

The Marketing Mix-Up 5; Selecting the Grapes

[The process of reaching strategic marketing clarity]

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This is the fifth in the series of articles titled 'Marketing Mix-Up'. In the first article, we examined the mix-up in strategic marketing. In the second article, we examined the mix-up in operational marketing. In both these articles, we examined the current concepts, theories and models used [or misused].

The major reasons for the mix-up was the lack of understanding of the concepts, application of the models without giving due consideration to the practical aspects, not following up after implementation, poor leadership and most of all a lack of concern for the value derived to the customer.

In the third article, we identified, understood and categorised values sought by the customers and how companies have responded. The thinking of that article was based on the 'Value Discipline' approach to business, adopted by 80 world leaders in various industries, based on the highly acclaimed book 'Disciplines of Market Leaders' by Michael Treacy & Fred Wiersema.

The Value Discipline approach to business is based on the argument that different types of customers seek different kinds of value. The articles were aimed at helping companies to select and commit to one Value Discipline.

In the fourth article we updated our thinking on the 'Value discipline concept, where we migrated from the 3 values used by world-class companies a couple of years ago to 5 values used by them later on. These values are Price, Service, Product, Experience and Access. It also discussed how leading brands dominated the market in one value, differentiated themselves from the others with one other value and was on par with the market on the other 3 values. They cannot be below par on any of the values if they are to survive in the market.

In this article, the fifth in the series, we will examine a practical approach of formulating a strategic marketing plan using the value discipline concept.

Good wine matures over a period of time

In the outset it is important to appreciate the fact that what is important is not the plan, but the way it is formulated. Lots of companies think that having a strategic marketing plan is the answer to all business problems. Some companies even go to the extent of hiring an outside consultant to write them a plan. They rely on outside consultants for primary and secondary research information. The plan is done and a fat document is submitted to the firm with an equally fat bill. At the

end of the year, when the results are not achieved they wonder what happened. Deeper analysis makes them realize that no one had even looked at the plan. Sometimes they realize that the plan was implemented with a lack of understanding of the strategies and the basis for the strategies. Sometimes the plan is implemented without the belief and conviction of its value and potential effectiveness. And sometimes it is implemented with lack of motivation and ownership due to the 'not invented here' mentality.

Sensei has guided many companies in their strategic marketing planning initiative and we ensure that a team of people from the company are fully involved in the process of planning. They are involved in the review and research phase and they do accept the information used for planning. Sensei provides the tools, the formats, the process, the inspiration [with the use of direct and indirect examples], the energy, the challenging of thinking, the stretching of the mind, and the creation of aspiration and excitement.

The process used is synonymous with making wine. Firstly excellent wine needs good grapes. Similarly excellent business results should be driven by excellent people using excellent information. Good wine needs to be made using time tested processes from harvesting to storing, from storing to processing, from processing to maturing, from maturing to bottling , from bottling to distributing using the right storage conditions and from storage to serving with the right meal. The serving of the wine requires decisions such as; chilled or not, which meat it should be served with, what food it should go with and what occasion it should be used for.

Excellent business results are provided not by the plans, but by the mindsets and the passion of the people implementing the plans. The planning process should use the right processes, tools, and should be given the required time for the thinking to mature in the hearts and minds of the management team so that by the time the planning process is completed the team is well primed to deliver the results in the plan using strategies in the plan, using the total resources of the company.

Selecting the grapes

The first step is to get the right team for the planning process. The team should include the top management team as their involvement, support and conviction is vital for the success of the plan. It should also involve as much managers and executives as relevantly possible as the wider the involvement is, the wider the commitment would be. If there is anyone not suitable for the planning process, then they would not be suitable to be in the management team as well. The absence of the right people needs to be addressed. Selecting the right people and developing them is a crucial role of top management. Many successful companies first select the right people and then decide on what to do. As explained by Jim Collins in his 'Good to Great' research, companies which took

the transition from good [those companies who beat the stock market by 1.5 times] to Great [[those companies who beat the stock market by over 4 times] first got the right people on the bus, got the wrong people off the bus, put the right people in the right seats and then decided where to drive the bus. As such having the right people will shape the entire thinking, the drive, the direction and the energy of the company. When the US banking industry was nervous in the face of deregulation and started to cut cost, Wells Fargo hired all the best bankers in the industry. This approach enabled them to produce spectacular and sustainable results.

The second step of the process in selecting the right grapes is getting the right information. Here again Sensei believes, using loads of historic data could be dangerous. It is like driving a car looking at the rear view mirror. We lose sight of where we want to go and where we are going. We do need to have a broad idea of what is happening in the industry, what the competitors are doing and what we have done. However the more important thing is to make sure we clearly understand what value our customers would look for and how we and our competitors fulfil these values. This will show us the lucrative value gaps we could plug.

The third step is to identify the value sought by customers under the five value categories, Price, Service, Product, Experience and Access. This is done by looking at the values individuals of different market segments would look at from any player in the industry, not just from you. This is important to ensure we are not playing in our own world. As such segmenting the market to unique groups is important. In some of the work we have done for banks, we have helped our clients segment the market to retail, small business and corporate customers. Corporate customers are further segmented into types of industry. In work done for shipping companies, we would help our clients segment the customers in their universe into individuals, small businesses, and corporate clients. Business would further be subdivided into imports and exports and further down to industries. This approach to segmentation helps identify groups of customers looking for similar values so that the organisation could adjust their operating models to deliver the desired values.

Once the segmentation is complete it is important to identify the values the customers look for under each category.

In the 'Price' dimension for example a customer in the apparel industry would look at the difference between the selling price of the apparel vs the price paid to the manufacturer. This reflects real value to the customer rather than having a value such as lowest price, highest discount, longest credit period etc.

On the 'Service' dimension, some of our banking clients identified 'the speed in which a letter of credit (LC) could be opened' as a value dimension. A Consumer electronics company identified a value in this category as 'the availability of items

required by the market'. This is better than some of the internally focused service aspects such as the availability of stocks. It is true this will help provide good service, but what the customers are interested in is how it adds value to them.

In the 'Product' dimension, one of our clients marketing bulbs, identified the economy of using the product as a value. Value addition and efficiency the product creates for the customer could be another value.

In the 'Experience' dimension, one of our clients in the hospitality industry, The Ritz Carlton, identified, 'feel welcomed and cared for' as a value. This value helps the customers to feel more valued so that a business client would meet his business contacts feeling more confident. This area is the emotional component of the values. It is the most complex to understand and deliver, but also the most profitable.

In the 'Access' dimension, one of our clients in the banking industry identified that their customers would like to have 'easy access to their funds' around the clock. This led them to investment decisions in internet banking.

The list of values sought by customers in the industry should be well brainstormed by the planning team to ensure nothing is missed out. It is also useful to get opinions of customers to ensure it is the right set of values they look for. Once the list is finalised review teams would meet customers either one-to-one or as focus groups to find out the following; a) the weightage of each value. B) They would then be asked to allocate 100 points for the values giving more for the more important value etc. c) Next they would rate the company on a scale of 1 to 4; 1 for underworld, 2 for on par, 3 for differentiated and 4 for world class. d) They would then ask the respondents to rate the other players in the market and give ratings from 1 to 4 on the same scale.

We would also ask review teams to ascertain market size, market shares of all the players in the market and profitability of all the players in the market. We would then use the information of the reviews to do the DOS [dangers, opportunities and Strengths] of yourself and the other players of the market.

In the next articles to be published, we would take you through the process of analysis through to strategy and implementation. Meanwhile you could join me in the strategic marketing planning process by getting the right team together and gathering information so that you select the right grapes for wine making.