

# Marketing Overview: *The 6 Ps*

Marketing<sup>1</sup> is all about creating value:

Creating **shareholder value** in profit-maximizing firms by generating superior returns on investment<sup>2</sup>, or

Creating **social value** through organizations whose overarching objectives include contributions to the common good.<sup>3</sup>

Importantly, shareholder value and social value are end-point objectives that are achieved via “products” (i.e. physical goods, services, and ideas) that deliver **value to customers** in the marketplace by providing an aggregate of benefits that they (the customers) recognize as exceeding the total out-of-pocket and opportunity costs expended to find, acquire and use the products, both in absolute terms and relative to competitively substitutable products.

For profit-oriented firms, the **delivered costs** of these benefits must be sufficiently low to provide an acceptable profit margin (the difference between the price charged and the costs incurred) -- as judged by the specific company’s financial objectives.

## Customer Focus

Peter Drucker, a highly regarded management guru, has said that **“marketing is the entirety of the business from the perspective of the customer”**, highlighting both the ultimate importance of customers to business success (i.e. without customers there is no business) and the pivotal role that marketing plays in connecting a business to its customers.

While company mantras such as “the customer is King”, are popular, the reality is that many managers lack the personal skills or philosophical sensitivity to be “good with customers”, and they sometimes operate under the dysfunctional notion that “it would be a good business if it weren’t for the burdens imposed by the customers”.

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This note was developed by Prof. Ken Homa as background for class discussions and is incomplete without extensive supplemental oral elaboration.

<sup>1</sup> Depending on the specific context, “marketing” can have one of several connotations: a customer-oriented mindset, a specific organizational entity, or a set of actions and decisions.

<sup>2</sup> “Superior returns” are discussed in greater detail below and in the Homa Note – Marketing Performance

Consider for example, stereotypical high technology companies with a zealous focus on cutting-edge products. Often, these products are in a desperate search of markets, trying to find customers who need or want them. Implicit to this technology-based business philosophy are the ingrained beliefs that company personnel “know better than customers what the customers need”, that “customers can’t envision breakthrough technology”, and that “good products sell themselves on their own intuitively obvious merits”.

## Marketing’s Organizational Role

It is fashionable to idealize that all business functions should adopt a pervasive marketing mindset that is externally-focused, market-driven, and customer-obsessed, and should create multiple empathetic organizational linkages to customers (e.g. having engineers direct-connect with end-users).

But more often than not, marketing -- as a broadly defined functional organization -- still predominates in most companies as the interpreter of customer needs and behaviors (the critical inputs to the business), the architect of customer-centric products (the ultimate outputs of the business), and the steward of customer relationships (the bond between the business and the customer).

Accordingly, marketing (the organizational function) often plays a critical role in developing broad business strategy (i.e. determining which markets to serve, in what ways, at what times, based on what competitive advantages, to achieve what goals). In fact, in many companies, the marketing functional organization has a central responsibility for strategy development, and the chief marketing officer is one of the company’s main strategy architects.

Most commonly, marketing has functional responsibility (and accountability) to formulate, implement, and monitor specific product-based, customer-focused strategies and tactics that profitably serve high potential target markets with the right offerings and effective programmatic support (e.g. sales forces, advertising).

Accordingly, “marketing” (the discipline) is traditionally framed by the classic **4 Ps: Product, Price, Place, and Promotion**.

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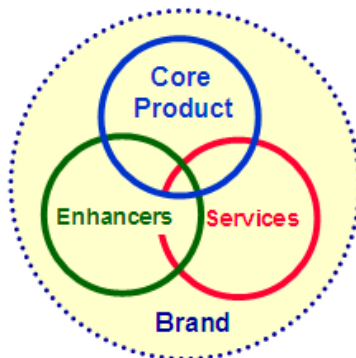
<sup>3</sup> These organizations can be strictly not-for-profit (like the Red Cross or Museum of Modern Art), or may be dual-objective entities (like Ben & Jerry’s and the Body Shop) that strive to make both substantial social contributions and profits. For the remainder of this note, a profit-maximizing objective will be implicitly assumed, unless otherwise stated.

## Product<sup>4</sup>

“Product” is arguably the heart of any marketing strategy since, after all, something needs to be marketed.

Few products are single-dimensional. Most are **augmented products**: multi-dimensional composites of a **core product** (usually the “hardware” that can be seen, touched, held, etc), **product enhancers** (complementary hardware components such as packaging, and enabling “software”, including intellectual property, proprietary operating protocols, digital content), and **services** (including pre- and post-purchase support, purchase facilitators such as credit financing and installation, and purchase assurances such as warranties and guarantees) that are sometimes pulled together under a strong **brand umbrella** that can provide efficient marketplace identification, perceptual “uplift” (accentuating positive product attributes while minimizing deficiencies), and customer selection tie-breakers.<sup>5</sup>

### Augmented Product



For example, a PC (the box of electronic and mechanical components) is typically augmented by enabling software (operating systems, applications), complementary peripheral equipment (scanners, printers), an array of services (warranties, help lines, etc.), and a reassuring brand name (Apple, Dell, HP).

Similarly, a State Farm insurance policy (a service) comes with a personal agent and a network of claims facilities that support the coverage (also services). That offering is a different product than GEICO insurance coverage, which is supported by remote service centers accessed via an 800 number. Neither

offering is necessarily better or worse than the other; they are just distinctively augmented products.

Non-hardware product augmenters are often critical enablers that make a product useful to buyers (creating a “**whole product**”), and are sometimes the basis of product-to-product differentiation, especially as products mature and differentiation is established “at the margins” for relatively similar core products.

### Benefits Orientation

While it is often convenient to talk about a product’s features and functions, they are simply the mechanisms that deliver benefits that customers want.

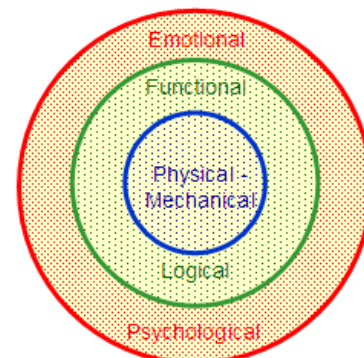
The classic example is that people don’t buy a drill just for the pride of drill ownership, but rather to have the drill’s capability to make holes.

So, a fundamental principle underlying the product P is that products must be **benefits-based**. That is, they must deliver benefits that customers appreciate, and must do so at the **right cost** (i.e. low enough to generate profits at prevailing market prices).

**Customer perceptions** are the determining factors influencing buying behavior. A product may pass objective performance tests (i.e. can be validated by laboratory tests), but a company only “gets credit” if customers recognize that the product delivers the benefits that they want.

Whether conscious or sub-conscious, customers buy products for the **perceived benefits** that they receive.

Perceived benefits may be **physical** (mechanical), **logical** (functional), or **emotional** (psychological).



For example, the drill can make a hole (physical) to build a deck (functional) that is the talk of the neighborhood (emotional). A soft drink can quench thirst (physical), taste good with burgers (functional), or -- so we’re told in ads -- make an image statement (emotional).

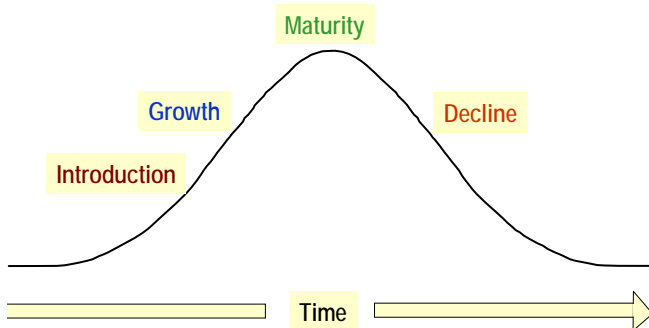
<sup>4</sup> See Homa Note – Product Fundamentals for more details.

<sup>5</sup> The accumulated goodwill that a brand earns over time is called **brand equity**; the monetization of brand equity is called **brand asset value** – the estimated financial worth of the brand to the firm.

## Product Life Cycle

Over time, products often conform to a stereotypical pattern of sales and profits called the **product life cycle (PLC)**.

The PLC, which is conceptually linked to models of innovation diffusion and technology adoption, is a simplified representation of the sequential stages that many products go through over time: **introduction**, **growth**, **maturity**, and **decline**.



While the PLC is broadly representative of empirical patterns, it is not necessarily predictive or definitive since the precise pattern of magnitudes and durations vary widely across products. Nonetheless, the PLC framework can be both practical and insightful, providing a context for strategic and tactical decision-making, ranging from high-level resource allocations to the formulation of specific marketing programs.

## Product Management

The Product Life Cycle framework provides a conceptual backdrop for three overarching **product management priorities**:

1. Developing a steady stream of profit-generating products for high potential markets
2. Aggressively managing products through their life cycles to maximize long-run profitability
3. Assembling a strategically strong and financially viable portfolio of complementary products.

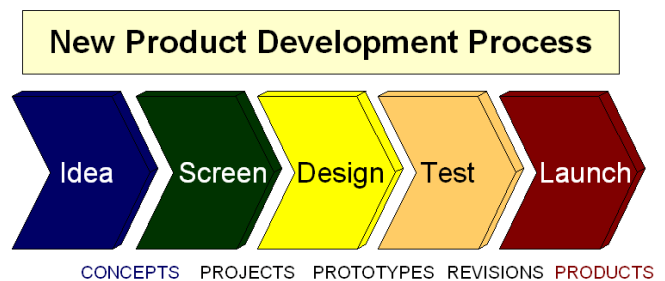
## *Product Management Priority #1 New Product Development (NPD)*

Most companies invest substantial time and effort in new product development to meet financial growth targets or stem deteriorating results; to compete with lower cost or more benefit-laden products; to exploit emerging technologies; to respond to customer requests; or to comply with legal requirements (e.g. auto makers boosting gas mileage to comply with government imposed fuel economy standards).

But, most studies typically find that the bulk of all resources allocated to product development and commercialization by U.S. firms is spent on products that are cancelled or fail to yield an adequate financial return.

Said differently, the failure rate on new products is very high. Typically, only 1 of every 5 or 10 projects that enter development gets launched in the market. And, far less than half of all products launched become marketplace successes.

To improve these odds, many companies follow a structured, multi-phased new product development process that blends creativity and systematic rigor.

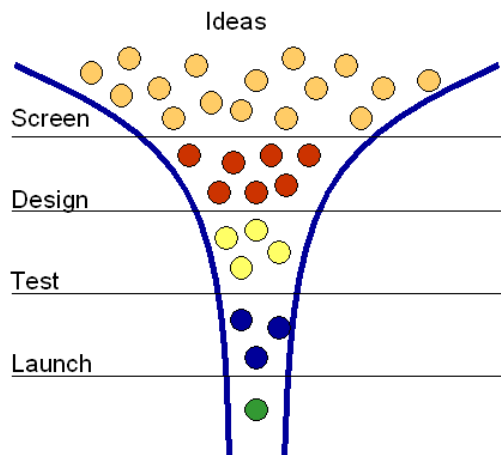


The first phase -- **ideation** -- is driven by exploration (how to create a new world) and analysis (how to fit into an existing world).

While ideas can occasionally emerge from near-divine spontaneous inspiration, most high potential concepts emerge from systematic idea generation processes that range from traditional market research techniques (e.g. market surveys and user observation) to mind-stretching analyses of cultural and technological trends and scenarios that provide far-reaching directional visions of the future.

Generally, the most effective ideation is multi-disciplinary (e.g. considering both technology and marketing factors), externally focused (especially on competitors and high impact customers), and creative within practical boundaries.

The NPD process can be visualized, in effect, as a funnel with a large number of initial ideas that are systematically culled down to the chosen few with the highest potential.



The **screening** stage is the first major “**tollgate**” in the culling process.

Approving and prioritizing NPD ideas is typically driven by three factors: strategic attractiveness, financial attractiveness, and execution capability. So, the essence of the screening process is to objectively calibrate alternative concepts along the three criteria, evaluate them against absolute standards (i.e. decision “hurdle rates”), and rank them relative to each other.

In the **design** phase, customer requirements -- which are often unconstrained “wish lists”-- are traded off with technical capabilities product costs to reach an economically viable combination of features and functions.<sup>6</sup>

There are four complementary techniques that are often utilized in the design process: quality function deployment, target costing, design for manufacturing, and rapid prototyping.

**Quality Function Deployment (QFD)** - a structured process for efficiently incorporating the “**voice of the customer**” into technical product specifications;<sup>7</sup>

**Target Costing** – a procedure that starts with viable market **price points**, then determines the product’s **allowable costs** (given the company’s profit targets), and iteratively refines the design specifications to hit both the price and profit objectives.

**Design for Manufacturing (DFM)** - the concurrent consideration of what a product is and how it is made, to increase quality, minimize costs, and add flexibility (e.g. through mass customization).

**Rapid Prototyping** - an approach for gathering early user feedback by developing “quick & dirty” models (physical or digital) that represent how a final product is likely to look, feel, and perform.,

Prior to full-scale product launches, many companies **test market** new products and their supporting programs to provide a “shake out” of the actual product, allow experimentation with alternative marketing programs (e.g. different prices or different levels of advertising support), and provide timely feedback that may be projected to other markets.

The test results are input to the NPD system for possible pre-launch product and program refinements. If fatal flaws are exposed, the product may be scrapped entirely, avoiding the high costs of a potentially futile product introduction.

During the final phase of the NPD process – the product **launch** - there are two dominating objectives: securing distribution (i.e. getting intermediaries – distributors, wholesalers, retailers -- to carry the product), and inducing buyer trial (i.e. building purchase intent and converting it to sales).

Depending on a company’s strategic considerations (e.g. potential first mover advantages), resource availability (time, people, money), and risk tolerance, product launches can be either sequentially phased rollouts or colossal “big bangs”.

For products that survive the culling process and make it to the launch stage, the marketing challenge is making them successful in the marketplace, and then managing them aggressively over their profitable lives.

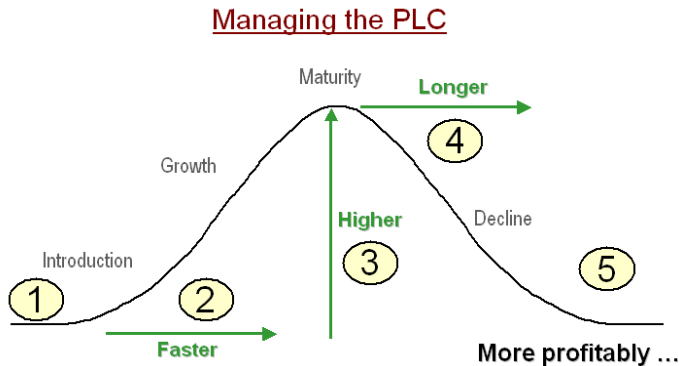
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<sup>6</sup> Often, 75%-80% of a product’s manufacturing costs are “hard wired” in during the design stage; that is, it is very difficult to pare product costs once the design is finalized.

<sup>7</sup> See “House of Quality”, Hauser & Clausing, HBR, May-June 1988 for the defining summary of QFD.

## Product Management Priority #2 Product Life Cycle Management

The second product management priority is managing products aggressively through their life cycles to maximize long-run profitability.



Rather than accepting the traditional shape of the PLC as inevitable, effective marketers take strategic and tactical steps to shape it to their company's advantage by:

### (1) Executing successful product introductions.

As noted above, many new products -- over 50% by some estimates -- fail in the introduction stage.

Some new products fail to reach critical mass quickly enough and simply crater under unrecoverable high costs.

Other products are unable to break through to a level that stimulates mass acceptance. In contemporary marketing jargon, they fail to hit **tipping points**<sup>8</sup> (i.e. thresholds reached by some products that seem to ignite customer interest and demand) or **cross the chasm**<sup>9</sup> between the early adopters and the mass market.

### (2) Accelerating through the growth stage by building a leveragable installed base, then standardizing the offering for the broader mass market, and deploying a cost-efficient distribution and fulfillment infrastructure.

### (3) Amplifying peak market potential. by growing the overall market, by capturing a high market share, and by increasing profit margins.

### (4) Stretching the profitable maturity stage.

A product's profitability is typically highest during its maturity phase since sales are high, and costs and investment can be contained to maintenance levels.

So, it is clearly beneficial – both strategically and financially - to extend the period of profitability by constantly regenerating the PLC through creative strategies such as generational recycling (introducing new and improved models), versioning (modifying products to serve alternative markets), porting (taking products from one market to another), and repurposing (developing new uses for a product).

### (5) Sustaining positive cash flows during the decline.

Allowed to simply run a natural course, profits typically erode during the decline phase (since sales fall faster than costs) until finally, a product starts losing money and using cash (rather than generating it). Then, the product management challenge is to maximize positive cash flow by balancing price and share, by aggressively restructuring costs, and by expeditiously exiting when product economics turn unfavorable

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## Product Management Priority #3 Product Portfolio Management

Product management priority #1 (developing new products) and priority #2 (managing through the PLC) are focused on the dynamics and principles for managing individual products.

There are few enduring single product companies. Rather, most successful profit-maximizing companies diversify into multiple product categories that are constantly rejuvenated with a steady flow of new products.

<sup>8</sup> See Malcolm Gladwell, The Tipping Point :How Little Things Make a Difference, Little Brown,2000

<sup>9</sup> See Geoffrey Moore, Crossing the Chasm, HarperBusiness, 2002

So, the third product priority is **assembling a strategically strong and financially viable portfolio of complementary products**. That is, compiling a product line that provides a competitive edge, and is profitable on a cash flow basis by:

- (1) Targeting high potential markets where the likelihood of winning is highest, recognizing that the most desirable products are in attractive markets (big prospective profit pools) where the company has relevant competencies that can be leveraged into a high share of the industry profits.
- (2) Balancing the portfolio to be self-funding (rather than reliant on external financing). From a high level strategic perspective, a company needs a mix of new and mature products: the mature products provide current cash; new products use current cash, but are the source of future cash generation.
- (3) Reinforcing core product positions with an array of complementary products. From a strategic / tactical perspective, products rarely stand alone. Often, complementary products are required to provide a complete, workable solution to customers (e.g. the drill bits that make a drill useful). And, product line extensions can sometimes provide access to naturally adjacent product spaces (e.g. adding copiers to a printer line), or insulate customers from competitive penetration.
- (4) Allocating resources based on product-specific profitability. Based on broad empirical observation, it is typical that a relatively small portion of a company's products (20% or fewer) generates 80% of its sales. On a profits basis, the effect is even more skewed: the bottom half of all products in a line often lose money and reduce profits. Obviously, a key to success is identifying the winners and losers, supporting the winners, and remediating or dropping the losers.

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While products are central to a company's marketing strategy, they must be supported by an **integrated marketing mix** of complementary program elements (i.e. the other 3 classical Ps – price, place, and promotion).

## Price<sup>10</sup>

Price is a pivotal P since it pegs value in the marketplace and bounds company profitability.

From a company perspective, price is a key determinant of profitability. Profit margins are the difference between prices and costs. So, higher prices mean higher margins per unit sold; lower prices mean lower margins.<sup>11</sup>

From a customer's perspective, simply stated, **value** is the difference between a product's monetized benefits and its price.<sup>12</sup>

So, holding the level of delivered product benefits constant, a lower price means more value; a higher price means less value. Similarly, increasing benefits while holding price constant increases value.

## Economic Value to Customers (EVC)

In some instances, a product's benefits may be calibrated as straightforward **economic value to customers (EVC)**.<sup>13</sup>

For example, an industrial customer may buy a machine to produce finished goods that generate a profit. The portion of profits attributable to the machine, less its full cost (i.e. purchase price plus operating costs), is the machine's **absolute EVC**.

More often, buyers might consider a product's **relative EVC** – measured against an alternative product.<sup>14</sup>

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<sup>10</sup> See Homa Note – Pricing Fundamentals for more details

<sup>11</sup> As will be discussed later, higher profit margins per unit do not necessarily mean higher total profits.

<sup>12</sup> See Homa Note – Pricing Fundamentals for a more rigorous discussion of value, including alternate definitions.

<sup>13</sup> Sometimes called “value in use”

<sup>14</sup> Arguably, all EVCs are relative since absolute EVCs are implicitly measured against a “do nothing” alternative.

For example, consider the relative EVC of hybrid (gas and electric cars) versus conventional gas-only cars.

Assume that:

- (a) The price of a conventional gas-fueled car is \$20,000
- (b) Comparable gas-only and hybrid cars have 10 year useful lives with no residual value at the end of the 10 years; buyers keep the cars for the full 10 years
- (c) A hybrid gets 50 miles per gallon (MPG); a conventional gas-only car gets 30 MPG
- (d) The cars are comparable with respect to other performance features; maintenance and upkeep costs are insignificantly different
- (e) A typical car-buyer drives 15,000 miles per year
- (f) Gas is projected to cost \$3 per gallon for the next decade

What's the most that an economically rational buyer is likely to pay for a hybrid?

First, consider an owner-driver's lifetime costs of a conventional gas-fueled car.

The car's purchase price is \$20,000.

Operating costs (over the life of the car) are a function of miles driven and the cost of gasoline. The buyer will drive 150,000 miles over the life of the car (10 years times 15,000 miles per year). Since the gas-only car gets 30 MPG, the buyer will buy 5,000 gallons of gas (150,000 miles divided by 30 MPG). The buyer will spend \$15,000 on gas (5,000 gallons times \$3 per gallon). So, the full lifetime cost of the gas-only car is \$35,000 – the \$20,000 purchase price plus the \$15,000 in gas purchases.<sup>15</sup>

Next, consider the operating costs of the hybrid.

Since all other costs are assumed to be equivalent, the only relevant cost to analyze is gas. The hybrid – which gets 50 MPG -- would burn 3,000 gallons of gas over the 10 year life (15,000 miles per year times 10 years divided by 50 MPG). The gas would cost \$9,000 (3,000 gallons times \$3) – a \$6,000 savings over the gas-only car.

So, the most that an economy-minded buyer should be willing to spend on a hybrid is \$26,000, since \$26,000 plus the \$9,000 operating costs are precisely equal to the \$35,000 full cost of a conventional car (with a purchase price of \$20,000 and \$15,000 in lifetime operating costs).

What if the hybrid is priced at \$25,000?

If so, the hybrid is \$1,000 less costly (over a 10 year life) than a performance-equivalent gas-only car. Or, said more technically, the hybrid's buyer gets a **value surplus** of \$1,000 (*versus the conventional car*).

### Value Maps

In the above example, the hybrid car's "value" to the customer was calibrated based on pure economics that were relatively easy to specify and analyze (especially given the simplifying assumptions).

More typically though:

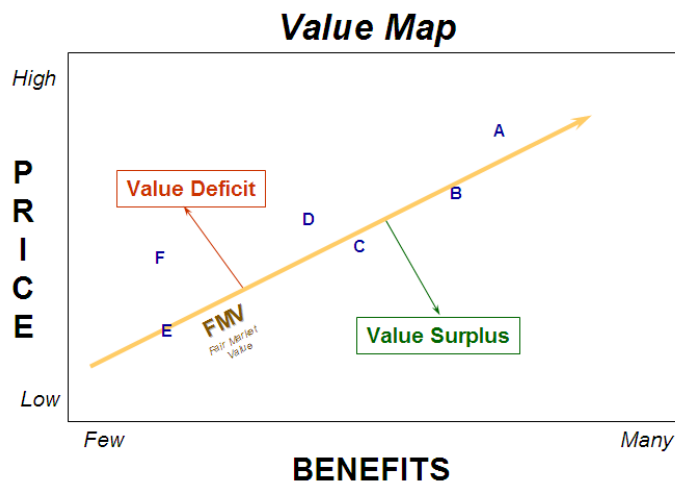
- (a) The value of a product's benefits is more implicit and vague than explicit and specified (i.e. it is hard to quantify),
- (b) The pure economic value may be enhanced or diminished by non-economic factors (e.g. brand image may induce a buyer to over- or underestimate the "hard" factors), and
- (c) A customer's purchase decision may be heavily influenced by non-economic factors.

For example, a potential hybrid car buyer may be concerned about environmental issues (*hybrids pollute less*), socio-political issues (*hybrids potentially lessen a nation's dependency on oil*), or personal image (*owning a hybrid may set owners apart as leading-edge adopters*).

Extending the EVC logic, buyers make decisions by weighing a product's price against the aggregated benefits (economic and non-economic) that they perceive getting from it. The visualization of this relationship, which links product benefits and price in a competitive context, is called a **Value Map**.

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<sup>15</sup> Other operating costs can be ignored since they assumed to be the same, regardless of whether the car is gas-fueled or hybrid; the time value of money is ignored for simplicity.



The Value Map is a conceptual framework that relates the aggregate perceived benefits delivered (on the horizontal axis) by a set of comparable competing products (the letters) against their prices (on the vertical axis).

Products fall on the **fair market value line (FMV)** if they deliver the level of benefits that is expected by the market (in a specific context), given their prices, at a specific point in time.

Products falling below the FMV offer customers a **value surplus** -- more benefits for the prices than the customers expect (*given known competitive alternatives*).

Products offering a value surplus are likely to gain market share until competitors respond with reduced prices or modified product offerings. If competitors do fully respond, the share gains may be transitory, and conceptually, the fair value line rotates clockwise as the market becomes accustomed to getting more benefits per dollar expended.

Conversely, products with a **value shortfall** (comparatively less benefits, or higher prices) are in vulnerable competitive positions. Informed, rational customers will buy competitive products offering superior values.

## Supply and Demand

Again, from a company perspective, price is a key determinant of profitability. Profit margins are the difference between prices and costs. So, higher prices mean higher margins per unit sold; lower prices mean lower margins.

But, total profits (i.e. aggregate dollars to the bottom line) depend on both margins and sales volume, and demand is tightly linked to price.

Lower prices stimulate demand since they increase value and affordability, making more potential buyers more willing and more able to buy.

Lower prices cut unit margins, but total profits may increase or decrease – it depends. If demand increases (on a percentage basis) more than prices decrease, then total revenues (price times sales volume) will go up,<sup>16</sup> and in most cases, profits go up. The latter is especially true if volume increases drive lower costs (through scale or learning effects).

Taking a broad, industrywide macroeconomic perspective, price is the mechanism for balancing supply and demand in the market.

In general, industry supply curves are upward sloping.

That is, higher prices induce more companies to supply greater quantities since, at higher prices, high cost companies may be able to eek out a profit despite their disadvantaged cost positions, and the most cost-effective companies are prospectively positioned for even greater profits.

Conversely, lower prices depress supplies as producers become economically demotivated. Profits erode as prices fall, eventually inducing suppliers to reduce output or abandon the market entirely (with profit-oriented, higher cost producers being the first ones out).

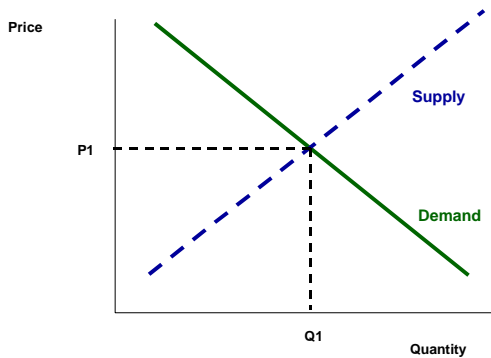
But, lower prices have the positive effect of stimulating greater demand since lower prices increase value, (making customers more willing to buy), and make products more affordable (so more willing customers are able to buy).

<sup>16</sup> This relationship is called price elasticity.



Accordingly, the typical industry demand curve is downward sloping: the higher the price, the lower the quantity demanded; the lower the price, the greater the quantity demanded.

**Supply / Demand**  
Equilibrium Industry Price



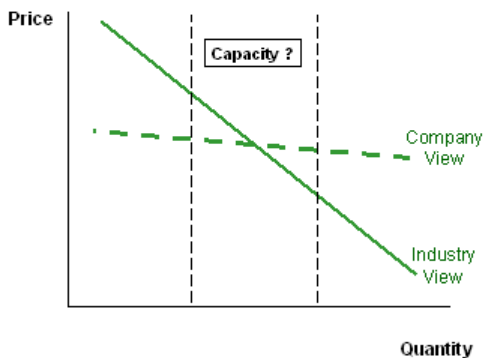
The intersection of the upward sloping supply curve and the downward sloping demand curve is the market's **equilibrium price**: the price that "clears the market" by balancing aggregate supply and demand.

The practical relevance of the market equilibrium price depends on the competitive structure of the specific industry.

When markets conform to an economist's conditions for perfectly competitive markets (identical products, many substitutes, no entry barriers, small buyers and sellers, full information, rational decision-making), the equilibrium price is the prevailing market price.

That is, while the industry demand curve may be downward sloping (most are!), the demand curve relevant to each competitor in perfect markets is essentially horizontal, and price is a given.

**Demand Curve**  
Perfectly Competitive Market



In other words, companies in perfect markets are **price-takers** who "read" the market price and make a fundamental decision: how much capacity (if any) to dedicate to the product / market. That is, what quantity to supply.

At the other extreme, monopolists (single suppliers in very imperfect markets) have a choice of prices along the downward sloping demand curve since, by definition, they are the industry.

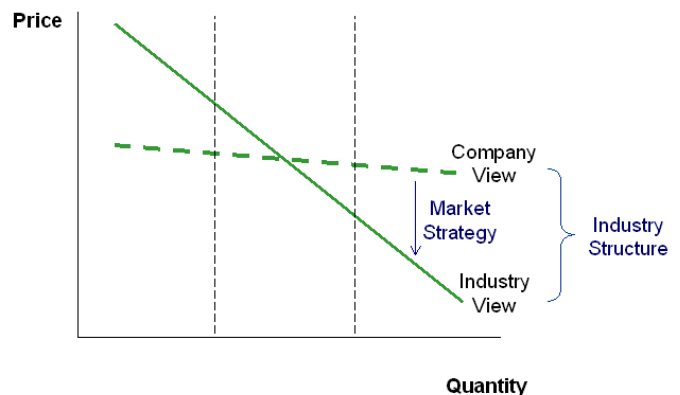
The major implication is that monopolists are able to constrain supplies and set prices, more or less, based on their unique financial goals and cost structures. Monopolists can set prices high and operate at relatively low sales levels, or can set prices low and sell a lot. The option they choose is driven by their cost structures and specific strategies.

It is important to recognize that leeway in setting prices stems from downward sloping demand curves, and that individual companies only face downward sloping demand curves in imperfect (or "inefficient") markets.

Again, in perfectly competitive markets, companies are simply price-takers (facing horizontal demand curves).

So, a critical objective of marketing strategy is to identify or induce at least some degree of market inefficiency<sup>17</sup>, in effect, "tilting the demand curve" to their advantage and increasing the power of pricing.

**Tilting the Demand Curve**



<sup>17</sup> Most strategy discussions will simply refer to this objective as "creating a strong competitive position".

When companies do have pricing leeway (derived from inefficient markets' downward sloping demand curves), pricing decisions (i.e. how much to charge for specific products) are typically "bracketed" between a **price floor** (the lowest price acceptable to the company) and a **price ceiling** (the highest price that "the market will bear" without jeopardizing a firm's competitive position).

The **price floor** is a function of appropriately determined, relevant **product costs** and the firm's **profit objectives**. Except for compelling strategic reasons (e.g. complementary product sales, network effects), rational companies don't price below the floor.

Most profit-maximizing companies set prices "to the market" based on relative perceived value and customers' price sensitivity, with cost (plus minimum profit) merely serving as a minimum pricing threshold.

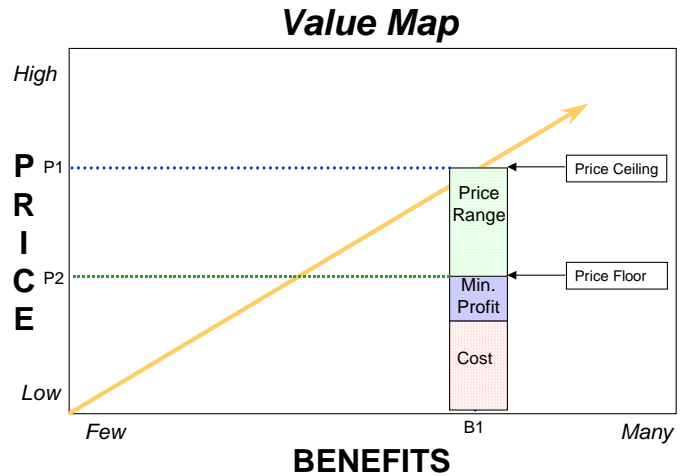
As discussed above, no sales will materialize in a perfectly competitive market at prices set higher than the prevailing (equilibrium) market price. So the market price in a perfectly competitive market is a **hard price ceiling**.

More generally, in imperfect markets, a price ceiling is bounded by the **relative perceived value** that a product delivers in the marketplace.

In the context of a **Value Map** (discussed above), the price ceiling is the point where the product falls on the **fair market value line**.

If the market-based price ceiling is below the price floor, a firm may price at the floor and suffer the sales volume consequences of exceeding the market price, or may abandon the market and avoid losing money on the product.

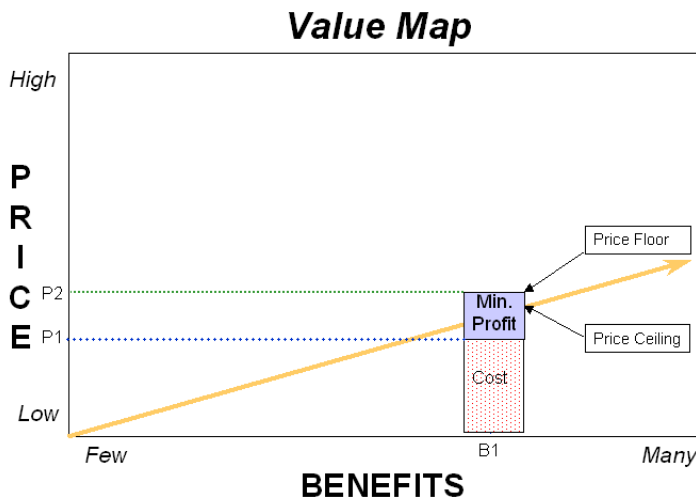
More typically the ceiling is higher than the floor, and the company can choose from a range of prices.

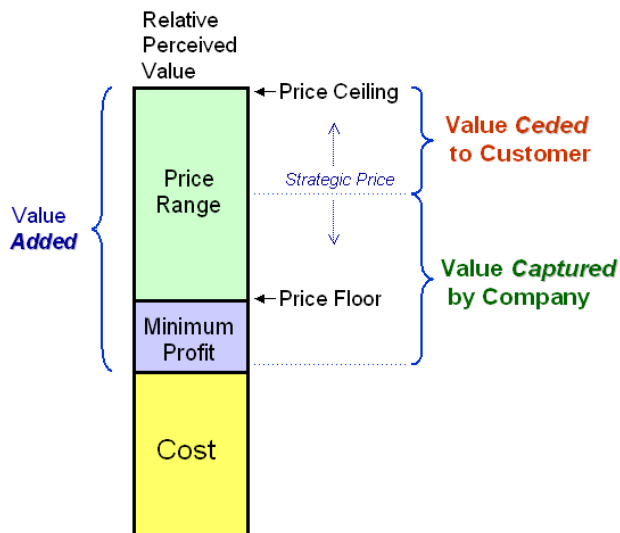


In highly competitive markets, the price ceiling and floor will tend to converge since competition will keep driving the market to expect increasing value. Ultimately, the lowest cost competitors are likely to be the only survivors since their price floor, a function of costs, is lowest.

In less competitive markets, a company may have broad pricing leeway, and be able to set a price that balances strategic and financial objectives. So, the company can price near the ceiling and maximize unit margins, or price between the floor and the ceiling to maximize aggregate profits by trading off price for volume (and share).

Said differently, the essence of pricing is to make a fundamental decision: how much of the value a company adds (the difference between the company's costs and the relative perceived value) to cede to customers (in anticipation of profitable share gains, or to preempt competitors), and how much to retain (or "capture") in the form of higher margins..





Finding the “sweet spot” between the floor and the ceiling is the essence of strategic pricing.

On one hand, the impact of price leverage on profitability is significant. Given a typical company’s cost structure, a price increase of 1% can often generate a 10% to 15% increase in net income if volume levels are sustained. On the other hand, if a price increase depresses volume, scale benefits may deteriorate and profits may decline.

Many companies offer the same product at the same price to all customers – for simplicity, due to legal restrictions, or out of a sense of fairness. But, a single price policy is rarely optimal, in part because some customers are ready and willing to pay higher prices than others.

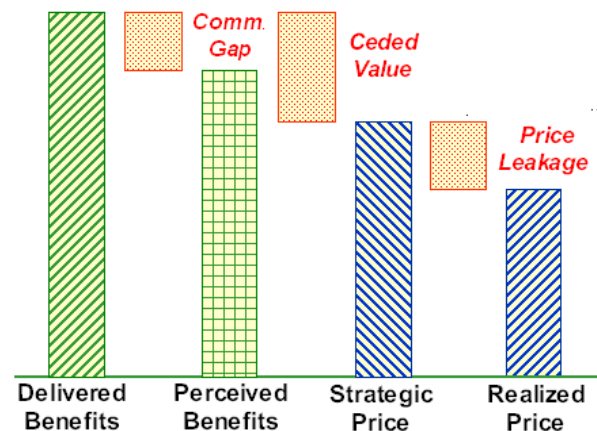
Customers often cluster in **value segments** that may ascribe different levels of relative perceived value to products based on their specific usage or buying patterns. In other words, some customers are willing to pay more than others for essentially the same product. And, most customers are willing to pay different prices depending on when and where they purchase a product.

Profit-maximizers capitalize on these characteristics via **price customization**. That is, by offering different prices to different customers, sometimes concurrently, and different prices to the same customers at different times.<sup>18</sup>

For example, **yield management** (differentiated pricing by customer segment and time of purchase) has become a strategic mainstay of the airlines industry. In essence, a typical airline tries to get top dollar from price insensitive customers (e.g. most business travelers) and fill “left over” seats with bargain hunters (usually leisure travelers).

Once the pricing strategy is set (how much value added, how much ceded, how much retained), a firm’s tactical challenge is fully realizing the desired price in the marketplace. That is, how to maximize **price realization** (the ratio of the realized price to the optimum strategic price), or viewed conversely, how to minimize **price leakage**.

## Value Capture



Price leakage can be either transactional or strategic.

That is, sometimes companies will offer “price offs” to selected customers or for specific promotional periods (transactional leakage). Or, companies may “leave money on the table” by failing to take advantage of different value segments (strategic leakage).

While some companies still set prices on a passive, reactive basis (e.g. maintaining a constant ratio to costs or competitors’ prices, or obsessing over traditional industry **price points**), effective profit-maximizers focus on delivering real value (the intersection of the product and price Ps), and manage prices aggressively.

That is, they differentiate prices over time by product and customer based on perceived value delivered. And, they willingly change prices as often as necessary to generate higher profits.

<sup>18</sup> Price customization is discussed at length in the Homa Note – Pricing Fundamentals.

## **Place** <sup>19</sup>

Place, more commonly called **distribution**<sup>20</sup>, includes the organizations (a company and its partners), locations (quantity and type), and processes (physical, digital, intellectual) that support the creation and fulfillment of customer demand, and provide any required post-purchase service.

Effective distribution provides customers with convenience in the form of availability (having the right product, at the right place, at the right time), access (customers' awareness of the availability and "legitimacy" to purchase), and support (e.g. pre-sales advice, sales promotion and merchandising, post-service repairs).

Distribution decisions have both strategic and logistical dimensions:

**Strategic distribution** is a competitive advantage that accrues generally from the configuration of a distribution network (who, what, where, when) and, more specifically, from partnering with intermediaries (i.e. "middlemen") who link the company and the customer by performing necessary fulfillment and service activities

**Logistical distribution**, which is geared to efficiently supporting the strategic objectives, refers to the storage and movement of goods, information, and money between the manufacturer and the final customer.<sup>21</sup> Logistics is sometimes viewed, inappropriately, as an exclusive operations function. In reality, marketing often has a major role in the day-to-day logistics process with responsibilities ranging from sales forecasting and demand management<sup>22</sup> to inventory planning and the allocation of short supplies.

Specific distribution-related decisions include the number of layers between the company and the

<sup>19</sup> See Homa Note – Place (distribution) Fundamentals for more details

<sup>20</sup> In marketing jargon, "distribution" can be either a verb (to store and move goods) or a noun (places where goods are available, or entities involved in the distribution process).

<sup>21</sup> The movement or "flows" can be bi-directional. Information is constantly flowing in both directions. When customers return products, the logistics are reversed: goods flow from the customer back to the manufacturer, and money from the manufacturer to the customer.

<sup>22</sup> Demand management is a proactive effort to shape demand patterns and customer expectations. For example, a company may incentivize pre-season orders to level out production requirements.

customer (channel depth), the specific type of partners

in each layer (e.g. wholesalers or distributors, mass merchants or high-end specialty retailers), the number of partners at each layer (channel breadth), and the geographic placement of partners (location, density).

These strategic and logistical decisions frame the **distribution channels** (from a marketing perspective) or downstream **supply chain**<sup>23</sup> (from an operations perspective) for a company's products.

More specifically, a company's distribution strategy is largely defined by decisions on the number and type of customer interfaces. That is, **order entry points** (where and how orders are placed) and **fulfillment nodes** (where and how customers obtain finished goods).

For consumer products, the fulfillment approach is a **retail distribution strategy** that can range from exclusive distribution through select retailers to intensive distribution through a multitude of stores.

A retail distribution strategy is driven by three inter-related objectives:

- (1) Broadening market coverage;
- (2) Enlisting product support (from retailers)
- (3) Containing channel conflict (among retailers).

- (1) The primary objective of distribution strategy is to provide sufficiently broad, gap-free market coverage, i.e. being available in enough outlets so that customers have convenient access for purchases.**

Retailers are gatekeepers since they decide whether or not to carry products based on their prospective retail profitability, considering factors such as assortment gaps and duplications, suppliers' clout and track record, and projected profitability, driven by promotional support and margin "protection".

Historically, manufacturers - especially big national brands – held the balance of power over most retailers and could, more or less, force them to carry products and provide support. In the past couple of decades, though, the balance of power has generally

<sup>23</sup> The "downstream" supply chain goes from the manufacturer to the customer. The "upstream" supply chain goes from the manufacturer back to the input sources (i.e. raw material, parts, and component suppliers).

shifted to the retailers, largely due to retail consolidation (the big have gotten bigger) and the emergence of **power retailers** like Walmart and Home Depot.

Still, large prominent brands and companies (like P&G, Kellogg) that have proven track records, established customer relationships, and enabling in-place infrastructures are usually able to secure distribution quickly and broadly with target accounts, especially for new, high margin products.

Conversely, while small upstart companies may crave distribution through the power retailers, they often find that the high-volume retailers are reluctant to take on the cost burden and risk of reallocating valuable shelf space to unproven suppliers, brands, and products.

\* \* \*

## (2) The second retail distribution strategy objective is to enlist product support.

More specifically, a company needs to select and motivate partners who maintain adequate inventories and prominent displays; advertise and promote the product; close sales at point-of-purchase; and install and service the product.

The specific support (level and type) that a product requires hinges primarily on the specific characteristics of the product (simple or complex; high end or mass market; early or late in the product life cycle).

At the most basic intuitive level, the required support depends on whether a product is “bought” (well known and demanded), or needs to be “sold” (unrecognized product, brand or need). The former benefit from distribution that is broad and deep, and don’t require extensive in-store support. The latter are best served by more selective distribution through specialty stores with highly motivated, well-trained salespeople who can educate customers and close sales.

\* \* \*

## (3) The third retail distribution strategy objective is to contain channel conflict.

Given that retailers carry products to bolster their prospective profitability, projected profit margins and sales volume are critical variables.

On a macro basis, a product’s inherent market value drives customer demand, and largely determines aggregate sales volume and average pricing.

On a relevant micro basis (i.e. from the perspective of a specific retailer), sales are a share of the total sales volume in a specific trading area and margins are a direct function of prevailing (or lowest) prices offered by competing retailers.

The implication is that the intensity of competition among retailers is a major driver of retailer support (or lack thereof). Invariably, as a product’s distribution base is broadened (more accounts, stores, and types of stores are added), the likelihood of **horizontal channel conflict**<sup>24</sup> increases. In most instances, horizontal channel conflict boils down to a question of economics: retailer profits are pushed below acceptable levels as a result of direct or indirect competitive behavior. As their economics deteriorate, retailers’ support for a product understandably decreases.

More specifically, as distribution intensity increases, three profit threats may confront a retailer: **sales cannibalization** (losing sales to a newly authorized retailer); **margin dilution** (dropping prices in response to a competitor’s price actions); **customer diversion**<sup>25</sup> (when a customer gets sold by a service-intensive retailer, but buys from another offering lower prices).

So, the dominating distribution objective, broadening market coverage (i.e. increasing customers’ convenience), is somewhat at odds with the other two objectives - enlisting product support and avoiding channel conflict. While a company may want broad rather than selective distribution, and may want to attack different market segments through multiple channels of distribution, the stark reality is that intensive hybrid distribution may, if not very carefully managed, result in horizontal channel conflict, deteriorating retail economics, and eventual loss of critical retail-level product support.

Once the retail distribution strategy is set, management focus can shift to distribution logistics (i.e. moving goods from the manufacturer, through any intermediaries, to the customer).<sup>26</sup>

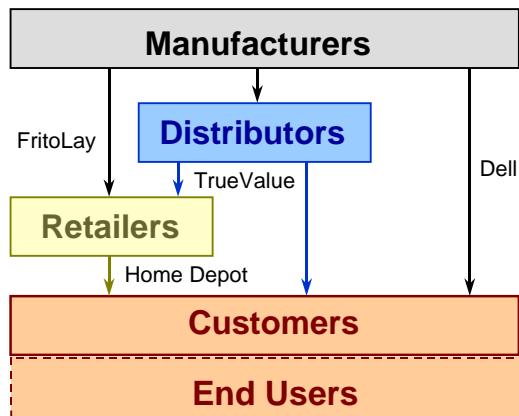
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<sup>24</sup> Horizontal channel conflict is between and among organizations operating in the same “layer” of the distribution network. **Vertical channel conflict**, which will be discussed later, is between organizations at different levels of the network, e.g. between manufacturers and retailers.

<sup>25</sup> Customer diversion is sometimes referred to as “channel leakage”.

<sup>26</sup> For logical simplicity, this discussion considers the link between strategic and logistical distribution to be sequential. In reality, the linkage is iterative, not sequential.

To achieve its strategic distribution objectives, a company may choose to use few layers of intermediaries (called **short distribution channels**), or relatively many layers (**long distribution channels**).



At one extreme, the shortest of channels is **direct distribution**, i.e. a customer places an order directly with the company, and the company ships the goods directly to customers.

At the other logistical extreme are long, highly **intermediated distribution channels**. For example a company may sell to a specialized distributor who sells to a wholesaler who sells to a retailer who sells to a final customer.

The rationale for intermediation can be quite compelling since intermediaries can add real value (e.g. by creating assortments and breaking bulk quantities into smaller purchase sizes); they can materially improve distribution economics (via scale, scope, systems or specialized knowledge); intermediaries often can develop extraordinarily deep market presence and customer relationships (since they are “closer to the market” than manufacturers they may be more aligned with customers’ interests and be able to provide specialized local services).

From a conceptual perspective, the deciding where on the channel length continuum a company should operate depends on two key factors: the scope and nature of the value added services required to take a product from the manufacturer to customers, and the relative effectiveness (cost and service quality) of alternative providers of the services.

Managing a network of intermediaries is a formidable challenge, especially for long distribution channels. From the logistical perspective, the process is called **supply chain management (SCM)**.

## SCM’s goal is to construct a chain of partners that optimizes cost and service quality as a system

More specifically, there are five keys to effective supply chain management: careful selection and integration of partners, smooth synchronization of activities; fact-based performance evaluations that are tied directly to customer service expectations; fair compensation for services rendered; and an authentic commitment to partnership.

\* \* \*

Distribution, which is usually the most overlooked of the traditional marketing Ps (place), is fundamental to a companies’ operational effectiveness, and is becoming central to many marketing strategies.

## Promotion <sup>27</sup>

**Promotion** is the most visible of the marketing Ps, driving a common misconception that marketing is simply high profile advertising and aggressive salespeople.

While promotion is a conspicuously powerful component of the marketing mix, marketing is more than promotion (i.e. remember the other 3 Ps), and promotion is more than just advertising and sales, though those visible components tend to dominate most companies’ promotional mix.

Most marketing programs include some advertising, and many marketing programs include intensive advertising support. Since advertising often accounts for sizable expenditures, it is imperative that all managers have at least a basic understanding of how advertising works and how it can be managed.

More broadly, though, promotion encompasses all aspects of informational and motivational communications with customers and intermediaries, including media-based advertising and public relations, action-oriented incentives (e.g. rebates, coupons, merchandising allowances, temporary sale prices), and direct selling (in person, or personalized via phone, mail, or internet).

<sup>27</sup> See Homa Note – Promotion Fundamentals (Advertising) for more details

**The overarching objective of promotion is to frame customers' perceptions** (making them aware of the product in its most favorable light) **and to stimulate buying** (get customers to "pull the trigger").

More specifically, promotion can be an effective set of tools for:

- (1) Building awareness of a product, brand or category, and highlighting uses and benefits
- (2) Developing a brand identity and creating brand preference or "**pull**" ("ask for it by name")
- (3) Establishing points of differentiation versus competitive products (e.g. "more power than any other brands")
- (4) Creating a sense of urgency ("call to action") to encourage purchases by intermediaries (i.e. stockpiling by distributors and retailers) and consumers (i.e. "demand pull").
- (5) Increasing usage occasions (e.g. "orange juice is not just for breakfast"), frequency ("brush your teeth after every meal"), and volume consumed (e.g. super-sized fast food meals).
- (6) Reinforcing purchase decisions to reduce post-purchase cognitive dissonance (e.g. "congratulations – you made a wise choice")

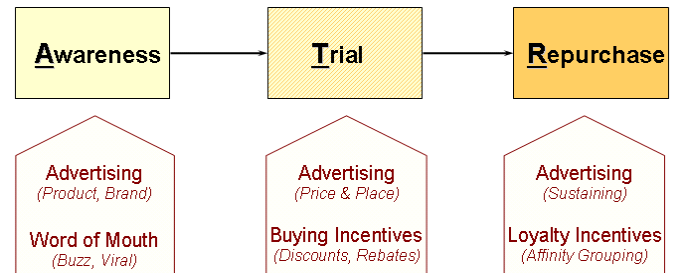
The **6 Ms** are a traditional shorthand that captures the key components of promotional management:

**M**ission, **M**arket, **M**essage, **M**edia, **M**oney, and **M**easurement.

**Mission:** Every promotional initiative should have a clear objective. That is, a specific task and specific outcome to be accomplished with a specific audience in a specific period of time.

In general, a promotional mission can range from building awareness by informing prospective customers of a brand, product, or delivered benefit; generating trial by persuading prospective customers that the product<sup>28</sup> meets their purchasing criteria better than competition and that they should purchase the product sooner rather than later; and increasing repurchase rates by reminding customers that they made wise purchases and should consider buying the product again.

The **awareness-trial-repurchase (ATR)** framework is useful for mission-setting since it conceptualizes the systematic steps in the purchase process, including the early-on psychological effects (thinking, feeling, deciding) that precede and may lead to purchase, and the physical acts of actually buying the product.



The various promotional tools have differential impact at each of the ATR stages. For example, advertising's differential advantage is in the early stages: building awareness and inducing trial ("**pull**"). Buying incentives, like short duration special pricing (to either intermediaries or customers), are typically more effective motivating action ("**push**").

Again, the mission - which must be clear and realistic - can range from informing (building awareness) to persuading (creating purchase intent and stimulating trial) and reminding (encouraging repurchase). And, it is critical to match the mission with the appropriate promotional tool.

**Market** is shorthand for the clear delineation of a target market. **STP** is the process of **segmenting** markets, **targeting** an attractive segment, and **positioning** the product with potential customers in the target group.

More specifically, **segmentation** is the definitional process of disaggregating a mass market into compartmentalized subsets based on criteria such as demographics (e.g. age, sex, location, income), psychographics (e.g. attitudes, interests, lifestyles), usage (e.g. heavy or light users), and benefits sought (e.g. convenience, safety, power, "job to be done").

That is, to identify a relatively homogenous group of high potential customers who make their purchases based on similar criteria and motivations, act in a substantially similar way (e.g. decision processes, shopping patterns), and can be communicated to using the same focused media (e.g. watch the same TV shows or read the same magazines).

The next step, after defining alternative segmentation schemes, is the analytically-based decision process of **targeting**, i.e. selecting segments that are inherently attractive and closely match the company's strengths.

<sup>28</sup> The term "product", as used in this section is intended to encompass "brands" as well.

In general, the most attractive segments to target are those that are precisely defined, prospectively profitable (i.e. there's a large future profit pool), accessible (for delivery of messages and products), and winnable (i.e. the company can reasonably expect an acceptable share of the industry profits based on its strengths and competitive positioning).

**Message** is the specific content of the promotional devices. Importantly, the message is the synergistic combination of substance (what's being said) and style (how it's being said).

With respect to the substance, all promotional initiatives should have a very precise, mission-derived objective (i.e. inform, persuade, or remind), and a focused main idea that is compelling to prospective buyers. The message should support the competitive **positioning** of the brand (the P in STP). That is, it should establish in target market customers' minds that the brand is closer to their requirements (ideal points) than competitors are.

Since customer perceptions may, or may not match the objective realities, promotional programs, like advertising campaigns, may be required to:

- (1) Close any gaps between the favorable objective realities and customer perceptions, or
- (2) Amplify the perceived importance of any attributes on which the brand is competitively closest to customers' requirements, or
- (3) Diminish the perceived importance of any attributes on which the brand misses customers' requirements

Typically, effective promotional campaigns "stay on message" with the focused going-in goal, deliver the message in synergistic format, and most important, provably impact customer perceptions.

**Media**, the method of delivering a promotional message, includes traditional media such as network TV, radio, magazines, newspapers, and direct mail; more "new media" such as cable TV, the internet, events (concerts, sports); and "**buzz marketing**" (e.g. hiring trend-setting "missionaries", including celebrities, to use and tout products in real life environments, or placing products and brand names in high visibility settings such as movies and sports venues).

The media alternatives can generally be evaluated along three main criteria: accessibility (reaching the target market), intrusiveness (getting noticed), and cost-effectiveness ("bang for the buck").

**Money** is representative of the periodic resources required to support a specific promotional campaign, i.e. the level and timing of expenditures.

Companies commonly set a promotions budget (the level of expenditures) based one or more of a few criteria: affordability (i.e. money available in the budget), history (e.g. prior periods' spending), benchmarks (e.g. competitors' expenditures), and task objectives (i.e. spending required to achieve the task).

Promotional budgeting is part art, part science. No one technique is likely to provide a precisely right answer. So, in most instances, companies combine two or more of the above approaches, consolidate to a best estimate, and stay flexible for course adjustments.

**Measurement** is the acid test M that assesses if promotional program objectives are being achieved.

At a macro level, it is tempting, but misleading, to focus on sales and conclude that if sales are increasing then promotional activity is working, or vice versa. There are simply too many other variables impacting sales (e.g. product quality, distribution coverage, pricing, competitive offerings).

At a micro level, laboratory-type concept testing can provide insight as to whether promotions communicate a specific message and get an attitudinal response in a very controlled environment (heightened interest, few distractions). But, results may differ in a real life environment when the controls are lifted.

So, as a general rule, it is typically most appropriate to track the specific measurements that are most directly impacted by promotions by surveying customers before, during and after the campaigns have actually run. The relevant metrics are generally recall (saw the ad), brand identification (remember who ran the ad), attitude shifts (e.g. predisposition to purchase), and cost-effectiveness (in absolute and relative to other promotional alternatives).

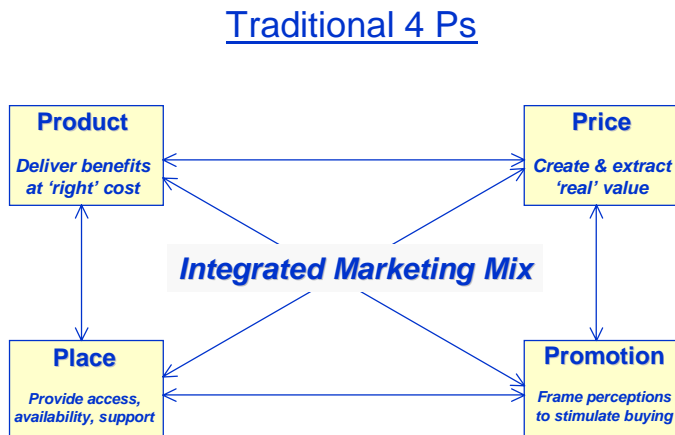
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In summary, it's critical to remember that promotion is only one of the Ps. Promotion is an important part of the marketing mix, but it can't do the whole job. The other Ps must be in harmony and do their part of the marketing job.



## Integrated Marketing Mix

Taken collectively, the 4 Ps constitute an **integrated marketing mix**, a complementary set of decisions, actions, and initiatives that potentially enhance the positive impact of the individual Ps when properly designed and orchestrated.



For example, an innovative and complex new product may need to be sold directly to customers by highly skilled and motivated salespeople who are supported by extensive published materials that communicate the benefits of the product. The product's price is likely to be high to support the relatively high price of 1-to-1 personal selling.

Conversely, well-known commodity products may be sold through volume oriented mass merchants at razor thin margins (i.e. low prices) with no promotional support other than occasional "deals" to motivate the merchants or customers to accelerate purchases.

In both of the above instances, the marketing mixes are appropriately integrated since the individual components harmoniously support the others.

Consider, though, the likely outcome if an innovative and complex product were marketed at an aggressive (i.e. low) price. While intuition might suggest that more of the product would sell at a low price, the reality is that the low price would provide little margin (the difference between a product's selling price and its cost), so there would not be adequate money available to fund the sale force or the necessary promotional materials. So, the product might never even leave the starting gate.

Similarly, if a commodity product were extensively advertised (an unneeded element of support given the defined nature of the product), prices would probably need to be increased to fund the advertising. The higher prices would likely be non-competitive (again,

given the commodity nature of the product), so sales would probably decline.

		Marketing Support	
		Weak	Strong
Relative Price	High	Low or No Sales	Feasible (Sold)
	Low	Feasible (Bought)	Low or No Profits

As illustrated above, pricing and other marketing mix elements must be in sync, keeping in mind:

Product is central to the marketing mix. The appropriate level and type of marketing program support (the other Ps) largely depends on the characteristics of the product.

For example, relatively new, complicated products require substantial marketing program support in the form of such things as advertising or personal selling.

Conversely, well-known commodity-like products require limited program support such as on-going merchandising (e.g. prominent displays) and occasional promotional incentives (e.g. discounted sale prices). (Further, complicated new products may need to be supported by highly specialized distribution partners who can actively contribute to the sales process.

Conversely, well-known commodity-like products benefit from broad distribution that provides customers with convenient access and availability.

Typically, the more marketing program support that a product gets, the higher its price must be to fund the initiatives and generate a profit.

All else equal, the higher a product's price, the less attractive the product is to potential customers, and the lower its likely sales.

And again, the key takeaway point is that the 4 Ps must work in synergistic harmony to maximize impact.

## 4 Ps plus 2

The traditional 4 Ps are time-tested in providing a concise, relatively complete marketing framework, especially when considered in the context of an integrated marketing mix.

But, two additional Ps - **people** and **performance** - are appropriate to reflect marketing's pivotal contemporary role in linking businesses with their customers, and its integral place in the development and execution of profitable business strategies.

\*\*\*\*\*

## People

Generally speaking, marketing revolves around **people**. Again, in the words of Peter Drucker, "*marketing is the entirety of the business from the perspective of the customer.*"

And while a broad marketing perspective should be pervasive around modern day companies, the reality is that marketing organizations still often play a predominant role in translating customer needs back into the company, carrying the company's products and messages back out to customers, and forming relationship bonds with customers and business partners.

More specifically, marketing plays a substantial (often primary) role in at least three people-related activities:

- (1) **Developing, maintaining, and applying a fact-based understanding of customer's needs and buying practices**, and translating those requirements into actionable product specifications and effective marketing programs.

The fundamental marketing disciplines that support this objective are Buyer Behavior Analysis (often still called by the narrower title "Consumer Behavior") and Market Research.

**Buyer Behavior Analysis** is both a specialized marketing discipline and a pervasive influence on marketing thinking. As a discipline, buyer behavior analysis explores both explanatory psychological concepts and inferences drawn from empirical observation. In essence, Buyer Behavior Analysis revolves around how, when, and most importantly, why buyers act and react the way they do.

**Market research** is a second specialized discipline that is a fundamental underpinning to fact-based marketing management. Market research provides broad indications of future market trends; special surveys of customers' attitudes, interests, and behaviors; focused tests in laboratories and markets; and on-going tracking on market performance (e.g. market share, attitude shifts).

The conceptual frameworks that emerge from Buyer Behavior Analysis and the skilled interpretation of empirical market research findings elevate marketing to the realm of fact-based decision-making (and away from unreliable "seat of the pants").

- (2) **Defining strategic groupings of customers (*segmentation*)**, identifying the most attractive segments based on a thorough assessment of market potential and competitive dynamics (***targeting***), and compiling an integrated marketing mix that creates value for customers and differentiates the company's offerings from competitors (***positioning***).

The STP process, discussed above, is pivotal to marketing strategy development. Suffice it to say that establishing a sustainable differentiated position in an attractive market segment is the essence of marketing strategy.

- (3) **Forming alliances with intermediaries** (such as distributors and merchants), **complementary suppliers** (e.g. as software developers are to hardware manufacturers), **customers** (e.g. loyalty programs, "preferred supplier" certification), and even **competitors** (e.g. licensing of proprietary component designs, providing outsourced services). Alliances transcend marketing along two dimensions: across the supply chain and with customers.

In the not so distant past, most companies tried to control most of the activities involved in going to market, and maintained relatively arm's length relationships with upstream suppliers and downstream intermediaries (e.g. distributors and retailers). Times have changed, and now, most companies are trying to put together **virtual networks** of partners up and down the supply chain, and team with partners (even competitors occasionally) demonstrating a high level of commitment and cooperation.

The second dimension of alliances is with customers. That is, developing a high degree of **customer intimacy** (i.e. a deep understanding of customers needs and motivations), and leveraging it to cultivate a deep degree of **customer loyalty**.

Most companies now recognize that retaining customers is crucial to profitability (in part because new customer acquisition costs are reduced), and that all customers are not created equal (i.e. some are inherently more profitable than others because of their buying patterns). So, a key to profitability is to leverage **loyalty economics** by focusing on the identification, retention and cultivation of the “good” customers, often via data-intensive Customer Relation Management (CRM) strategies.

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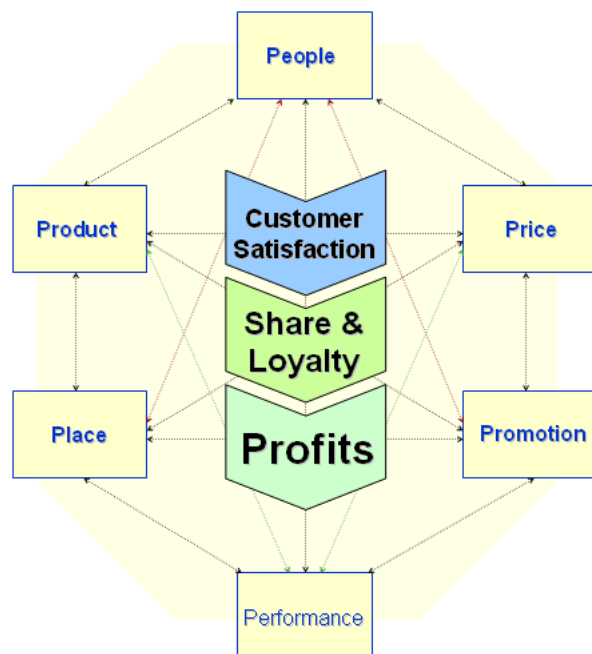
## Performance <sup>29</sup>

**Performance** is the culminating P.

NFP (not-for-profit) organizations may operate towards a blend of financial and non-financial objectives, but for profit-maximizing firms, **profit contribution** -- which drives shareholder value -- is the ultimate yardstick of marketing effectiveness.

### Customer Satisfaction Model

The **Customer Satisfaction Model (CSM)** integrates the 6-Ps framework -- reflecting the impact of the four “classical Ps” (product, price, place, promotion) and directly connecting the two “extended Ps” (people and performance).



<sup>29</sup> See Homa Note – Marketing Performance Measurement for more details

Intuitively straightforward, the CSM framework captures the essence of customer-oriented marketing:

- (1) Generate a high level of customer satisfaction, both in absolute terms and relative to competitors.

Generally, customer satisfaction is achieved by consistently (and conspicuously) meeting or exceeding, customers’ requirements and expectations by delivering superior relative perceived value.

- (2) Amass satisfied (and profitable) customers into a base of loyal customers and a substantial share of the relevant served market.

Empirical evidence usually confirms a strong positive correlation between very high customer satisfaction and customer loyalty. Predictably, much of a company’s market share is directly attributable to its loyal customers.

And, it is commonly accepted that a base of loyal customers can be highly profitable since long-tenured customers don’t impose repeated acquisition costs (i.e. they are only acquired once), they are likely to buy a full assortment of products (rather than “cherry-picking” low margin specials), they are likely to pay full price (than are bargain-hunters), they may be lower cost-to-serve (since they “know the drill”), and they may provide free referrals or references to other high potential customers.

- (3) Leverage market share into high profitability.

High market share is, by definition, is high relative sales volume – compared to competitors. High relative sales volume provides the basis for **scale economies** (i.e. spreading fixed costs over a broad volume base), **experience effects** (i.e. learning curve efficiencies), and **market clout** (e.g. getting better deals from suppliers).

A classic research project called PIMS (Profit Impact of Market Share)<sup>30</sup> concluded that the relationship between market share and profitability is recurring, compelling, and conceptually justifiable.<sup>31</sup>

<sup>30</sup> See PIMS Principles (Profit Impact of Marketing Strategies): Linking Strategy to Performance, Buzzell, Free Press, 1987

<sup>31</sup> Some researchers dispute the PIMS findings, usually pointing to profitable niche brands with relatively small overall market shares. PIMS advocates tend to dismiss the criticism, arguing that the niche brands do, in fact, have high shares of properly defined markets.

Again, the Customer Satisfaction Model pulls the 6P framework together by connecting People (customer satisfaction and loyalty) to Performance (share and profitability).

### Marketing Dashboards

To monitor performance, many companies are implementing **marketing dashboards**: high-level quantitative views of “how marketing is doing” via timely reporting of multiple key performance indicators (KPIs) aligned with corporate strategies and objectives.<sup>32</sup>

These digital dashboards – when well-conceived, fact-based, and data-driven – provide diagnostic information (e.g. what happened? why?) that can be the basis for improved decision-making and faster market responses..

Often, marketing dashboards integrate information from various sources (e.g. internal accounting and sales reporting systems, external market research), and present the KPI metrics online with “drill down” functionality for **performance tracking** (e.g. versus benchmarks: past periods, plan commitments, peers groups, best practice standards) and detailed **strategic analyses** (e.g. micro-slicing the data -- by customer, by product, and by region -- and reaggregating by strategic segments).

Among the metrics commonly used to gauge marketing performance are **cognitive effects** (brand awareness, perceptions, preference, purchase intent); **customer behavior** (e.g. inquiries, orders, sales volume, market share, target market penetration, price paid); **customer satisfaction and loyalty** (i.e. recency of activity, tenure, account penetration, breadth of purchases); and – the most meaningful end-game measurements: **profitability** and **shareholder value** (i.e. higher share prices)

### Marketing Performance Management (MPM)

Since marketing spending is usually a substantial part of a company’s cost structure -- and often the most substantial part – many companies are demanding an ever increasing level of financial accountability from marketers.

At a minimum, they are expecting disciplined cost management (i.e. competitive sourcing, systematic tracking), and; timely and detailed reporting (i.e. at the campaign, product, and customer level).

The most disciplined profit-maximizing companies are subjecting marketing to rigorous financial analysis (comparable to that done for major expense items and asset-investment projects), measuring the return (i.e. profitability) on marketing spending, and valuing marketing-related assets.

More specifically, the “state-of-the-art” in marketing performance measurement includes: (1) measuring the profit return on marketing spending, (2) optimizing spending across the “marketing mix”, (3) determining the economic profitability of products and customers, (4) estimating customers’ lifetime value, (5) valuing brand equity, and (6) linking marketing performance to shareholder wealth creation.

#### (1) Calculating the financial impact of marketing programs.

Some companies are starting to treat marketing spending more like “investments” with upside profit-generating potential than line item “expenses” on the P&L that are simply a reduction-targeted cost of doing business.

When considered to be investments, marketing programs typically get some “credit” for future sales and profits (i.e. those that are time-lagged outside of the current accounting period), and sometimes get partial credit for indirect returns (e.g. increases in brand equity that influence related product sales).

Many companies are starting to use some near-variant of ROI analysis – referred to broadly as return on marketing investment (ROMI) or return on marketing spending (**ROMS<sup>TM</sup>**)<sup>33</sup> -- to manage marketing programs using classic ROI methods, including:

- (a) Precisely tracking marketing expenditures (*the “I” in ROMI; the “S” in ROMS<sup>TM</sup>*);
- (b) Identifying and discounting (for uncertainty and the time value of money) all directly-attributable gains (*i.e. incremental sales, profits, cash flow – the “R” in ROMI and ROMS<sup>TM</sup>*);

<sup>32</sup> Marketing dashboards are off-shoots of Balanced Scorecards that cascade a companies strategies into specific financial, operational, and organizational objectives.

<sup>33</sup> ROMS<sup>TM</sup> is a registration-pending trademark of Prof. Ken Homa..

For details, see Homa, ROMS<sup>TM</sup> - Analytical Note

- (c) Comparing the projected ROIs to the company's hurdle rates (*i.e. minimum acceptable returns*) and to other investment opportunities;
- (d) Skewing spending towards initiatives with the highest risk-adjusted returns, and
- (e) Measuring actual program results – periodically and upon completion.

While there is broad emerging consensus that marketing spending should be subjected to investment-like financial analysis and accountability, there is much debate among marketers and accountants on the specifics of how to do it.<sup>34</sup>

Since much of the financial benefit from ROMI and ROMS™ accrues from adopting a conceptual framework that links marketing spending to profitability and forcing some analytical discipline, it is generally concluded that it behooves marketers to avoid getting overwhelmed by the complexities and “just do it”, refining methodologies over time.

- (2) Setting a profit-maximizing marketing budget and allocating it to the highest yielding activities and programs.

In general, companies maximize profits by allocating scarce resources to opportunities with the highest risk-adjusted ROIs.<sup>35</sup> In a marketing context, this resource allocation process is called **marketing mix optimization (MMO)**.

The most granular level of marketing mix optimization is more appropriately called **media mix optimization**. -- the selection and funding of specific media alternatives (*e.g. TV commercials, print ads, billboards, internet search placements*) within a campaign.

At the next level of aggregation -- up from media mix optimization -- marketing mix optimization allocates marketing resources among alternative marketing programs (*e.g. promotional campaigns*), based on their risk-adjusted ROIs.

At the highest level of aggregation, classic capital budgeting logic can be followed to peg the size of the total marketing budget, recognizing that marketing is always competing against other uses of company resources (*e.g. new manufacturing plants, more accountants, employee perks*).

<sup>34</sup> For details, see Homa, ROMS™ - Analytical Note

<sup>35</sup> To maximize profits, a company with unlimited resources would simply fund all initiatives with risk-adjusted ROIs greater than the company's cost of capital.

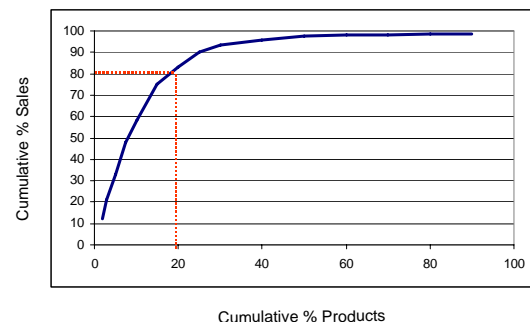
Working from the top down, once the marketing budget is fixed at a specific spending level, then marketers can optimize the mix by allocating the budget to specific marketing tools and initiatives.

In theory, companies should explicitly consider the relative marginal contribution (to profitability) of each spending alternative, and allocate scarce resources accordingly.

In fact, some companies construct sophisticated econometric models that calibrate the leverage from spending on various aggregated categories of marketing “tools” (*e.g. such as advertising, rebates, trade promotions*)<sup>36</sup>, and use mathematical methods (*e.g. linear programming*) to determine the optimal allocation of a constrained budget among alternative budget “lines”.

- (3) Estimating the profitability of products— individually and as strategic or operational groups.<sup>37</sup>

Based on broad empirical observation, it is remarkably typical that 80% of a company's sales are generated by a relatively small portion of its products (often 20% or fewer).



On a profits basis, the effect is even more pronounced: often 50% (or less) or all products (and customers) generate more than 100% of a company's profits. That is, the bottom half of all products in a line actually lose money and reduce profits.

The logical question is: why don't more companies recognize these profit dynamics and pare back to a profitable core of products?

<sup>36</sup> The underlying analytical framework for these models are **response curves** that relate spending levels to expected outcomes.

<sup>37</sup> As will be discussed below, the same logic is applicable to customers, as well as products.

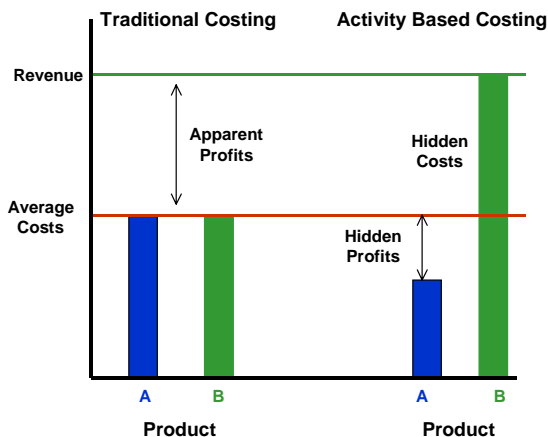
There are two basic explanations. First, some products do provide substantial (and real) strategic benefits that compensate for their unfavorable economics. For example, some “flagship” products might generate low sales and profits, but establish a premium brand image and provide a high benchmark for pricing other models in the line. Or, some limited quantity “fighter” models might be occasionally dropped into the market to meet competitive pricing challenges without lowering prices across-the-board.

A second explanation for profit-draining products in a line is that traditional accounting systems and statistical averages obscure the real economics, in effect, hiding both costs and profits. In other words, managers just don't know that some products are losing money.

More specifically, most businesses (especially those with a large services component) incur substantial indirect costs (e.g. overhead, support, supervision).

Most financial accounting systems assign direct costs (like direct labor and material) back to individual products with a relatively high degree of precision, but allocate indirect costs proportionately (based on sales or some other volumetric measure) across customers and products.

So, products that actually generate proportionally more indirect costs (e.g. low volume or specialty products) are, in effect, subsidized by those products that generate proportionally less indirect costs (e.g. high volume, standard products). Profit is overstated for some products, and understated for others.



**Economic Profit Analysis (EPA)** – more commonly called Activity Based Costing (ABC) -- is a methodology for reframing traditional financial accounting data to more precisely measure the true profitability of products by:

- (a) Mapping indirect costs by activity (rather than by organizational departments)

- (b) Identifying the specific activities that actually drive most costs (e.g. the number of calls to a customer service centers drive their personnel costs)
- (c) Determining the relationship between activity levels and costs (e.g. \$25 of fully loaded cost per customer call)
- (d) Mapping the indirect costs to specific products based on the products' activity levels
- (e) Re-calculating product profitability based on direct and activity-based indirect costs

The EPA methodology reveals the real economics of a product line – identifying the true sources of profitability, and flagging profit drains which can be remediated by repricing products at higher levels to increase margins, reprogramming terms and conditions (e.g. instituting minimum order quantities), or retiring products from the line -- dropping them and foregoing their sales, but avoiding their losses.

- (4) Projecting and managing the lifetime value of customers

The principles underlying product profitability apply to customers. Again, it is remarkably typical for companies to earn the bulk (or all) of their real economic profits from relatively few customers. Many customers – often more than half -- lose money or barely break when costs-to-serve are appropriately allocated.

Most companies now realize that the customer's value (to the company) transcends a single transaction or an accounting period of activity. Managed effectively, the “right” customers can provide a lifetime of transactions and an extended stream of sales and profits. That is, it may be costly to acquire and retain customers, but once “acquired”, they may make repeat purchases, buy additional products, or “sell” the company and its products to other potential customers.

**Customer Life Time Value (CLV or CLTV)** is an analytical approach for calibrating the financial worth of customers – individually and in groups.<sup>38</sup>

The essence of CLTV analysis is to project the net present value of the profitability of customers (net of acquisition and retentions costs) based on their likely

<sup>38</sup> For details, see Homa Note Customer Lifetime Value: Basic Concepts & Calculations

purchase patterns (level of and corresponding profitability) and the probability of retaining them over time (i.e. their “tenure” as customers).

More specifically, CLTV is a function of 4 factors:

- Customer acquisition costs (CAC or AC)
- Projected sales, profits and cash flows
- Customer defection / retention rates
- Company discount rate (i.e. cost of capital)

With some significant simplifying assumptions,<sup>39</sup> CLTV can be calculated using a modified perpetuity formula that incorporates the customer defection rate (i.e. inverse of the probability of retaining a customer from one period to the next):

$$CLTV = \frac{M}{d + i} - AC$$

where:

*M* = the annual profit margin generated by a customer

*d* = the annualized defection rate

*i* = the annual cost of capital

*AC* = the acquisition cost

At a tactical level, companies can use CLTV analysis to determine the maximum they should spend acquiring customers. Obviously, the AC (or CAC for “Customer Acquisition Cost”) should be less than the discounted stream of likely profits.

At a strategic level, companies can use CLTV to sort customers into profitability tiers, and manage them accordingly.

For example some companies (e.g. Best Buy) have developed sophisticated analytical processes for sorting their “angel” and “demon” customers and managing them differently.<sup>40</sup>

That is, they mine their data bases and accounting systems to identify the customers that generate losses -- e.g. by cherry-picking low margin items, or by being high maintenance and high cost-to-serve – and try to “remediate” them with higher prices or modified buying behavior (e.g. larger orders, fewer calls for

services). If remediation fails to turn the customers from unprofitable to profitable, the companies may take the bold step of “firing” the customers to stop the associated profit drain.

Conversely, these companies are tagging their highly profitable customers and catering to them with added benefits geared to locking in their loyalty (e.g. providing early access to new products and “deals”, “over & above” customer support, volume discounts and frequent buyer privileges).

At a financial level – considering customers to be assets -- companies can aggregate the CLTV of individual customers (or groups) to estimate the aggregate financial value of the company’s portfolio of customers.<sup>41</sup>

(5) Recognizing brands as financially significant intangible company assets and estimating their monetary value.

Simply stated, **brand equity** is the accumulated level of goodwill that induces customers to:

- Habitually self-limit their choice sets -- i.e. to seek out a favorite brand without giving serious consideration to competing brands
- Buy a brand with confidence and give it the “benefit of the doubt” in tie-breaking situations -- i.e. when two products seem to be about equal in price and performance
- Acknowledge the benefits received from a branded product by willingly paying “full” price (or more) for it
- Extrapolate brand values to an extended line of products -- i.e. be willing to try related products marketed under the same brand “umbrella”.

So, brand equity can provide a current “lift” to profits from higher sales volumes and higher prices, sustained market momentum, and potentially, an entry barrier that insulates the brand from competitors.

Many marketers argue that the pay-off from marketing programs is often grossly under-estimated since short-term results (e.g. *immediate sales and profit gains*) are often considered, but longer-run benefits – which are in part driven by stronger brand equity that is “harvested” or “leveraged” in the future – are not

<sup>39</sup> Most notably that cash flows are end-of-period lump sums, that customer defections occur in end-of-period “chunks”, and that profitability and defection rates are constant over a customer’s lifetime..

<sup>40</sup> For example, see Angel Customers, Demon Customers, Selden & Colvin, Penguin Books, 2003

<sup>41</sup> Some marketers argue that a company’s value is simply the value of its customers. For example, see Managing Customers as Investments: The Strategic Value of Customers in the Long Run, Gupta & Lehman, Wharton School Publishing, 2005

So, some marketers argue that brand equity is a significant intangible asset to the firm and that **brand value** (i.e. the estimated monetary worth of a brand at a point in time) should be:

- Shown on the balance sheet or -- at a minimum -- formally tracked over time and reported as a footnote in financial statements
- Given full consideration when evaluating the effectiveness of marketing expenditures.

Said differently, they believe that brand value should be routinely estimated, and marketing should get credit for increases in it.

More specifically, a strong brand potentially impacts a company's cash flows by:

- Increasing their magnitude (more, bigger)
- Accelerating their timing (sooner, faster)
- Extending their duration (longer)
- Reducing their riskiness (more certain)

So, in theory, a brand's value is simply the difference between the its future discounted cash flow and the hypothetical discounted cash flow of a comparable unbranded (i.e. generic) product.<sup>42</sup>

Unfortunately, the theoretical approach – while conceptually straightforward -- is analytically impractical. Forecasts of a branded product's cash flows are imprecise; and the meaningful compilation of hypothetical unbranded cases is practically impossible in most instances.

Some companies, agencies, and consultants have developed **brand valuation models** that attempt to statistically project brands' financial worth from their performance on underlying brand attributes. That is, they explicitly measure a brand's market performance along multiple attributes – including consumers' perceptions of it and its competitors – and project a financial value linked to the measured components.

These brand evaluation models sometimes provide rich detail for diagnosing a brand's "health" and competitive position, and provide a conceptual logic for estimating a brand's monetary value.

And while some experts assert that the modeled brand value estimates are comparatively revealing (i.e. over time for a specific brand, or concurrently

<sup>42</sup> Some sources argue that the difference boils down to the added revenue a brand generates. That's true for a brand's price premiums since they drop straight to the bottom line. But, increased sales volume (i.e. more units sold) has corresponding costs, so the added profit – not the added revenue – is relevant.

*brand-to-brand*), most agree that the valuations are theoretically debatable (*which approach is right?*) and very imprecise (*since they depend on questionable forecasts of cash flow streams*).

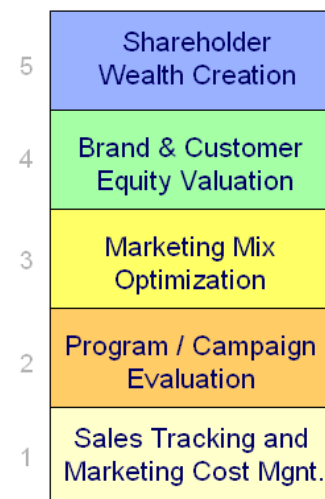
So, brand valuation models are generally considered more appropriate as guides for marketing decision-making than for financial reporting. Accountants agree, and usually keep brand equity off the balance sheet.

#### (6) Linking marketing performance to shareholder wealth creation

Ultimately, the goal of MPM systems is to explicitly link marketing spending (sometimes treated as "investment") with the creation of shareholder wealth. That is, to evaluate marketing spending by the acid test of whether it leads to higher stock prices.

Getting to that ultimate objective is a multi-stage process that consolidates and extends the above five performance enhancing methodologies.<sup>43</sup>

#### MPM Stages



Stage 1 is simply collecting the relevant accounting data; tracking aggregate marketing-related expenses, revenues, profits; and – most important - managing marketing costs and driving revenues.

Stage 2 companies objectively approve or reject proposed programs (campaigns) based on projected returns (ROMI or ROMS<sup>TM</sup>), and evaluate performance both periodically (i.e. monthly, quarterly) and when programs are complete.

<sup>43</sup> Adapted from the "Ladder of Insight" in Marketing by the Dashboard Light, MarketingNPV.com, 2005



Stage 3 marketing mix optimization requires aggregating individual programs into a total view of marketing spending and allocating budgets to optimize marketing spending (e.g. how much spending on marketing in total? How much spending on advertising vs. trade promotions?).

Stage 4 -- companies develop an overall "theory of the case" regarding the valuation of customers (CLTV) and brand equity, and aggregate the values to project a "value of the firm".

Stage 5 – companies integrate marketing into an overall business model that links to shareholder wealth creation.

This "Marketing ROI" framework provides a useful diagnostic structure, and highlights the critical role that marketing plays in driving company profitability by:

- (1) Selecting high potential markets
- (2) Guiding investment priorities
- (3) Assembling strong portfolios of profitable products and businesses
- (4) Creating relative perceived value for customers
- (5) Building leveragable market share positions
- (6) Capturing profits (margins and ROI)

Aggregate ROI Framework

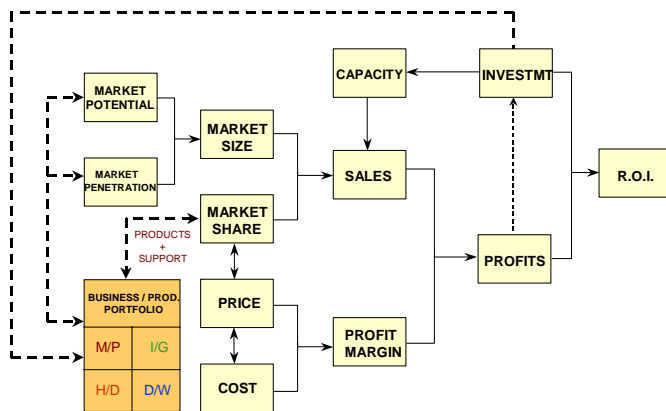
A company's aggregate ROI – a fundamental measure of profitability and a force behind share prices (i.e. shareholder wealth) -- can be decomposed into a marketing "system" of key profit drivers.

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Finally, closing the loop, marketing is all about creating value: creating shareholder value in profit-maximizing firms by generating superior returns on investment, or creating social value through organizations whose overarching objectives include contributions to the common good.

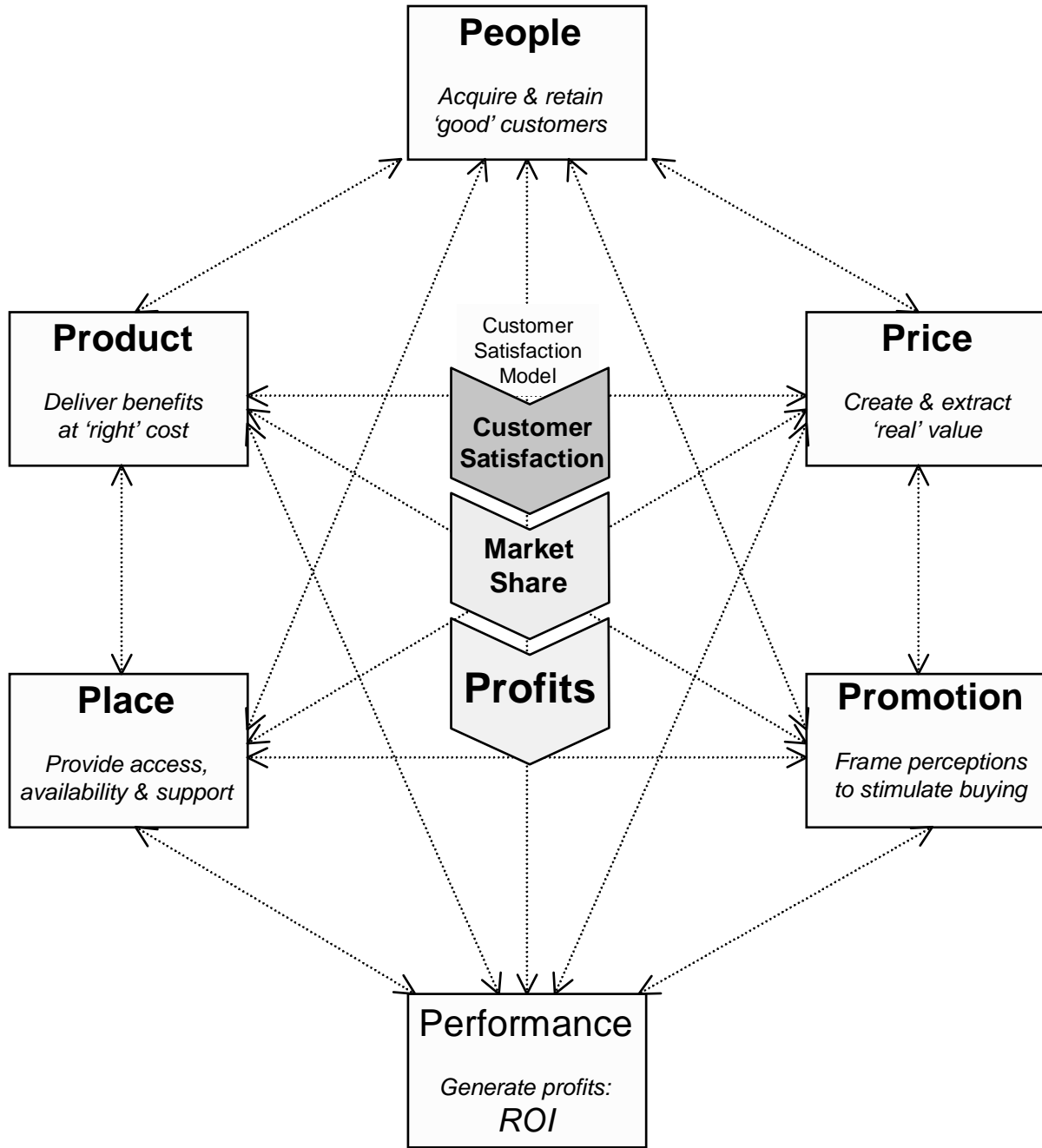
The 6 Ps are how marketing does it !

**Marketing ROI Framework**



(see attachment for enlargement)

### 6 Ps Integrated Marketing Framework



## 6 Ps of Marketing ASQs

### Analysis Starter Questions

#### Overview

*The '6 Ps of Marketing' are a helpful device for remembering the dimensional breadth of a complete marketing program. By tradition, the marketing core consists of 4 Ps: product, price, place (distribution), and promotion (e.g. advertising). To complete the analytical perspective, add 2 Ps: people who are the central 'target' and performance (e.g. profitability and share) which is the ultimate objective. To summarize a brand's marketing strategy, use a 'Structured Comparison Framework' to summarize each element of the marketing strategy with specific reference to a key competitor, an identified 'best practices' brand, or a hypothesized ideal performer; to draw implications from the 'marketing mix' elements separately and collectively; and to draw overall conclusions about the relative and absolute effective of the strategies in meeting defined goals.*

#### People

1. Who are the current and potential customers? Who are the end users? Who actually makes the purchase decision?
2. What is the basis for their purchase decision? Based on what qualifying and winning criteria?
3. How is the market segmented? What common characteristics define the segments (intra-segment homogeneity)? How do segments differ from each other (inter-segment heterogeneity)? How do buying criteria vary by segment?
4. Which segments are potentially the most attractive? On what basis: size, growth, profitability, competitive intensity?
5. How are, or can, the selected target market segments be accessed and attacked?
6. How must a brand be positioned– i.e. what specific multidimensional offering 'package' must be delivered - to capture highly profitable share of the target markets?

#### Product

1. What exactly is the product of service being offered? Think broadly in terms of the augmented product. What are the benefits being delivered to the customer? How can the benefits be enhanced to create value?
2. How important is brand name in the category? Is there a role for off-brands, private labels and generics? How much brand equity is there for existing brands?
3. Where are products in the product life cycle? What are the implications of the current stage? Is there an opportunity to recycle the category?
4. How important are new products, currently and prospectively? Can existing products be cost-reduced without sacrificing other benefits, or repositioned by making relatively small modifications to product attributes?
5. How important is packaging? What role does packaging play in product use and brand communications?

## 6P ASQs

(continued)

### Price

1. What is the fully loaded (i.e. all things considered) price of the product over the lifetime of use? What are the terms and conditions of payment?
2. What are the key determinants of value? What makes one product worth more than another? Are there opportunities to reshape the value function?
3. How sensitive is the market to price? What is the elasticity of price movements up or down? Are there distinct price segments (e.g. good, better, best or consumer, professional)?
4. Is the brand gaining or losing share at the current price level? Is the brand profitable versus internal objectives and external benchmarks?
5. How much profit is retained by channel intermediaries (e.g. retailers, distributors)? Are channel margins comparable to competition and do they provide acceptable returns to intermediaries?

### Place (Distribution)

1. Where is the product available? Is supply adequate and conveniently accessible for typical customers?
2. What type of outlets (specialty stores, discounters, etc.) carry the product? Is the product bought or sold, i.e. to what extent do customers need to be educated and 'closed'? Is there channel harmony or conflict? What are the root causes of conflict?
3. What are the dominant channels of distribution? How does product get from the manufacturer to the end user? Who are the intermediaries? What value does each intermediary add? What is the ROI at each stage of distribution?
4. What are the critical levels of distribution intensity - breadth (area coverage) and depth (density, number of outlets)?

(continued)

## 6P ASQs

(continued)

### Promotion

1. What is the core selling proposition, and how can it be communicated most effectively to customers: advertising, PR, direct sales? How do customers respond to different elements of the marketing mix? Which components are most cost effective?
2. How do customers respond to different elements of the marketing mix? Which components are most cost effective?
3. What is the role and importance of the sales force? To whom do they actually sell? What is the basis of sales? What skill set and support structure is required?
4. How can special offers (e.g. temporary price reductions, 'buy now and get ...') incrementally induce or accelerate sales? Who is the appropriate target for special deals: the trade (push) or the end customer (pull)?
5. How do the individual promotional elements sync together? Are they appropriately integrated and complementary, or conflicting?
6. Is the promotional budget adequate to achieve objectives?

### Performance

1. What are the strategic and financial objectives? Are they appropriate (realistic and achievable) for the category and the brand?
2. What are the appropriate financial performance metrics: contribution margin (price less variable costs), pre-tax profit, net profit, ROI, EVA?
3. What are the appropriate strategic / market metrics: share of market (value, units), share of served market, segment share, price realization (yield)?
4. Are the objectives being achieved?

**Marketing 6 Ps**  
*Structured Comparison Template*

*Company*

*Benchmark*

**IMPLICATION**

PEOPLE

PRODUCT

PRICE

PLACE

PROMOTION

PERFORMANCE

**ASSESSMENT**

	<i>Company</i>	<i>Benchmark</i>	<b>IMPLICATION</b>
PEOPLE			
PRODUCT			
PRICE			
PLACE			
PROMOTION			
PERFORMANCE			
<b>ASSESSMENT</b>			

# Marketing / Financial Framework

