free offer. With adequate traffic and a well-designed lead magnet, you are sure to own a mailing list of people who already know about and have an interest in what you offer.

7.1.7 Social Media Marketing

Social media marketing is the art of marketing goods and products via social media. The huge number of users across social media platforms has made social media marketing very appealing and effective.

Initially, social media marketing was just publishing posts and championing ad campaigns, but all has changed with time. Gone are the days when all you had to do was create a post on an official page and organize paid ads.

Social media platforms, such as Twitter and Facebook, are very effective in bringing customers close to businesses. On any of the two, followers can express their opinions about your brand and this will be helpful in knowing the next steps to take. You now have to monitor conversations and provide responses to important mentions.

The availability of social media analytics makes marketing easier. With analytics, businesses can make an analysis of their reaches and engagements. The success of a campaign can now be easily determined and measured.

Social media marketing is set on five fundamental pillars, which are:

- **Strategy:** This is of course very important before starting your social media marketing. Before any campaign, you should have a definite reason for its use. Your marketing campaign can be for several reasons. It could be for creating awareness, generating sales and website traffic, and developing a customer support platform and a channel through which brand engagements can be drawn and pursued. This aside, you have to select a suitable platform from the popular ones available. You can choose from Facebook, Instagram, Twitter, YouTube, Pinterest, Snapchat, and LinkedIn.
- **Planning and Publishing:** Social media marketing requires you to have a solid online presence. More than 2 billion people use social media, so when you publish on it, your brand is exposed to a very wide audience within a short period. Publishing on social media can be via a post, an image, an animation, or a video. It must however be planned ahead of time to make it meaningful. You have to publish at the right time as well.
- **Engagements:** With the ideal strategy and relevant publishing, your brand is assured of a rise in recognition and conversations. Your followers will like your posts, air their opinions about your services, and participate in ongoing activities. To monitor

engagements, you may have to use special tools designed specifically for the purpose. Of course, you may decide to use the traditional method of going through mentions and convos, and that would work just as fine.

- **Analytics:** Analytics help analyze the performance of your social media marketing. Whether you're publishing or making engagements, it is necessary to know how things are going. Analytics will help you know if your strategy is working as it should and if you're publishing appropriate content. You can always get an in-depth analysis of performance by using tailored tools available for the platform you're on.
- **Advertising:** Having satisfied the four fundamentals highlighted above, the next core you want to explore is social media advertising. Via ad campaigns, you have the opportunity to reach a very wide audience. For a token, your brand or product is advertised to users of the platform. Instead of reaching your followers only, you have the chance to advertise yourself to a bigger range of users, depending on the campaign plan you pay for.

7.1.8 Mobile Marketing

Mobile marketing gets far less applause than it deserves. The effects of mobile marketing are either ignorantly overlooked or deliberately unappreciated. As far back as 2014, mobile users have been more than PC users. More than 79.9% of internet users do so via a smartphone.

The remarkable fact about mobile marketing is that, unlike all

other channels, it still functions without the internet. On every mobile, whether it's a smartphone or not, there are two basic apps to carry out mobile marketing: calls and text messages.

That brings us to cold calling. Cold calling is the act of calling someone with whom you have had no previous contact in order to market a brand or product. According to stats, marketers make 52 calls and average 3 buyers daily. That's about 17:1. It's not as much of an effective method as social media and email marketing are, but it's worth something.

Texting has recorded more success than cold calling. This is because every text is guaranteed a read within 3 minutes of receipt under normal circumstances. What makes texting more appealing than cold calling is that you do not have to worry about the prospect's mood. All you have to do is send the message and leave a call-to-action at the end.

To leverage text messaging, you may offer special rewards in exchange for a response. It could be in the form of a coupon code, a special deal, or an offer. For example, DVD rental service, Redbox accumulated over 400, 000 new customers and sent 1.5 million text messages within 10 days. Prospects who texted 'DEALS' to 727272 were afforded a gamble in the form of a discount that could fall anywhere between \$0.10 and \$1.50.

Another way to use text messaging is to send notifications to customers when updates are available. Walmart, for example, alerts customers when their orders are ready for acquisition. The campaign has been very successful: sending a billion text messages is more than enough evidence.

You can use mobile marketing through the internet as well. To start, you have to optimize your landing page for mobile devices. Content on your website must be instantly useful and captivating. You may use high-quality text and brilliant graphics to make it worthwhile. You are advised to keep things simple however as a second delay decreases customer satisfaction and reduces conversion rates.

Every function on your website or marketing campaign must be optimum for mobile users, be it the CTA button, email contacts, social media platform, or something else. Would you believe that the average person checks his mobile more than 150 times daily? The possibilities available are just endless.

Analytics

Analytics is concerned with performance measurement and assessment. Whereas all other aspects of digital marketing highlighted herein are practiced achieving one or two purposes, analytics is done to know if the set pieces of machinery are functioning as they should. Analytics, for example, will be useful in an SEO campaign to determine the effectiveness of the keywords and other cogent components. The same applies to the various arms of digital marketing.

Aside from the basic sales and lead generation applications, analytics can be used to realize and understand customer preferences and priorities. Take for example social media campaigns. Analytics will help identify the preferences of followers: do they prefer visual manifestations to written expressions?

The introduction of software, such as search engines, paid search, and SEO has made analytics far more precise and helpful. But for all of the benefits posed by this monitoring function, some stakeholders decry its usage.

Importance of Analytics

Digital marketing analytics, web analytics in particular, offer business owners the platform to monitor how each dollar is spent, consequently helping to make every penny worthy of the cause.

The concept behind analytics is simple: if the cash spent on an investment is more than the amount received in return, then it isn't worth it and should be discarded.

It's only logical that a business that knows how its investments are handled and the returns made on each investment will outgrow its competitors and manage resources better.

7.2 Soft Skills in Digital Marketing

Soft skills are as important as hard skills, although they do not require any technical knowledge. This is the aspect of digital marketing that deals with the human personality. There are several soft skills to possess in order to be successful as a digital marketer. We'll be looking at some of the most significant ones below:

- **Tenacity:** This should top the list. As a digital marketer, you must be able to remain motivated even without favorable results. If you give up easily or are quickly bored by processes, digital marketing might not be the field for you. For example, an update

might ruin all your efforts on increasing the rank of a website and you'd have to start again. Every day, there's a new thing to try and that's what keeps things worthwhile.

- **Humility to Listen and Learn:** This is of course a skill necessary in every sphere of life. As a digital marketer, you have to be willing to listen to and learn from others when necessary. You could be wrong about a prospect and it is only right that you learn when you should. Without the willingness to listen and learn, you'll be making countless mistakes you could have avoided.
- **Keen on Research:** This is an area you must be abundantly skilled in. A digital marketer must have a keen eye for research. Think about it. Hard skills are constantly updated, and new methods are incorporated. Without an interest in research, you will be championing several poor and ineffectual marketing campaigns. If you cannot research, how would you strategize, plan, publish, gain prospects, design posts, and do so many other things? Just how?
- **Versatility:** Your ability to adapt to different work situations is relevant to being a successful digital marketer. This is because you might have to work on diversifying assignments. This week, you may be revitalizing the SEO of a website while next week might see you handling the social media platforms of a brand. You have to be adaptable to any situation.
- **Multitasking:** This skill cannot be overemphasized. You must be able to handle several tasks simultaneously without making mistakes. Put in mind that a particular assignment could require

more than two hard skills and you must be able to handle all at the same time.

7.2.1 Bottom Line

From all indications, digital marketing is the future. In fact, it is the present. As it stands, YouTube makes more revenue and gives more results than any TV adverts. No one is interested in huge billboards one might chance upon while traveling anymore. The next time you're in a car, you may look around to compare the number of those staring out the window and those operating their mobile devices. A pretty alarming difference, as you will notice. Digital marketing has come to stay and it is recommended that you make the switch very soon.

Quiz

- 1. The use of digital technologies to carry out the marketing cycle is the definition of?**
 - a. Technical marketing
 - b. Digital marketing
 - c. Digital channel marketing
 - d. Omnichannel marketing

- 2. Which of the following is not a term used to describe search engine optimization (SEO) practices?**
 - a. Grey hat
 - b. Black hat
 - c. White hat
 - d. Red hat

- 3. A digital marketing model that requires websites to pay referrals on every click their ads get is called?**
 - a. Price-per-click
 - b. Pay-per-click
 - c. Cost-per-click
 - d. Pricing-per-click

- 4. What is the most used form of PPC?**

- a. Search engine advertising
- b. Search engine optimization
- c. Website tracking
- d. User-experience optimization

5. What do you need to consider when creating a useful PPC campaign?

- a. Keywords
- b. Landing pages
- c. Quality score
- d. All of the above

6. All of the following are top-performing ad sizes for Google Adwords EXCEPT _____

- a. 728 x 90
- b. 300 x 600
- c. 200 x 350
- d. 320 x 100

7. The display advertising size 120 x 600 is also known as a _____

- a. portrait
- b. vertical banner
- c. skyscraper
- d. billboard

- 8. Social media marketing includes how many fundamental pillars?**
- a. Three
 - b. Five
 - c. Six
 - d. Nine
- 9. What is the last fundamental social media pillar to explore?**
- a. Advertising
 - b. Analytics
 - c. Planning and publishing
 - d. Engagements
- 10. What percent of people browse the internet via a smartphone?**
- a. 60%
 - b. 90%
 - c. 80%
 - d. 30%

Answers	1 – b	2 – d	3 – b	4 – a	5 – d
	6 – c	7 – c	8 – b	9 – a	10 – c

Chapter Summary

- Digital Marketing is the use of digital technologies to carry out the marketing cycle. It is marketing done through digital platforms.
- Search Engine Optimization (SEO) is a method that helps your content rank higher in search results under free listings.
- Pay Per Click (PPC) is a digital marketing model that requires websites to pay referrals on every click their ads get.
- Digital Display Advertising is visuals done in the form of banners and strategically placed on certain pages or social media platforms.
- Email Marketing is a form of digital marketing that involves sending messages to customers or prospects via email.
- Social Media Marketing is the art of marketing goods and products via social media.

Chapter 8

Essential Marketing Skills

What are the current and future marketing skills needed for success in the workplace? How will I attain and sharpen these skills throughout my career?

Whether you are a new or a seasoned professional, these are two crucial questions to ask yourself.

The field of marketing continues to evolve as advancements in technology and consumer behavior change in a “post-COVID-19” era. To be a valuable asset to your organization and continue to excel in your career path, it is no longer enough to rely solely on transactional skills, but to couple your skills with critical competencies.

Competencies are the undercurrent to the skills and abilities you will need to do your job. In this chapter, you will discover how several skills are common throughout history, review which skills and competencies are (and will be) in demand, and conduct a self-assessment of your current marketing skills and competencies.

Key learning objectives should include the reader’s understanding of the following:

- A history of marketing skills
- What skills are in demand now (and in the future)
- The competencies for marketing success
- How and where to build essential marketing skills

8.1 A History of Marketing Skills

Human beings continue to learn that we are more alike than we are different. It should come as no surprise that many of the same marketing skills in demand now have also proved to be effective throughout history.

Let's take storytelling as an example. Today, you may even see employees with "storyteller" in their professional title such as "Brand Storyteller." The emphasis on storytelling is also seen at the highest levels of an organization with Trinity University referring to its 20th President as the "storyteller-in-chief."



Discussion

Have you encountered any situations where "storyteller" is included in a job title? How did you interpret their responsibilities?

Our brains love stories, and these narratives influence decision-making. According to media psychologist, Dr. Pamela Rutledge, stories create genuine emotions, presence (the sense of being somewhere), and behavioral response through cortical activity, mirroring, and neural coupling.

Despite inclusion in job titles, this generation of professionals is certainly not the first to coin or nurture the skill of storytelling. Storytelling was one of the earliest forms of marketing with inventions like the printing press, radio and television, and the supercomputer becoming milestone advances that ushered in a new era of marketing channels, skills, and consumer expectations.

And, storytelling is more than verbal. Our brains can process an image in less than 15 milliseconds. Marketers who visually tell a story can impact behavior. For example, a marketer who shows a photo of a dog sitting in a dilapidated house in the pouring rain is likely to affect a consumer more than trying to describe the situation or say “There was a dog sitting in a dilapidated house in the pouring rain.”

But, how effective can a message be without the right placement and without delivering the product(s) that customers want or need? Marketers “of old” understood this concept albeit more simplistically, as we do today with examples of ancient Romans, Greeks, and Egyptians who would paint advertisements onto surfaces and write messages on papyrus in highly trafficked areas.



Discussion

Which skills, (e.g. graphic design) might be most useful in helping the brain process a story? Why?

We intuitively apply marketing concepts without formal training. A boy who was just 6 years old built a lemonade stand for his neighborhood. At first, this was a simple table and chair with a

pitcher of lemonade, a dozen cups, and a sign that said “lemonade \$1” written with blue and green crayons. To promote this lemonade stand “business,” he placed signs throughout the neighborhood using bright-colored paint to capture attention. This lemonade stand was created in 1995 in Arizona. Unknowingly, this boy marketed his product like our “ancient marketers.”



Discussion

What are some of the earliest examples of marketing that come to mind? Which skills might someone need to perform the example you identified?

Skills that marketers need today are informed by concepts and principles that were not identified or widely studied in the past, e.g., behavioral economics, nudge theory, and neuromarketing. Defining how people make decisions was critical to evolving the types of skills a successful marketer needs. For example, University of Chicago scholar and Nobel laureate Richard Thaler cascaded the concept of “nudge theory.” When a marketer “nudges” someone it is in a way that seeks to manipulate their choices. Grocery stores are a wonderful example where products that the store wants to sell more of are placed at the shopper’s eye level. Another daily example is how vegetables are presented as fresher because they are continuously misted - presented as fresh vegetables rather than packaged and frozen - as shown in Figure 8.1. This is not the only reason for vegetables to be watered in stores, but there is certainly intentionality to this tactic.

Figure 8.1 Vegetables with mist versus frozen



Source: Oleksandr P, Green and Red Vegetable Plants in the Market, July 22, 2022, Pexels, <https://www.pexels.com/photo/green-and-red-vegetable-plants-in-the-market-12932765/>

When researching for this book, hiring managers and human resource professionals were asked “What are the essential skills for marketers?” They conveyed that their responses would be shaped by several factors, three of which were: the interpretation of marketing, consumer behavior, and the type of industry tools or channels at that point in time. For example, radio was still the dominant broadcast medium in the United States until television was popularized in the 1960s. Thus, there was no need for a marketer to have a working knowledge of mass media through television advertising. Media placement and brokerage did not widely exist beyond print and radio. Regarding definitions, the 1960s and 1970s presented marketing as a more people-oriented discipline that provided consumers with what they needed and wanted. Skills that applied tools, e.g., journey mapping, introduced in the 1980s, and user experience, which was officially coined in the 1990s, impacted the type of skills listed and competencies listed in a marketer’s job description.

8.2 Marketing Skills and Competencies

The “required skills/experience” section lists: excellent communication and writing skills, the ability to effectively work in a team environment, SEO, and copywriting. These are just some examples. The point is that employers use skills and competencies interchangeably. The terms “skills” and “competencies” are used interchangeably in everyday life, but in the career context, it is more defined. After consulting with Human Resource professionals from the private and higher education sectors, it became clear.

Skills are the abilities an employee needs to perform the job.

Think of a job skill as a “tangible” action you perform or a knowledge area, e.g., having a working knowledge of MS Office and Google suite, specific programming languages, or being bilingual.

Competencies are behaviors and attitudes that make someone successful. A competency includes what people sometimes refer to as soft skills, e.g., high emotional intelligence, empathy, adaptability, and resiliency although these “soft skills” are undoubtedly power skills. Rarely do you see a successful employee in any industry who isn’t valued for their ability to communicate, think critically, write, or work collaboratively.

In a job description, you may find a mix of skills and competencies. Is there a difference? Does it matter? Yes, this matters when you’re searching for and interviewing for a job. To demonstrate a competency, you want to use a behavioral example whereas a skill question, e.g. proven ability to optimize a digital marketing campaign, requires a solid case study example.

Marketing skills and competencies in demand now (and in the future)

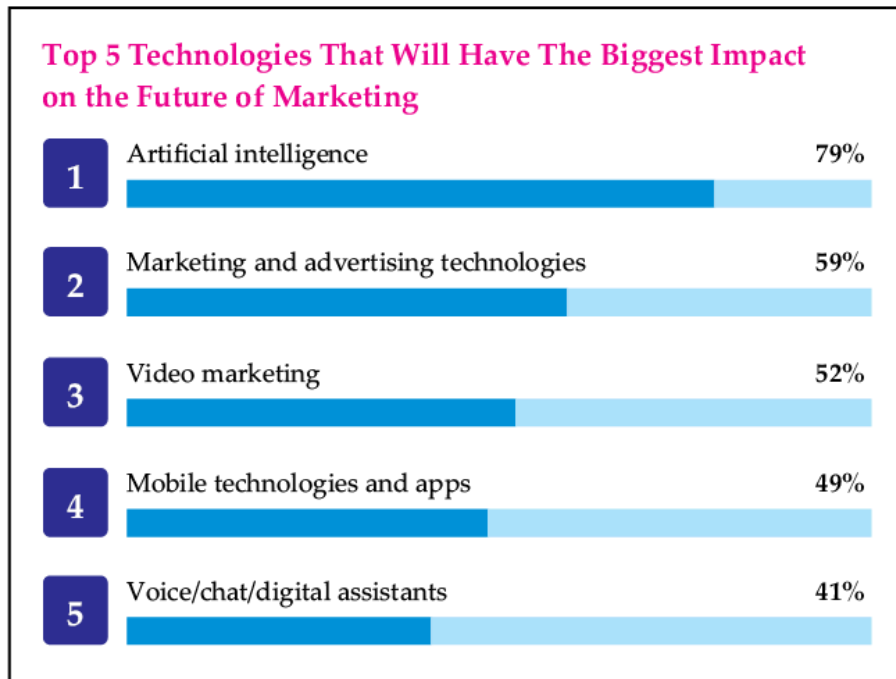
How is the modern and future marketer described? When asking a dozen senior leaders and human resource professionals across healthcare, marketing, and higher education, the words used to describe the marketer or today, and tomorrow are in Figure 8.2.

Figure 8.2 Words to describe the marketers of today and tomorrow



How these words are transferred to specific skills and abilities will likely continue to depend on the three factors outlined above: the interpretation of marketing, consumer behavior, and the type of industry tools or channels at that point in time. Figure 8.3 illustrates the top technologies that will have the biggest impact on the future of marketing.

Figure 8.3 Technologies with the biggest impact on marketing



Source: “2021 Marketing Leadership Benchmark Report.” n.d. Drift. Accessed October 20, 2023. <https://www.drift.com/marketing-leadership-report/>.

Additionally, according to the Drift Research Marketing Leadership Benchmark Report:

- 53% of respondents think that content marketing skills will be indispensable in the future
- 45% say strategy and brand management skills
- 41% say data and analytics skills
- 40% say marketing and customer understanding skills
- 31% consider marketing automation skills as essential.

As you review job descriptions, discuss performance evaluations, or seek a promotion, knowing how the field is evolving is foundational to your future success so you can acquire or strengthen the marketing skills and competencies that are in demand now (and

in the future) while demonstrating your understanding of consumer expectations.

The idea that consumers expect more personalized communications is not new, but we continue to see research from Drift, Gartner, and the American Marketing Association (AMA), that consumers expect more personalization as they interact with companies, more immediacy in their communications, and more self-service options in their business buying. This places a potentially significant burden on companies that have fallen behind as these trends begin to develop - not only because of the lack of digital infrastructure to address these demands, but the lagging professional development of the staff. This is why competencies like digital literacy, adaptability, people-centric mindset, and creativity are timeless and invaluable.

How do you stack up? Table 8.1 includes a list of essential skills and provides an activity for self-assessment.



Activity

In Table 8.1, mark which of the skills you think you have and your current skill level.

This assessment will help you determine a path forward for obtaining critical skills and improving your proficiency. When taking this self-assessment, remember that you may not need to have each of these skills for your job. For example, if you are in digital marketing, you should have at least a beginner skill level in

marketing analytics. If you hold a certain position, e.g., marketing manager, then this skill needs to be at intermediate proficiency. In the bottom rows, add any skills you believe are important and continue this self-assessment.

Table 8.1 Essential marketing skills self-assessment

Skill / Knowledge Area	Currently have this skill (X = yes)	Skill level (Beginner, Intermediate, Advanced)
Verbal and Written Communication		
Search Engine Optimization (SEO)		
Digital Marketing		
Understanding of principles and methods used to promote, display, and sell products and services.		
Media Placement		

Content Marketing

Copywriting

Sales Forecasting and Budget
Management

Strategic Planning

Graphic Design

Video Creation

Marketing Research

Negotiation

Account Service (Client
Management, Customer-
Service)

Organizational Skills

Technical skills (Google Suite,
MS Office)

Presentation and Pitch Building

Business Development

Social Media Platforms (Twitter, Facebook, TikTok, Instagram, YouTube, Other)
Campaign Development and Management
Customer Journey Mapping
Mobile Marketing
Direct Marketing
Email Marketing
Affiliate Marketing
Marketing Automation and Integration
Search Marketing

Table 8.2 Critical marketing management competencies

Competencies	Currently have this competency (X = yes)	Years of Experience (0-3, 4-7, 8-15, > 15)

Digital Literacy

Tenacity

Relationship Building

Analytical

Organization

Emotional
Intelligence

Empathy

Creativity

Versatility and
Resiliency

Coachability

Strategic

Critical Thinking

People-Centric
Mindset

8.3 Case Study

The year was 2022. A cross-functional team of marketing, user-experience, and human resources professionals ranging from mid-level to the Chief Human Resources Office were tasked with hiring their organization's next Senior Marketing Director. It should be noted that this Senior Marketing Director role was new to the organization. Previously, the hierarchy was Chief Marketing Office with the next highest title being Marketing Manager. There was a clear gap between the Chief Marketing Office that needed to be addressed to ensure accelerated professional development for the department and to add bench strength to strategic planning, business development, and value creation.

The team was provided the vision for the job by the Chief Marketing Officer and other senior leaders, but unlike previous search approaches, the team was asked to use an approach called competency card sorting to identify critical competencies for the person in this role. Each member of the team was given a set of cards with the name of the competency on one side and the definition on the other. Each person was asked to sort the cards by what they thought should be the critical competencies for this job. This was a 5-10 minute exercise. When the time expired, the meeting facilitator conducted a round-robin where each person read aloud their critical competencies. The facilitator wrote these words on a whiteboard and added a tally mark next to a competency shared more than once.

Upon seeing all the competencies listed, there was a healthy debate about the definitions and which of these competencies were truly

critical for the job description. An example of a result is in Figure 8.4.

Figure 8.4 Critical competency and definition.

Critical Competency	Definition
action oriented	Taking on new opportunities and tough challenges with a sense of urgency, high energy, and enthusiasm.
collaborates	Building partnership and working collaboratively with others to meet shared objectives.
communicates effectively	Developing and delivering multi-mode communications that convey a clear understanding of the unique needs of different audiences.
plans/aligns	Planning and prioritizing work to meet commitments aligned with organizational goals
drives results	Consistently achieving results, even under tough circumstances.
manages complexity	Making sense of complex, high quantity, and sometimes contradictory information to effectively solve problems.

customer focus	Building strong customer relationships and delivering customer-centric solutions.
directs work	Providing direction, delegating, and removing obstacles to get work done.
situational adaptability	Adapting approach and demeanor in real time to match the shifting demands of different situations.
values differences	Recognizing the value that different perspective and cultures bring to an organization

This exercise proved to be invaluable, especially with the facilitation of a human resources professional who could guide the job search team on which set of skills aligned with a competency. When using this method upfront when planning for a job search, you and your team should not only gain a deeper understanding of the type of person who will succeed in the role, but you will be more in sync with the search team as you go through the hiring process.

8.4 Building Essential Marketing Skills

To hone or acquire marketing skills and develop critical competencies, look no further than a Web browser.

The possibilities seem endless with options with companies like General Assembly, Google, Twitter, and Amazon having badging/certification programs that will allow you to dive into in-demand skills that are transferable across industries. Specifically,

Google Skill Shop, Twitter Flight School, and Amazon Advertising Console.

What's more, there are more robust programs in marketing like the college-level opportunity offered through the UC Berkeley Extension Certificate Program or the Digital Marketing Institute and American Marketing Association's dual certification program where you can become a Certified Digital Marketing Professional and Professional Certified Marketer (PCM) in Digital Marketing. You will be hard-pressed to find a program without flexibility - with many offering fully online, or even self-paced options.

While not all certifications or continued education programs are free, reputable options will certainly cover the difference in potential earnings.



Tip

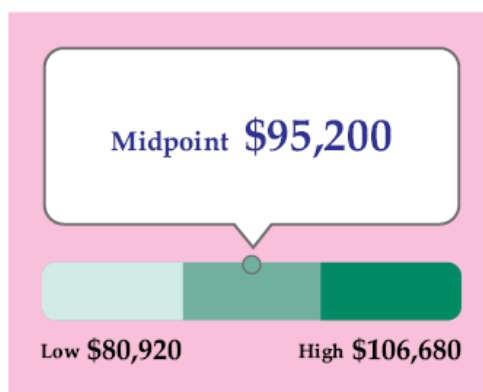
If you are already employed, don't be afraid to submit a proposal for your company to pay for a certification. This additional education directly benefits your organization and demonstrates a commitment to life-long learning and continuous improvement.

Maximize your salary with certifications and additional skills.

If you are wondering whether certifications or continued education that yield more qualifications are worth the investment, the answer is yes. Robert Half Talent Solutions creates a salary guide that “features exclusive data and input from employers, workers, and

our recruiters who staff tens of thousands of jobs each year.”⁶ Let’s use a Marketing Manager who meets the minimum qualifications for example. The 2021 Salary Guide reflects that an entry-level Marketing Manager with no certifications can expect an annual salary of \$67,000, whereas an experienced, certified Marketing Manager earns close to \$43,000 more annually. The 2023 Salary Guide tells a similar story, depending on where you live. For example, when inputting Marketing Manager for the Dallas, TX market, there is nearly a \$26,000 spread between the low and high earnings shown in Figure 8.5. Likewise, the salary for a Digital Marketing Manager in Chicago, IL is \$40,000 (see Figure 8.6).

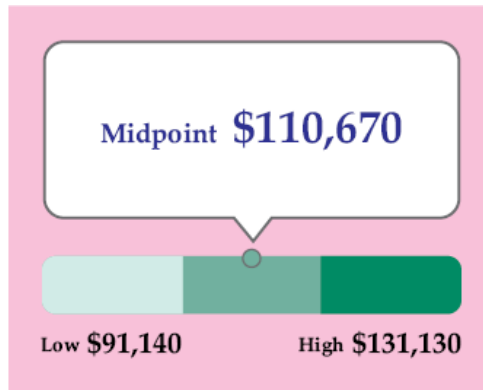
Figure 8.5 Marketing Manager salary in Dallas, TX



Source: "2023 Salary Guide." n.d. English.

<https://www.roberthalf.com/us/en/insights/salary-guide>.

Figure 8.6 Digital Marketing Manager salary in Chicago, IL



Source: "2023 Salary Guide." n.d. English.

<https://www.roberthalf.com/us/en/insights/salary-guide>.



Tip

Specifically for digital marketing professionals, becoming an Online Marketing Certified Professional by attaining the OMCP Digital Marketing Certification boasts that you will earn up to 26% more than non-certified digital marketers.⁷



Activity

In Table 8.1, you completed a self-assessment of essential marketing skills. In this activity, as shown in Table 8.3, you will create an actionable plan to build these skills. You can make this plan high-level or detailed to fit your needs. For example, in the Skill Building column, you could include "take an online class," or a SMART goal "complete the Marketing Analytics course on Coursera by October 2024."

Table 8.3 Essential marketing skills building plan

Skill / Knowledge Area	Currently have this skill (X = yes)	Desired Skill Level (Beginner, Intermediate, Advanced)	Path to Desired Skill Level	Goal Date (By when will you acquire the desired skill?)
Verbal and Written Communication				
Search Engine Optimization (SEO)				
Digital Marketing				

Understanding of
principles and
methods used to
promote, display,
and sell products
and services.

Media Placement

Content
Marketing

Copywriting

Sales Forecasting
and Budget
Management

Strategic
Planning

Graphic Design

Video Creation

Marketing
Research

Negotiation

Account Service
(Client
Management,
Customer-
Service)

Organizational
Skills

Technical skills
(Google Suite, MS
Office)

Presentation and
Pitch Building

Business
Development

Social Media
Platforms
(Twitter,
Facebook,
TikTok,
Instagram,
YouTube, Other)

Campaign

Development and
Management

Customer
Journey Mapping

Mobile Marketing

Direct Marketing

Email Marketing

Affiliate
Marketing

Marketing
Automation and
Integration

Search Marketing



Tip

A SMART goal is an effective way to create actionable plans. SMART stands for specific, measurable, achievable, relevant, and time-bound.

Quiz

- 1. What does SMART stand for?**
 - a. Strategic, Measurable, Assessment, Relevant, Timely
 - b. Specific, Measurable, Actionable, Reliable, Timebound
 - c. Strategic, Measurable, Actionable, Relevant, Timebound
 - d. Specific, Measurable, Achievable, Relevant, Time-bound

- 2. Which of the following is an example of a competency?**
 - a. Technical writing
 - b. Negotiation
 - c. Budgeting
 - d. Critical thinking

- 3. Which of the following is an example of a skill?**
 - a. Graphic design
 - b. Speech writing
 - c. Critical thinking
 - d. Both a and b

- 4. Artificial Intelligence (AI) does not currently exist in our society.**
 - a. True

b. False

5. Future essential marketing skills will include:

- a. Content marketing
- b. Digital marketing
- c. Analytics
- d. All of the above

6. The ideal marketing manager might NOT have which of the following skills?

- a. Project management
- b. Content marketing
- c. Graphic design
- d. Video marketing

7. The ideal marketing manager might have which of the following competencies?

- a. Emotional intelligence
- b. Adaptability
- c. People-centric mindset
- d. All of the above

8. Online courses are NOT a legitimate way to build essential marketing skills.

- a. True
- b. False

9. What was one of the earliest forms of marketing?

- a. Print advertising
- b. Radio
- c. Outdoor billboards
- d. Storytelling

10. Which of the following is NOT a competency?

- a. Digital literacy
- b. Critical thinking
- c. Empathy
- d. Search marketing

Answers	1 – d	2 – a	3 – c	4 – a	5 – c
	6 – a	7 – d	8 – b	9 – d	10 – d

Chapter Summary

- Skills are the abilities an employee needs to perform the job.
- Competencies are behaviors and attitudes that make someone successful.
- Earning certifications or continued education, that yield(s) more qualifications is/are worth the investment to increase your salary.
- Artificial intelligence, marketing and advertising technologies, video marketing, mobile technologies, apps, and voice/chat/digital assistants are expected to have the biggest impact on the future of marketing.
- Content marketing and strategy and brand management skills will be indispensable in the future.
- Storytelling was one of the earliest forms of marketing with inventions like the printing press, radio and television, and the supercomputer becoming milestone advances that ushered in a new era of marketing channels, skills, and consumer expectations.

- Competency card sorting is an approach to identify critical competencies for a job and has proven to be invaluable, especially when facilitated by a Human Resource professional who could guide the job search team on which set of skills typically aligned with a competency.

6. *2023 Salary Guide*, Robert Half Talent Solutions <https://www.roberthalf.com/salary-guide>

Z. <https://omcp.org/omcp-certification>

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