The Marketing Mix-Up - 2

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This is the follow up article to my earlier article Marketing - Mix up published a few months ago. I hope you found some time to ponder on how the new thinking could apply to your business, or were you so confused that you were wondering what missile hit you?

In the earlier article, we looked at the mix-up in strategic marketing and this article would explore the mix-up at an operational level.

Where does operational marketing start? Where does it cross over from strategic marketing? These are good questions to answer as a template for this article.

In the traditional strategic marketing model, marketing strategy is the identification of the product/market mix the company should focus on during the next three to five years. Once this decision is made using the mixed-up approach highlighted in the earlier article, the company decides how much sales and market share they should obtain in each of the identified markets/market segments through the products they chose to sell in those markets/market segments.

In this context, the product decision is not about specific details of the product. It is a broad definition of the industry or product group. For example, a company operating in the processed meat industry in UK may decide to either go into processed meats in France or supermarkets in UK or Chicken farming in Vietnam. In each of these instances, it is a product/market decision. It is not deciding on the flavour or pack size of the sausage.

Operational marketing, in the mixed-up form, commences when the marketing manager has to decide how much sales or market share he/she has to achieve. What guides them? You guessed right. It is the growth goal given by the board used for the top line of the gap analysis, done to arrive at the marketing strategy in the strategic marketing process. It is not the value sought by the customer.

This decision is guided by the SWOT analysis [strengths, weaknesses, opportunities and threats]. By the way some one recently choose to call it the TWOS analysis [threats, weaknesses, opportunities and strengths]. Smart way of attaining guru status! Now sometimes this is confusing as a SWOT or TWOS had already been conducted before the strategic marketing plan was prepared. Now do we do a SWOT again? If so, do we change the emphasis? Is it a duplication of effort? My advice is if you need it differently for operational marketing planning purposes get it done.

Well, as you notice, there is no mention of the value to the customer, may be it is embedded somewhere under 'opportunities'. So how come we base our marketing objectives on some top management whims, some outdated statistics, some unreliable market research about the size of the market and the market shares of the competitors. This would determine the destiny of the company, its people and their families for the next year! The customer would be the main target of this entire operation done to provide value to the customer, but where is it mentioned?

For example let's say a company providing a mobile communication services in India decides to set up a mobile communications network in Sri Lanka and obtain a 30% market share based on the company's desire to improve their profitability by 20%. Their decision may be based on the need to improve profitability of the company, operate in the same industry and move into a market of proximity.

Now let's say Sri Lanka has some good mobile communication service providers and one of them has a 60% market share with the same portfolio of services. The features offered by this new company are the same as the market leader in Sri Lanka. Now why would anyone switch to this unknown devil when they say it's better to stick to the known devil?

Some of the reasons why the customers would switch networks is because they had service nightmares, product failures or billing problems with the existing service or because the new provider offered a ridiculously low price. If you look at this list, yes we see there is value the customer is looking for in this instance. But does the new provider base his decision to enter this market on knowing how many dissatisfied, frustrated customers are in the market.

I would strongly oppose offering price benefits as value to customers as this has two problems. First the company's profits are eroded. Secondly, eventually the customers would get attracted to the competitors offering better value even at a higher price. Maintaining low profits also means there is lesser surplus generated to put back into the product offering to enhance value to the customer.

Now let's assume this company had conducted a value analysis and found out that there are many customers looking for a host of ecommerce and social networking services from the phone and other value added services. Let’s also say there are no other companies providing these services. The new company should opt to provide the above facilities using the latest platform be it 3G, 3.5G or 4G or whatever G which is the latest available. The customers would make a beeline to get their phone with a few extra rupees in hand as well as this new service is seen to be adding value to their lives.

This argument shows that the way we set objectives now is like laying a foundation out of hot chocolate. It is not based on 'value' which is like a solid reinforced concrete foundation. The rest of the marketing plan too has mix-ups in addition to the fruitcake foundation.

The next step is on deciding on marketing strategy. Marketing strategy is a set of decisions on how to achieve the marketing objective. The traditional marketing mix which had product, price, place and promotion are mixed like a pizza baker mixing the best of floor, cheese, tomato puree, pepperoni, pineapple, spices and seasoning to bake the most stretchy, succulent mouth watering pizza. They keep adding more and more ingredients like they make the pizzas even more yummy. So they got people, policies, perceptions, processes, practices, period, packaging and a few more pees to the marketing mix!

But the meaning of succulent is subjective. It changes from customer to customer. The same customer who travelled overseas and got exposed to more discerning tastes may not be the same boring bull when he returns.

This subjectivity syndrome and time lag syndrome applies to the marketing mix as well. The customers we used to base our thinking when deciding on the new marketing mix may happen to be the wrong sample, like when some one picked the Marketing Directors mother-in-laws whims and fancies as a base for and advertising campaign.

The time lag problem applies as most marketing decisions are made 4 - 6 months before implementation and imagine the changes which can take place. According to Moores law the power of the silicon chip doubles every 18 months. A similar law talks about the capacity of the fibre optic cable doubling every nine months. Dell computers were making $ 12 million worth of sales on the web every day 5 years ago. There have been more inventions in the last 5 years than the entire recorded history of the human race. There are more users on Facebook than the population of the planet 200 years ago. The world is going crazy and we are dabbling with the marketing mix 6 months before implementation! Marketing mix -up indeed.

In deciding on the right product to market, companies would look at what is available in the market and ask the customers what is wrong with the product in their opinion. Therefore, they try to become glorified product experts and tell not only what they think is wrong, they also tell what other people and the critiques and the media says what's wrong. Their comments may also include what's wrong with other products as well.

Guess what they never told us about? You guessed right! Value of course! Why? Because of we never asked. If we ask about value they are looking for we could come up with a product innovation which could work. In the era of slide ruler would anyone have told you that they would like to have a IPhone? They may have told that the model they are used to is not smooth enough or the markings fade away fast.

But if we checked what value they might like to have they may have said that that it could be of great value to be able to calculate more complex and large sets of numbers faster and more accurately. This would give the product experts food for thought to create a product which the customer had never dreamt of but which would have added value.

Perhaps Steve Jobs turns every principle of marketing upside down when he says we never ask the customer about new products they want because they don't know what they want. Perhaps they do listen to customers and understand the value they seek and then convert that knowledge to use the technology in hand to creating amazing products such as the IPOD, IPAD, IPhone, ITAB, IMAT, IFIELD and the Sri Lankan version IYO!. The use of 'I' has gone viral and the demise of the this created a feeling of ISAD in many people who heard of Steve Jobs only when he died!

Most multi billion dollar products were classed as potential failures when market tested. 'Post IT', who would want this sticky piece of paper, we got enough re-cycle able paper to get rid of. Fax machine, what's wrong with telex? CNN, who would want real time news 24 hrs?. Chryslers mini van, come on, its neither a car or a van, who would want this.

When SENSEI in Sri Lanka decided to bring a top management conference to Sri Lanka in the late 90's, we had to charge each participant Rs 42,000/- plus GST to cover the fees and other cost of the 5 renowned international speakers who talked about 'creating the future'. People said who in Sri Lanka would be crazy enough to pay such an amount for a one and a half day experience. We had 75 of the cream of Sri Lanka's top management who had a memorable learning experience at this session. Why did they keep coming for such Sensei events over and over? The answer is simple; it is because it adds value to themselves and their businesses.

Most of us fight shy of setting high prices. Most of us fight shy of increasing prices. We conduct elaborate studies of competitor prices, customer sensitivity, profit impact analysis etc to make sure we are making the right decision. We think the customers would immediately stop buying if we make the wrong pricing decision.

The barrier is not in the customers mind. It is in the mind of the salesman and the marketer. If we provide the customer the value they need and keep adding value continuously, they would happily pay the increased price until a competitor would better the value [not better the price]. As such, price decisions should be made along with product decisions as they go hand in hand with value for value.

When Michael Dell striped his IBM computer which his father gifted him for his 13^{th} birthday [to the utmost shock and dismay of his parents] he realised that the components for a $3000 computer could be purchased for $ 600. Where does the balance go to? To IBM and to the distributors! Still in high school, at a very young age, Dell was surpassing the value killing, ambiguity adding, delay creating middleman and giving a value added computer [extended memory etc], faster and cheaper to IBM customer with a handsome profit to himself.

We would traditionally create an elaborate distribution system with sole agents, distributors and dealers to deliver value to the customer. Oracle had a goal of transacting 100% of their business on the web by 31 Dec 2001. When they got to conducting 30% of their business on the web the cost saving of eliminating the middle man, logistics etc was $ 1 billion per year, which went into finding innovative ideas to add more value to their customers.

In the area of promotions we like to show pretty damsels running round trees, or beauty queens gobbling up soap. Do we see any value addition? The message should be on how the product adds value to the customer. Of course, creativity should be used to communicate or else it may be mistaken for a death notice. But the important message here is that the creative people should use creativity to subtly enhance the value perception.

In the area of media, we tend to check which channels are watched by the Managing Directors wife, to schedule the advertisement for a pesticide for a farmer in Minneriya. Or we may use an elaborate TV campaign for a target group of 10,000 businessmen who could be reached direct through social media. The mix-up continues in the area of advertising and promotion as well.

I have attempted to illuminate the marketing mix-up from an operational point of view in this article. And you would have got the hint that what's more important is to have a planning processes which helps identify and add value to the consumer. But the question running through your mind would be how do we methodically approach this?

In my next articles, I would share with you the practical approach of doing value added strategic and operational marketing plans. Until then, you got food for thought to digest. See how you could improve your business with value adding marketing.