WINNING WITH STRATEGIC MARKETING



DRIVING SUCCESS FOR STARTUPS AND SMALL BUSINESSES

DAVID ALTOUNIAN
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Winning With Strategic Marketing

Driving Success for Startups and Small Businesses

David Altounian and Mike Cronin

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Winning With Strategic Marketing: Driving Success for Startups and Small Businesses

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Description

This book provides a comprehensive guide to marketing for leaders of startups, small-, and mid-sized businesses, empowering them to expand and evolve their enterprises.

It offers a framework to create a fundamental marketing plan that helps business leaders understand and thrive in a competitive environment. The framework offers a step-by-step process to build a plan that will enable readers to acquire new customers, maintain existing clientele, anticipate competitors' moves, showcase product uniqueness, grasp pricing strategies, refine branding messages, and select appropriate metrics to evaluate progress.

By adhering to our straightforward approach, readers will learn how to develop a marketing strategy that will help generate sales, profit, and customer satisfaction.

Keywords

marketing; strategic marketing; value creation; value capture; profit; upstream marketing; downstream marketing; market segmentation; marketing funnel; competitive analysis; customer acquisition; customer retention; customer loyalty; customer advocacy; channels; metrics; pricing strategies; branding strategies; target audience; product positioning; market research; digital marketing; content marketing; social media marketing; search engine marketing; email marketing; product pricing; product planning; promotion; advertising; entrepreneurial marketing; startups

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Preface

The idea for this book emanated from two different circumstances happening around the same time: a consulting project for a local ice cream sandwich shop and classroom and academic department discussions at a university in Austin, Texas. These experiences led to the concern that strategic marketing methods were being taught in advanced marketing classes but were less accessible to those without marketing degrees or to people whose main interest is the business they run or the services they provide.

Much of the marketing how-to information available to that audience today is around digital marketing, social media, and getting "more eyeballs" for a product or service. There also seems to be a growing gap in the understanding of what marketing is and the role that it plays in the success or failure of a business. These marketing education materials are important, and we don't wish to diminish their value, but they only represent a portion of the marketing approach. To build successful, profitable, and sustainable businesses, understanding and executing effective marketing strategies are required.

The challenge that we decided to undertake was to introduce some of the fundamental marketing strategy approaches by combining elements from commonly taught academic models and theories into a worksheet tool and to explain how to build the elements of a marketing strategy with the tool through chapters designed for people without experience in marketing. Our goal is to introduce the basic principles and fundamentals of marketing strategy and, hopefully, provide a starting point for additional interest and deeper exploration of marketing.

While the authors of this book—a former marketing executive and current academic and a journalist—have endeavored to write this in a way that is easily accessible for the nonmarketing person, no book like this can be successful without illustrations to visualize the concepts. Our thanks go to our graphic artist, Charlotte Straus, for her work in doing this well.

This is neither intended to be a heavy academic tome on marketing concepts nor do we claim that this represents all that is needed to build a successful marketing program. It's intended to be a structured way to begin understanding how to use strategic marketing to improve and enhance your business.

David Altounian and Mike Cronin

CHAPTER 1

What Is Marketing?

All businesses do marketing, even when not well-planned or thoughtfully executed. From Fortune 500 companies with multilevel teams numbering in the hundreds to mom-and-pop operations with a student intern assigned to posting on social media, marketing plays a critical role.

Marketing Is Everywhere, and It Isn't New

The discipline of marketing has been around for centuries, well before modern technology became the norm.



Figure 1.1 Two examples of early advertising from 1904

Here are two examples of marketing from the turn of the century in print advertisements. But the ads themselves are merely one component of marketing. Take a closer look. You will notice that in the first ad, the Columbus Carriage and Harness Company talks about its product features. The company also describes a distribution advantage: customers can get a one-third discount by ordering directly from the manufacturer.

In the second ad, the Union Buggy Company also contains pricing, as well as a promotion: Customers may try out the product for 30 days free of charge.

All those ad characteristics are parts of marketing. Someone at each company decided which features of those products would appeal to consumers. Someone decided how the products would be priced and sold. And someone decided how to promote the products to encourage buyers to pick them over the competitors' offerings. Those decisions encompass only some of marketing's essential elements.

Today, 120 years after those ads, with social media and e-commerce now commonplace across many sectors to accelerate the promotional aspects of marketing, the basic principles of strategic marketing remain. Even as the manner in which companies conduct business continues to evolve, marketing's fundamental frameworks and theoretical models, such as the Four Ps of Marketing or Porter's Five Forces, still are relevant.

An examination of what occurred in California's grocery industry during the mid-1970s illustrates this. Larger, independent supermarkets and regional grocery chains such as Safeway and Vons began competing with small, local grocery stores. That fierce competition resulted in many smaller stores folding.

As competition for customers increased, those running the grocery stores needed to:

- Understand who their customers were—and the unique needs of those customers. As chains expanded, the needs of the customers in specific neighborhoods became important to attract or keep customers. Doing that, the grocers were practicing the marketing tenets of segmentation and preference.
- Stock the products those customers wanted, in other words, the grocers' product offerings.
- Be competitive with other grocery stores in product selection, pricing, and the quality of products offered. That process is what marketers call differentiation and is determined through a process called "competitive analysis."

- Set the pricing of their products in a way that attracted customers and generated a store profit. This is what's commonly known as "pricing strategy."
- Create enough awareness and interest to lure customers into the store.
- Distribute weekly advertising to area potential customers, which is the marketing practice of "placement."
- Create a store layout that maximized the possibility of a customer making a purchase, which represented the marketing activities of driving customer "awareness" and "consideration."

To design that store layout, grocers employed several tactics. They strategically displayed sales items at the front of the aisles. They placed produce and dairy products in a way that could simplify the customers' search and selection process and encourage the purchase of additional items. They created brilliant displays in refrigerated cases, ensuring that items such as cheeses, meats, and produce looked fresh and inviting.

Fifty years later, grocery store operators still engage in these activities. Digital tools and technology have vastly improved the execution, but the underlying processes remain the same. Stories of massive corporations swallowing local, independent businesses can be found in every industry. But examples still exist of small or specialty grocery stores succeeding against much larger competition. This shows the effectiveness of strategic marketing, even when the scales appear to be imbalanced.

Grocery stores are among the most successful types of businesses in adopting new and emerging technologies. They are constantly innovating to improve their customer service and marketing strategies with methods such as loyalty programs and real-time price changes using digital shelf tags.

The COVID-19 pandemic accelerated changes in the way that customers buy groceries with the growth of curbside pickup and online ordering and delivery. In 2009, H-E-B, one of the largest grocery chains in Texas, created a plan for operating in a pandemic based on the H1N1 flu virus that afflicted Asia. The chain began implementing elements of

the plan in early 2020 at the beginning of the pandemic. The rollout of curbside pickup allowed H-E-B to broaden its appeal to customers.

The grocery sector also is an example of how even mature industries continually evolve to meet customer preferences and expectations. Whole Foods Market is an example of a grocery store chain that identified customer segments interested in products that are organic and from fair-trade companies and support health and wellness trends. Whole Foods built a multibillion-dollar business by serving those segments.

Since we all shop at grocery stores and likely will continue to do so for years to come, what they do in the marketing realm is instructive. We'll return to grocery stores throughout this book to demonstrate how small- and mid-sized businesses capably employ strategic marketing in a variety of scenarios.

Understanding how to harness the power of good marketing can help small- and mid-sized businesses compete in the marketplace, improve profitability, and increase customer satisfaction. Marketing is a major contributor to the success or failure of a business. Great businesses do great marketing.

A lot of confusion surrounds what marketing is. Even people who work in the field have disagreements about what constitutes marketing and what doesn't. Under the general umbrella of "marketing," a variety of functions exist. The list includes strategic marketing, brand marketing, product marketing, channel marketing, marketing communications, advertising, and public relations.

Banking is comparable to marketing in that many components compose the broader term: retail banking, commercial banking, investment banking, and electronic banking to name a few.

In order to make sense of the word "marketing," it is important to understand the term's various definitions throughout the years.

Marketing is:

- Both a science and an art. One of the leading academics in the field, Philip Kotler, Northwestern University Kellogg School of Management professor emeritus of marketing, said, "Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit."

- A function and set of processes. The American Marketing Association (AMA) in 2004 defined marketing as "an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."
- A set of offerings that have value. The AMA updated its definition in 2017: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

While these are helpful, we offer the following:

Marketing is the use of a set of activities, tools, and processes to create value (getting the desired product at the expected price) for your customers while capturing value (profit) for your organization. In simpler terms, marketing is creating value for your customers while capturing value for your company.

This means that all activities a business conducts should aim to create more value for its customers than the competition is creating while maximizing the value for the organization, whether it be profit or other benefits (e.g., nonprofits and B Corporations may look for donations or volunteer hours).

Let's look back at the grocery store example. One of the major mechanisms of adding value for customers while also capturing value for the business is the weekly flier found at the entrance to most stores.

The weekly flier serves several purposes:

- It makes customers aware of items they might not have considered prior to seeing the flier.
- It encourages the purchase of more products by offering promotional pricing. This increases the total sale amount, capturing more profit from the higher sales revenue.
- It creates opportunities for additional item purchases. For example, a sale on seafood could lead to the purchase of spices, side dishes, and other items that the customer might not have planned to buy when entering the store.

Marketing Is Not Sales, but It Can Be a Sales Accelerator

A common, accepted definition of "sales" is "the exchange of a commodity for money; the action of selling something." The term relates to the process of managing the actual transaction between a firm and the customer. Although marketing is commonly confused with sales, the two disciplines are distinct.

Take our grocery store example. The butcher behind the counter is involved in selling meat. The butcher engages in a friendly exchange with the customer, explains the different meat cuts available for purchase, and provides suggestions on how to prepare the cuts of meat. Then the butcher measures, wraps, and delivers the final product to the customer.

The butcher does not decide which meat products to carry in the store, how they should be priced based on cost and competitive analysis, or how they should be displayed. Those are marketing decisions. The butcher assists the customer at the point of sale.

Marketing concentrates on the factors that provide the best opportunity for the butcher behind the counter *and* the customer to have a profitable transaction.

Doing Good Marketing Can Help Your Business Succeed

To be successful, business leaders should, at a minimum:

- Generate sales
- Cultivate happy, loyal customers
- Earn profit

Optimizing all three creates a healthy, growing business. Reaching just two of those goals, however, may be easy for organizations to attain but could actually destroy long-term value.

Selling a terrible product at a competitive price could have short-term benefits—make sales and generate profit, for example—but it will not

create happy customers. Selling good products at a low price will create happy customers, but it probably will not generate profit.

While it may seem a little academic and theoretical, it's important to look at marketing as a discipline all on its own. It's not sales, and it's not advertising. Although advertising is one component of marketing, marketing is a unique segment of business management that is, at its core, focused on creating and capturing value. Externally, it does this by concentrating on things like customers and competition. Internally, it does this by focusing on things like product-feature requirements, pricing, and messaging.

To illustrate, consider how Ram Charan, a globally known advisor to CEOs and companies for decades and an award-winning teacher at Northwestern University, described marketing in his 2004 book, *Profitable Growth Is Everyone's Business*.

Charan defined "upstream marketing" as the company's long-term strategy and plans around the industry and market; customer needs and wants; and the company's products, competition, and vision for how to lead in a market. He identified "downstream marketing" as the shorter-term external marketing activities needed to drive sales. These include advertising, social media, public relations, search-engine activities, pricing, promotions, and marketing communications. Strategic marketing is typically focused on upstream marketing activities. Downstream marketing is often planned and managed by those in an organization's channel marketing, digital marketing, advertising, marketing communications, and public relations departments.

Many small businesses outsource downstream marketing to marketing firms and consultants that turn strategic marketing planning into advertising and marketing communications materials and advertising campaigns. If you've ever watched the TV show *Mad Men,* you may recall that the strategic marketing team members were those brand executives listening to the pitches from the creative team. The show's fictional firm, Sterling Cooper Draper Pryce, executed downstream marketing.

Understanding strategic marketing helps provide business leaders with the basic tools and processes to build a balanced, successful, and

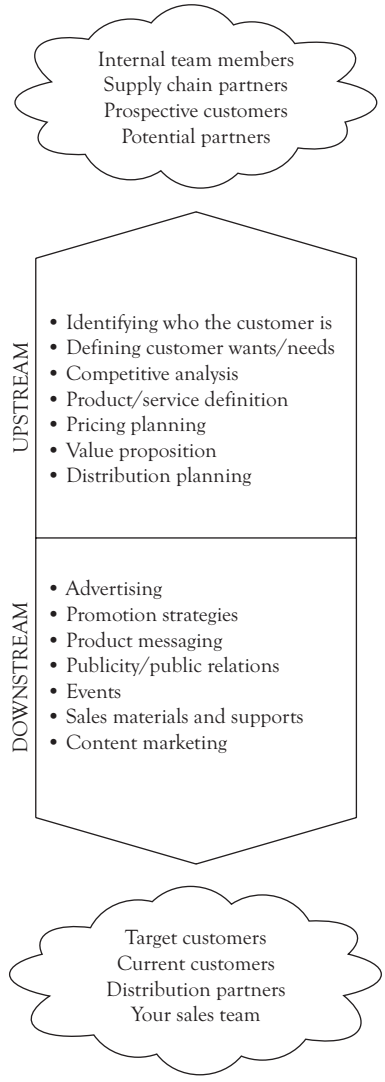


Figure 1.2 Upstream and downstream activities

growing business. A marketing strategy should accomplish one or more of the following objectives:

- Increase brand awareness by encouraging prospective customers to select you because of your reputation or capability.
- Generate sales by driving demand for your product or services.

- Establish thought leadership by developing a market position as the expert resource for products or services.
- Increase customer engagement by developing ongoing, profitable relationships with your customers.

In the chapters that follow, we will look at the elements that enhance market position and success by focusing on strategic marketing (upstream marketing). We'll also briefly touch on messaging and advertising (downstream marketing). This approach will help you understand how to better understand your market environment, target the right customers for your product or services, and establish the right pricing, messaging, and approaches to better serve your customers and your bottom line.

But first, we need to introduce you to the model that drives the economics for great marketing.

Key takeaways from this chapter:

1. The origins of marketing predate the digital era, with the inception of modern marketing beginning in the 1800s.
2. The goal of marketing is to create value for your customers while capturing value for your company.
3. Marketing is an umbrella term that encompasses various functions, such as strategic marketing, product marketing, channel marketing, advertising, and marketing communications.
4. While marketing and sales are distinct concepts and activities, effective marketing contributes to sales outcomes.
5. Upstream marketing pertains to a company's long-term plans and strategies related to customer segmentation, product planning, pricing, and message development. Downstream marketing refers to short-term external marketing activities aimed at driving sales.

About the Authors

Dr. David Altounian is the Vice Provost of Graduate and Professional Studies and an Associate Professor of Entrepreneurship at Salve Regina University in Newport, Rhode Island. He has over 30 years of leading marketing and operations organizations in the technology sector with leading companies including Motion Computing, Dell, Motorola, Compaq Computer Corporation, and Ashton-Tate. He is a partner and mentor at Capital Factory, a leading entrepreneurial center in Austin, Texas. Dr. Altounian earned his Ph.D. at Oklahoma State University and his MBA at the Kellogg School of Management at Northwestern University.

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Dr. David Altounian is an academic, business mentor, public speaker, and former tech business executive with over 30 years in marketing and executive leadership roles in leading companies such as Compaq, Dell, Motorola, and Motion Computing. Dr. Altounian earned his PhD at Oklahoma State University and his MBA at the Kellogg School of Management at Northwestern University.



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