SALES AND MARKETING MANAGEMENT

INTRODUCTION

The term "marketing" is misunderstood and misapplied in many companies and industries. To improve the understanding, it may be helpful specifying what marketing **is not**. Marketing is *not* synonymous with advertising or sales. Marketing is an umbrella term covering a host of activities involved with strategy and planning. Advertising and sales are "after" activities involved with executing the plans. Both are *part* of the marketing function in an organization. Advertising often plays a rather substantial role in encouraging *consumers* to buy products and services for *household* use (or to support the sales effort in business-to-business sales). Selling often plays a rather substantial role in encouraging *business* purchasers to buy products and services for *organizational* use (or in negotiating with trade partners to stock consumer products).

Marketing exists along a continuum from strategic to tactical to day-to-day components. Strategic decisions relate to core business, customer, and focus issues. Tactical decisions revolve around developing, communicating, and delivering products and services to customers. Day-to-day decisions deal with customer service and product support (see Fig. 1). In smaller firms, one individual might be responsible for several (or all) of the components. In a larger firm, these job responsibilities may be split among several individuals. Frank Cespedes (1) argues that a need for cross-functional integration exists *within* the marketing discipline, not just between marketing and other functions.

Good marketing is *not* defined as persuading people to buy things that do not address their needs (although it is often used that way). Good marketing starts with defining customer needs (or future needs) and creating appropriate offerings for them. Marketing is not simply a short-term expense. It is a long-term investment in brand and customer equity.

The root of the word marketing is *market*, which is quite fitting. The noun *market* is defined as a "body of existing or potential buyers for specific goods or services." Therefore, the essence of marketing is assessing these customers, their needs, their wants, their aspirations, and then creating the products and services that deliver relevant value to address these needs, wants, and aspirations. To be most effective long-term, marketing requires a related focusing of resources rather than trying to be all things to all people.

The definition of marketing as listed on the American Marketing Association (2) website states that "Marketing is 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."

FUNDAMENTAL PRINCIPLES

The discipline of marketing is going through a transformation. In past decades, marketing was controlled primarily by sellers. Manufacturers created products they thought they would be able to sell to customers, sometimes based on little input from the ultimate buyers. Then the advertising group created communications, and/or sales tried to persuade prospects to buy. Now with increased competition (both domestically and globally) and increased customer knowledge (based on growth of Internet capabilities), customers have more power. So, how will marketing change when customers are in charge? The emphasis will need to change from simply improving the internal sales process to improving the understanding of the customer's buying processes. Bryan and Eisenberg (3) argue that many marketers are unprepared for today's increasingly fragmented markets.

Many approaches exist to looking at the elemental components of marketing. One such approach is the 4 Ps: product, price, promotion, and place (distribution, logistics, and location). Each of these components can be incorporated into a marketing plan as tools, techniques, and tactics to deliver customer value. Another common approach is to shift from the internal perspective of the 4 Ps to an external perspective of the 4 Cs. Product features translate to customer benefits. Price becomes cost (value). Promotion is replaced by conversation. Place becomes convenience of purchase.

Over time, additional Ps, including positioning, people, and proficiency, have been added. *Positioning* refers to your unique competitive advantage. It answers the question, "What position does a firm's offer hold in the customer's mind compared to competitive offers?" *People* addresses the importance of corporate culture and customer services and relationships with customers. *Proficiency* reminds companies of the importance of staying on top of what they do well. What capabilities, processes, and knowledge is a firm proficient at? How does that help them provide more value than the competition provides to customers? Proficiency actually incorporates many of the other Ps, and when customers are convinced of a firm's proficiency at something, they become more confident in their purchases (see Fig. 2).

Strategic marketers strive to use their firm's proficiencies to provide value to their *high equity* customers. If a good match does not exist between these two, marketers need to 1) acquire new competencies to satisfy these customers, and/or 2) discover a new set of high equity customers that values what they offer. In either case, the goal is to establish a profitable and sustainable competitive advantage.

MARKET INTELLIGENCE

Marketing and sales people are involved in collecting data about customers, prospects, competition, trends, and other information useful for planning and implementation. Research can be internal or external, primary or secondary, and qualitative or quantitative. Internal sources include company documents such as sales call reports, financial records, and customer service data. External data come from outside the company and may comprise secondary or primary sources.

J. Webster (ed.), *Wiley Encyclopedia of Electrical and Electronics Engineering*. Copyright © 2007 John Wiley & Sons, Inc.

Marketing continuum

Figure 1.

Elemental components of marketing

7 Ps
(internal perspective)

- Product
- Price
- Promotion
- Place
- Position
- People
- Proficiency

7 Cs
(external perspective)

- Customer
- Cost
- Conversation
- Convenience
- Clarity
- Customer service
- Confidence

Figure 2.

Secondary data are compiled by someone else for purposes other than direct research for a particular company, which may include census and trade association statistics or syndicated data such as warehouse withdrawals, annual reports, publication articles, Web pages, blogs, and a host of other sources. Secondary data are commonly used to estimate market potential (e.g., size and growth rate), competitor movements, and general trends.

Primary data are collected directly for a particular purpose, such as new product development, customer satisfaction indexes, or input into an advertising campaign. These data may be compiled from surveys, focus groups, "secret shopper" observation, and ethnography.

Many of these approaches could be designed as qualitative or quantitative methodologies. Qualitative research (such as a focus group) is intended to generate in-depth information, generally from a small group of people, to provide insights. Quantitative research is intended to gather more "representative" information that can be projected to a broader population with some degree of statistical confidence. In any event, all of these types of market intelligence become the foundation of marketing planning. [Refer to McQuarrie (4) for more detail on how to use the tools of marketing research.]

TARGETING CUSTOMERS

A core piece of the marketing puzzle is determining which customers are the "best" to focus on in the design of a marketing program. In general, these customers are ones that have a high need for the products and services a firm is proficient at supplying. Marketers start their analysis by breaking down the large market into smaller segments or clusters that share somewhat homogeneous needs and expectations. This process is called *segmentation*. Once these segments are roughly defined, marketers decide which to target with their product development, advertising, and other marketing resources. In reality, most firms go through an iterative process, from segmentation to targeting to re-segmentation to re-targeting, as they gain new proficiencies and learn more about customers.

As a starting point, companies may use demographic, psychographic, and application type of criteria to segment customers. Most business-to-business (B2B) companies segment their customers according to type of industry (e.g., chemical processing, hospitals, laboratories), company size, geographic location, functional decision maker, or similar demographic categorization. [Berrigan and Finkbeiner (5) provide examples of and steps for segmentation of business markets.] Consumer product companies are more apt to segment on the basis of such factors as age, income, gen-

der, and family structure. Table 1 lists the types of factors or criteria companies commonly use to characterize their markets. Marketers generally identify demographic components to match against secondary data for market size and quantitative statistics. Psychographic components are valuable in improving new product ideation and marketing communications.

There is no "best" way to segment, and companies must therefore experiment with several ways of categorizing their customers. Many identify the best customers and look for demographic similarities among them. If none of the demographic variables are similar, they look for similarities in application or use of the product.

Regardless of the way the market is segmented, the next step is to examine the attractiveness of each segment, determine how much revenue and profit each segment contributes, and then evaluate how attractive the segment is to the company. Include criteria such as whether the business from that segment is growing or declining, whether that segment is important to get other business, whether you can learn from the segment, and whether the segment is important for you to achieve future strategic goals [see Whitney (6) for evaluating the strategic importance and significance of various customers and customer groups]. Table 2 provides a sample worksheet for a company to use in analyzing the attractiveness of different groups of customers (i.e., market segments).

In addition to looking at the inherent attractiveness of a market, it is also important to examine the needs of the market compared with a firm's ability to satisfy the needs better than the competition. Table 3 provides a sample worksheet for a company to use in highlighting its ability to satisfy market needs. The first column should list the same segments contained in Table 2. The remaining columns should be used to list the performance and servicing needs of each listed segment, along with an examination of what products and services would be required of a company to address the needs and what it would cost to address the needs.

After completing the worksheets in Tables 2 and 3, the company has a clearer idea of which markets are cost-effective to serve, which are profitable, and which are therefore the most likely prospects to target with future marketing efforts. For example, it might be discovered that allocating resources to increase sales contact with the customers, offer a different package of support services, or modify a product will yield positive returns with customers in key market segments.

On the other hand, the analysis may also reveal a need to take corrective steps to improve the financial relationship between the company and its markets. These steps may include raising the price, changing the product mix, or shifting business from unprofitable to profitable customers. To be most effective, marketing, advertising, and sales personnel must agree on the targets and then implement plans accordingly.

BRAND IMAGE AND POSITIONING

A related piece of the marketing puzzle is integrating the brand image and positioning strategy with the customer targeting process. A brand is the "stereotyped" image customers have of a company or its products, services, and people. It is the "promise" (in terms of quality, performance, value, service, etc.) that customers expect when buying from or doing business with that firm. Marketers help shape and deliver on the brand promise.

Different market segments may have different images of a company's brand. The challenge is to ensure a consistent and favorable image among the targeted segments and/or to match different value propositions with different segments. And in all cases, the brand images should be valuable to the target customers and different from the competition.

Whereas targeting is the process of identifying customer segments based on common needs or demographics, positioning is a *perceptual* process of making the brand (i.e., company, product, or service) stand out from the competition. It is very likely that a firm's competitors sell similar products to the same types of customer segments the firm has determined are its target customers. Therefore, a strong differentiated position must accompany the targeting process.

A brand's image may have both rational and emotional elements, and the competitive positioning should contain some combination of these elements. Rational components include, for example, product attributes (strength, speed, size, etc.), price (initial cost vs. life-time cost), and availability (locational convenience). Emotional components include aspirational connections (e.g., the feeling that people who use this product are more athletic or entrepreneurial or sophisticated) and personality of the brand (traditional or exciting or friendly). Whatever combination of elements chosen, the positioning strategy must be based on attributes that are important to the target customers, built on strong competencies of the firm, and differentiated from the competition.

MARKETING STRATEGY & PLANNING

Several reasons for a solid marketing strategy exist. First, it can stimulate internal agreement on which opportunities to pursue (i.e., which customer segments to target and what offerings are best for them). Second, it can help integrate activities across the various functions of an organization. Finally, it can be an aid in deploying resources (people and money) to the best opportunities.

Plans need to be developed around those strategies. Marketing planning follows a five-step process (see Fig. 3). The first step, "where you are now," is the summarization of the market intelligence described earlier. Sometimes called background analysis or situation analysis, this step requires gathering data on both the internal factors and the external factors influencing the marketing plan. The *business assessment* requires an examination of a firm's strengths, weaknesses, and distinctive competencies. The *customer-market analysis* looks for areas of opportunity re-

Table 1. Example Criteria for Profiling Customers

Type of factor	Market characteristics	
	Consumer	Industrial-commercial
Demographic	Age, sex, race Income, location Family size Life cycle stage	Industry Geographic locations Company size Functional decision-maker
Application, use of product	Frequency of purchase Size of purchase How product is used	Application Importance of purchase Volume Frequency of purchase
Benefits, psychographic	Desired benefits of product Psychological benefits Lifesyle	Performance requirements Service requirements Business orientation

Table 2. Worksheet to Analyze Market Attractiveness

Segment	% Revenue	% Gross Margin	Market Attractiveness

Table 3. Worksheet for Analyzing a Firm's Ability to Satisfy Market Needs

Segment	Needs	Requirements to satisfy needs	Costs

The marketing planning process

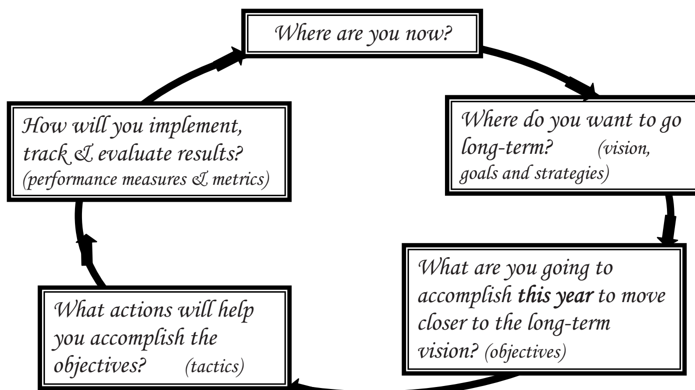

Figure 3.

Table 4. Example Questions for Background Analysis

Business assessment:
1. What capabilities are the core of your firm's reason for being?
2. Are the various products, divisions, business units leveraging these competencies effectively?
3. What are the long-term and short-term goals?

Customer-market analysis:
1. What is the demographic profile of your primary customers? Is this different from the profile of competitors' customers?
2. How is the product used? What are the applications?
3. Is the overall market growing, stable, or declining?
4. Are there different segments that are more or less profitable to you?

Competitive analysis:
1. What are the strengths/weaknesses/strategies of your major competitors?
2. Where is the competition the strongest? Why?
3. How have competitors reacted to your marketing tactics in the past?

Performance history:
1. How have your customers changed over the past three years?
2. What are the strengths, weaknesses, and competitive edges of your products?
3. What are the three- to five-year sales trends by product, customer, and application?
4. How effective have pricing policies been?
5. What promotional techniques have been tried? How effective were they? What has been the company's relationship with resellers (distributors, retailers, etc.)?

Trend dynamics:
1. What technological changes affect your company?
2. Are there regulatory, economic, or political forces that could impact your sales?
3. What have been the industry trends?

Table 5. Preparing the Synthesis Section of the Marketing Plan

Vision:
1. What is the desired future position of the company?
2. Who are the "strategic" customers and what are their expected needs?

Problems & opportunities:
1. Draw conclusions from each part of the background analysis and relate them to the vision.
2. Detail the problems and opportunities to be addressed in the marketing plan.

Sales forecasts and goals:
1. Determine what sales volume is reasonable given historical data and trends in your target market.
2. Obtain sales input from the sales force or distribution channel.
3. Identify what sales are necessary given the financial realities of your business.
4. Reconcile the forecasts.

Marketing objectives and positioning strategy:
1. Define your primary and secondary target markets or accounts.
2. Determine how much business you have to get from each to attain your sales goal. For example, if the requirements of the company are $30 million in sales revenue and you have three primary market segments, you might specify $15 million from the first segment, $10 million from the second, and $5 million from the third.
3. Write the objectives in terms of the units, dollars, or market share you have to attain from each market within a stated time period. For example, a marketing objective might be to generate $5 million in after-market parts sales from existing electrical distributors by year-end. Another objective might be to double the revenue from the top 10 national accounts to $18 million.
4. Establish how you want your target customers to perceive your product or company relative the competition (i.e., the positioning strategy).

sulting from rapidly growing niches, need segments not being satisfied with existing products, or identification of unique applications. The *competitive analysis* uncovers areas of vulnerability or superiority that can be mined in the marketing plan. The *performance history* can sometimes be extrapolated into the future to help predict the possible success of marketing tactics. And finally, a sincere look at *trend dynamics* can forestall the tendency of a company to become complacent and thereby lose business to substitutes or to market shifts.

The second question (Where do you want to go?) requires an examination of the long-term goals of the company. The long-term "*vision*" is a picture (albeit "fuzzy") of what the company will look like in the future. It suggests the products, technologies, and customers that will define the company. The vision can be likened a future annual report, a firm's dream of what future success would look like. Answers to the first set of questions (in Table 4) uncover

Table 6. Creating the Action Program for the Marketing Plan

Summary:
1. Summarize the key points from the background analysis and synthesis to provide support for the core of the marketing plan: the action program.
2. State what aspects of the marketing plan will not change from the prior year (e.g., you might not be introducing or modifying products). This process will allow you to concentrate on only those marketing tactics you will be changing the next fiscal year to accomplish the stated objectives.

Target market(s):
1. Profile the primary and secondary markets to which you will be allocating resources in the remainder of the marketing plan (and from which you indicated you would be obtaining revenue in your marketing objectives).
2. Identify general differences in marketing to each group. Develop marketing objectives for each target group. If the differences are dramatic, there may need to be different marketing plans by target.

Product strategy:
1. Explain planned changes in the product, brand identity, and/or packaging.
2. Identify new accessories, etc.

Pricing strategy:
1. Describe planned changes in pricing policies, price points, or list prices.
2. Demonstrate impact on selling and profit performance.

Promotion strategy:
1. List and describe promotion programs to be used. (For a consumer product, list both consumer and trade programs; for a business product, list both direct and distributor programs.)
2. Describe any changes in cooperative advertising.
3. Define the theme, promise, support, and tone for the advertising message.
4. Identify the appropriate media mix.
5. Develop a media plan with calendar and budget.
6. Mention any significant trade show, merchandising, or publicity programs.

Sales/distribution strategy:
1. Mention any structural changes in field sales strategy.
2. Describe programs to improve dealer, distributor, or retailer effectiveness.

Product support:
1. Define changes in warranty or guaranty policies and programs.
2. List planned changes in customer service or delivery strategies.

Training:
1. Highlight any employee training required to implement the marketing plan.
2. Describe any customer training required for the product to be successful.

Financial summary:
1. Include financial statements as required by your company.
2. Explain any unusual expenses.

Schedules:
1. Supporting documentation
2. Calendars
3. Task assignments (who does what by when)

problems and opportunities that influence a firm's ability to progress toward its vision. [See Hiebing and Cooper (6) for detailed analysis of the background analysis and wording of the problems and opportunities.]

The third step is synthesizing the background analysis and writing marketing objectives that state the goals for the current year (see Table 5). These goals and objectives should suggest what must be done *differently* this year to begin closing the gap between where a company is now and where it wants to go. Objectives answer the question, "What do you want to happen?" In general, the objective includes a verb (e.g., increase, decrease, maintain), acting on a specific goal (e.g., sales, reorder rates, trial) for a stated market (e.g., automotive original equipment manufacturers, industrial distributors, computer integrators), within a specified time period. The marketing objective indicates what must happen (i.e., what sales must come from which groups of customers) to be able to meet the sales goals.

After determining where a company is now (Table 4) and where it wants to go, and after the marketing objectives are developed for a given fiscal year, it is time to craft the marketing plan that details ***how*** the objectives will be achieved. This segment of the process is the actual written marketing plan (or action program) that starts with a summary of the preceding analyses and continues with specific strategies (Table 6). It provides the product and pricing strategies that will be used to create value, the promotional strategies to communicate value, and the sales and channel strategies for delivering the value. It will also include timetables for implementation as well as financial reports highlighting costs and projected revenues.

The final step requires a look at metrics to assess the effectiveness of the plan. Were the objectives of the plan attained?

IMPLEMENTING STRATEGIES & PLANS

Implementing the marketing plan requires clarity in processes, procedures, and tactics for creating, communicating, and delivering unique value to target customer groups. This section will focus on product development and management, price management, channel management, selling and sales management, customer relationship management, and integrated marketing communications management.

Product Development and Management

Market-driven companies need to be continually evaluating the fit of both existing and proposed products with customer needs. (Note that the term *product* here is being used to refer to both manufactured goods and intangible services. With a few exceptions, the emphasis is restricted to revenue-generating items.) The closer the fit, and the better the fit when compared with competitive offerings, the more value the firm creates for the market.

Most companies have some type of formal process for developing new products. Robert Cooper pioneered the concept of Stage-Gates in product development to create structure and *incrementalize* the decision process. He also recognized the importance of modifying the standard process to fit the needs of the company and the situation (8). Nevertheless, a few major common stages exist (each with several substages), and marketing plays a role in each stage. Only the marketing aspects will be discussed here, as shown in Fig. 4.

In the first stage, concept framing, information on competition, industry trends, customer complaints, changing customer requirements, and identification of problems and opportunities should be compiled. This type of input guides ideas toward product concepts that have the greatest commercializable potential. As part of this process, a company should determine a target price for the product. The target price is necessary to establish target *costs* for the development process. This "design-by-price" approach is being used by several companies in industries with rapidly changing technologies and pressure on pricing. After subtracting a profit-margin goal set by management, the new product development team determines a target cost that is used for product design and production. The concept screening and evaluation aspect of this stage is primarily a decision-making step to decide whether submitted ideas should be pursued or tabled.

Both technical and market feasibility are assessed in the next stage, product definition. The intent is to provide customer input into the definition and combination of specific features most likely to appeal to the market. Formal and informal marketing research techniques are appropriate. For consumer products, mall-intercept studies, clinics, and focus groups encourage customer reaction to various product features. For industrial products, trade show focus groups and on-site customer visits are common. In either case, the intent is to determine the value customers would likely place on the new product and its various features, the perceived competitive advantages of the product, and the potential willingness of customers to buy it.

Design specification follows. In this stage, a small number of units are developed to determine the precise product specifications for providing the desired performance features. Several types of tests, including alpha and beta tests, might be employed. Alpha tests, whereby employees of the company use the product, help determine whether the product performs as desired. For example, a firm's internal accounting department might test a new accounting software package in an effort to uncover "glitches." Beta tests involve giving sample products to selected customers to use under "real-world" conditions. Specific usage and perceived value questions should be addressed as part of the beta program. Beta sites must be selected carefully and with the blessing of the sales representatives in whose territories the sites are located.

By the pre-launch stage, the marketing materials for the product launch should be near completion. Product samples, "sell sheets," training programs, merchandising programs, and other related materials should be completed so they are ready before the product announcement. When the product is officially introduced, sales representatives should be provided with the appropriate support materials for the sale including which accounts are the most likely prospects for the new product. Marketers must work closely with the sales force to be sure they have the type of information they need. The more relevant detail they can provide for the sales force, the greater the chances of encouraging them to sell the new product. Marketers must provide the sales force with information that will help them sell, such as "how-to-sell-it" booklets that discuss customers (not target markets), applications (not features), and useful questions to ask on a sales call. In addition, marketers must keep customer service in the loop with sufficient communication through internal newsletters, formal and informal meetings, and various announcements.

By time of the "official" launch, the marketing strategy should be ready for implementation. This action plan details introductory pricing, base price, and option pricing; press releases and product announcements; direct promotions to select customers; shipping policies and procedures; channel and end-user communications; and training for the sales force and customers. [See Gorchels (9) for more detailed information on the role of product managers in product development and management.]

Existing products also require ongoing marketing evaluation and maintenance. Both competitive and customer changes may cause products to need to be modified or eliminated. For product modifications, several questions need to be addressed as follows:

- Do changes in customer requirements necessitate product changes?
- Are there emerging market segments that could be better served with a new or modified product?
- Can new users or uses be found for the existing product?
- Are there any gaps in the product line causing customers to shift their business to the competition?
- Can costs be taken out of the product?

New product development process

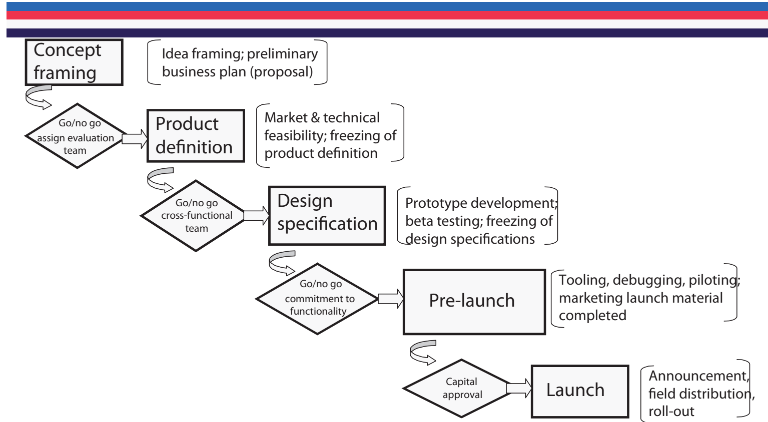

Figure 4.

- What changes in the marketing program would breathe new life into the product?

Products with declining sales or profitability should be examined for possible phase-out or elimination. Some questions to ask are as follows:

- Would the product have more value in a different market?
- Are there any changes in the marketing program that would reverse the negative profit trend?
- What are the long-term costs (and opportunity costs) of making, inventorying, and servicing the product?
- If the product were eliminated, would customers shift their business to the competition?
- If the product were eliminated, would the absorbed overhead be shifted to other products, making them unprofitable?

Product managers are commonly responsible for aspects of both new product development and management of existing products. Product management, as defined by Gorchels in Engineering Management Journal (10), is as follows.

> Product management is the entrepreneurial management of a piece of business (product, product line, service, brand, segment, etc.) as a "virtual" company, with a goal of long-term customer satisfaction and competitive advantage. Product managers are generally accountable for this piece of business without having direct authority over the entities that "make it happen." It may include, but is not synonymous with, project management, new product development, or sales support.

[See Gorchels (11) for a discussion of the desired competencies of product managers.]

Price Management

Price helps establish value for customers, but it also must provide value to the firm. It is obvious that a company has to price above its costs to stay in business. However, not all costs are relevant to all decisions. Variable costs (such as direct material and direct labor) are the per-unit costs that are directly related to the amount produced. These costs generally provide the cost floor, below which the price should not fall (except under unique circumstances). Fixed costs must also be covered in the long run, and to the extent possible, should be related to the product, customer, or event "causing" the costs to happen. Many indirect costs are *arbitrarily* allocated, making it difficult to know their "true" costs of specific products and/or customers. These incorrect allocations can sometimes lead to the wrong pricing decisions.

Next, it is important to understand what drives a customer's perceptions of value. Start with an examination of sales of the existing product lines. Which items consistently sell at or above list price? Which ones routinely require discounting? Why does a difference exist between the two?

Sometimes the difference is because of different competitive intensities, but other factors may exist as well. Perhaps the product that maintains its list price has a more convenient size, or perhaps it requires fewer switching and start-up costs. If these are attributes that benefit the customer, the product may have more value. Nagle and Hogan (12) have identified several factors that can be used to assess customer price sensitivity. Examples are listed below:

1. The perceived substitute effect: The more substitutes available and the more aware customers are of the substitutes, the more likely they will be price sensitive.
2. Unique value effect: The more unique a product is perceived to be, and the more value placed on the attributes of uniqueness, the more likely the customer will be willing to pay a higher price.
3. Switching cost effect: The more buyers are locked into previously purchased equipment or specific processes,

the more resistant they will be to switch if offered a "competitive" price.

4. Difficult comparison effect: The more complex the product and the more difficult the comparison between products, the more likely customers are to use price as one of the indicators of quality.
5. Price-quality effect: When prestige is an element of the purchase, customers are more apt to be willing to pay a higher price.
6. Expenditure effect: The higher the purchase is as a percentage of budget or income, the more sensitive customers will be to price.
7. End-benefit effect: When the product being sold (e.g., a component part) is a large percentage of an end product, customers are more apt to be sensitive to price.
8. Shared-cost effect: If the buyers share the cost of the purchase (e.g., through insurance or an expense account), they are less apt to be concerned about the price.
9. Fairness effect: If customers perceive a price to be reasonable, based on competitive products or past purchase behavior, they are less apt to be price sensitive.
10. Inventory effect: Customers' ability and willingness to inventory products generally reduces their willingness to pay a high price.

In addition to understanding customer value perceptions, companies must also *manage* them by helping customers set realistic expectations about using and paying for the product, and by making the value visible. Satisfied customers are generally those who believe they are getting good value for their money (that they are getting as much or more than they expected). Unfortunately, many companies, through their advertising and sales presentations, *raise* customer expectations to a higher level than can be consistently maintained. For example, if promises of same-day delivery, specific levels of fulfillment, unusually high quality, or other claims are not consistently met, customers feel they have overpaid based on what they expected.

Even if companies are careful with their claims, dissatisfaction can result from unrealistic (or sometimes unclear) expectations on the part of the customers. In these situations, companies must attempt to modify customer expectations. For example, automotive repair companies post their prices for standard services and discuss specifics of job estimates to help customers form realistic expectations. Orthodontic clinics explain insurance coverage (and noncoverage) for services as well as what fees patients might expect in the future. Service companies charging subscription or retainer fees (e.g., for consulting, online time, etc.) can explain "average" usage in particular industries so customers are not disappointed that they did not "get their money's worth" when it comes time to renew.

Companies must also find ways to make their competitive differences visible to the customer. Some companies have transported mini-laboratories to trade shows to demonstrate the quality and quality control processes that separate them from the competition. Others use advertising. A mattress company, for example, used advertising to show how its coil springs provided independent suspension. A set of bowling pins was set up on a bed, and then a bowling ball was dropped onto another part of the mattress. The ball was able to bounce on the various coils without knocking down the pins, thereby demonstrating the independent action of the coil springs.

Providing competitive reference values also helps customers put a product's value into context. Woolite successfully entered the liquid detergent market with a higher price than competitors by positioning itself against dry cleaning. Chrysler positioned the Towne & Country as a luxury minivan by comparing specific attributes with those in luxury cars. In both cases, the objective was to benchmark price against a higher priced alternative, rather than a direct competitor. By establishing a product or company as notably different from competitors, it becomes more difficult for customers to compare prices. By aligning an offering with a higher priced reference value, the ceiling is raised on the price range customers consider "appropriate" and "fair."

To set prices effectively, managers must also understand competitor's pricing policies. They can begin by eliciting the most easily obtained data, including published information. Financial reports, published price lists, competitive advertisements and promotional materials, product specification sheets, and trade articles can provide a wealth of information. While sifting through the material, managers should answer the following questions:

- Is the competing product a small percentage of its company's total business, or is it the specialty of the company?
- How important are the sales to the competitor, and how much is that company willing to invest to protect these sales?
- How much leverage does the competing company have in sustaining price cuts?
- What has been the competitor's reaction to price cuts in the past?

Finally, pricing must be coordinated with corporate goals, positioning, promotional strategies, and target markets. Whether a firm is positioned as a premium provider or a discount mass merchandiser will have a direct impact on its pricing as well as the perception of its offerings. If a product or service is being used to enter a new market or geographic area, price will be affected by that goal.

Channel Management

Market-driven companies understand the importance of being at the right place at the right time. They determine *how* customers want or expect to buy products. Customer purchase behavior has changed significantly over the past 20 years. Clothing is bought online or through mail-order catalogs in addition to traditional retail stores. Electronics are rarely purchased at single-brand stores and instead are bought through superstores and mass merchants. Used cars are sold through buying clubs, used car superstores, and through the Internet. Industrial buyers are implementing vendor-reduction programs, supply chain man-

agement, Internet and extranet links, and just-in-time (JIT) delivery programs. Industrial distributors are finding that some of their customers are shifting part of their purchases to "big box" retailers such as Home Depot. Any of these changes may impact how a company goes to market.

One of the first questions a company must address is whether it will use a direct sales force to reach customers or whether an independent representative force is preferable. An independent representative (also known as manufacturer's representative, broker, or agent) is an individual or firm that sells a variety of product lines to a select group of customers. The independent representative firm operates as a sales business, earning revenues from the commissions obtained on products sold; it generally does not buy, take title to, or inventory the product. Use of *an independent representative organization* may be preferred 1) when a firm wishes to incur only variable costs in the sales effort, 2) when independent representatives have established contacts with customers beyond the reach of a direct force, or 3) when customers prefer to buy a mix of complementary products (representing different manufacturers) from one source. A *direct sales force* may be preferred when a company has enough business in the territories to justify hiring sales employees, when a significant amount of account servicing is required, or when a firm wishes to tightly control the sales effort.

The direct or independent salespeople could sell to end users or to resellers. End users could be consumers, institutions, businesses, or original equipment manufacturers (OEMs). Resellers might include distributors, dealers, wholesalers, value-added resellers (VARs), or retailers. These resellers typically buy products from the manufacturer, carry inventory, and sell the product to their customers, earning revenues from the gross margin of the products sold. Resellers play an important function when the end customers are large in number, require immediate receipt of goods, and expect various types of support from the reseller. The particular mix of these intermediaries used by a company is referred to as their channel. A channel is a group of independent and interdependent organizations involved in the sale and movement of goods and services to the end users. It may be called a distribution, marketing, or sales channel or network. A channel may include many components and intermediaries as shown in Fig. 5.

Channel decision issues range along a continuum from strategic to tactical. On a strategic level, companies need to periodically reexamine the paths their products take to reach the ultimate customers. On a tactical level, companies need to determine how they can get better support from the various resellers they sell through.

Should a firm change, add, or delete individual intermediaries? As customers change in their need for more or fewer support services, it may be necessary to change from specialist to generalist distributors (or vice versa). Other changes include redesigning territories, modifying exclusivity terms in contracts, and incorporating new performance requirements.

Should a firm reallocate functions? In many sales channels, manufacturers, distributors, or retailers might all perform some of the same functions. By streamlining the processes and eliminating redundancies, costs (some of which may be significant) can be taken out of the system.

When introducing new products, even though an existing sales channel is in place, it may be necessary to determine whether the new product "fits." A potentially successful product can be thwarted by the wrong channel decision, as Huffy found out when it introduced its Cross Sport bike. Huffy had launched careful marketing research during the development of its new bike, which was a cross between sturdy mountain bikes and thin-framed racing bikes. The focus groups they conducted yielded positive response among randomly selected potential shoppers. However, when the company introduced the bike in 1991, it used its traditional sales channel—mass retailers such as Kmart and Toys 'R' Us. Unfortunately, this channel did not supply the type of personal selling required for product success. The hybrid bikes were priced higher than the normal Huffy products and required the type of knowledge possessed by salespeople in specialty bike shops. [See Power (13) for more examples of marketing flops.]

Even when holistic changes are not being implemented in the sales channel, it is necessary to examine the performance of the existing resellers and take appropriate tactical steps to improve market access. The first question to ask is, "How can we better motivate the existing resellers?" Part of the motivation comes from having terms and conditions that are perceived as fair by the resellers. Other techniques of motivation include sales contests, cooperative advertising and other promotional funds, and "cafeteria" incentive programs allowing resellers who perform certain activities to earn points for prizes of their choice.

How can a firm better align marketing objectives with its channels? Very often a manufacturer views the marketing planning process only from a manufacturing perspective. Resellers are more concerned with gross margin and turnover of inventory. A two-way dialog of the different goals facilitates an understanding of the differences. This dialog can be held as part of sales meetings or advisory meetings with key distributors, wholesalers, representatives, and retailers.

How can a firm improve channel communications? Manufacturers must create materials to sell TO resellers, but less frequently design materials to sell THROUGH resellers. Pass-through communications that are simple and appropriate for resellers to use in selling to their customers are generally appreciated. More and more companies provide downloadable templates on their websites for distributors to customize for local use. Also, by increasing home office promotions, manufacturers build brand equity and pave the way for resellers to sell the product. Finally, by encouraging resellers (financially as well as non-financially) to attend trade shows, hold open houses, provide customer seminars, and participate in other marketing communications, the chances of success are increased.

How can a firm increase sales effectiveness? Even with the best product support, resellers can usually benefit from sales support materials, sales training, and coaching. [Also see Gorchels et al. (14) for a step-by-step approach to channel evaluation and redesign.]

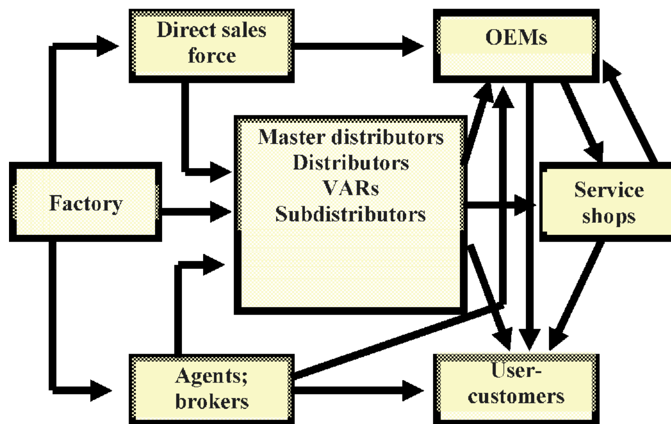

Figure 5.

Selling and Sales Management

As mentioned in the preceding section, a firm may use a direct sales force to sell to the end-use customer or to a reseller in the channel. In either case, it is important to understand the "fit" of sales approaches in the marketing process. In an ideal world, marketing and salespeople work collaboratively to increase a firm's success. Marketers conduct research, with input from sales, that shapes the selection of customers to target. Marketers then use various communication strategies to generate and qualify leads to share with sales. Salespeople further qualify the leads and work to convert leads to sales. Marketing creates product information sheets and collateral materials to assist sales in this process. Salespeople contribute product ideas, market and trend data, and other information that can be useful in refining and implementing strategy. Unfortunately, for many firms this process is more of an aspiration than a reality, and integration between the two groups has to be constantly refined (15).

Selling is fundamentally about helping customers make purchasing decisions—hopefully in the firm's favor. Salespeople identify customers who are part of the target markets in the marketing plan, then determine whether the firm's offer aligns with the customer's needs and goals, which requires strong questioning and listening skills. One of the better known approaches to questioning is the SPIN technique popularized by Neil Rackham (16). The acronym identifies the types of questions salespeople can use to probe potential buyers.

- **S**ituation questions (e.g., "tell me about your company?") help the salesperson better understand the context of the sale.
- **P**roblem questions (e.g., "what challenges do you face with your current system?") explore potential areas of dissatisfaction.
- **I**mplication questions (e.g., "how much time is lost when the system fails?") link the consequences of a particular problem to the prospects or their business.
- **N**eed-payoff questions (e.g., "how would it help if these system flaws were eliminated?") invite customers to personalize the benefits of a particular offer.

With the appropriate use of questions, salespeople build solutions from customer goals down rather than product features up (17). The sales process can therefore be organized around the buying process. First, the buyer has to trust the supplier and its ability to deliver on its promises. The related seller process requires strong brand equity (cemented through marketing) as well as research and preparation on the part of the salesperson. Next, the buyer has to be motivated to look for goal or need solutions. The related selling process involves questioning, listening, and summarizing customer information, which is perhaps the most important part of the sales process. The third buyer step is to evaluate alternatives. The related selling activity is to present a customized message. The fourth and final buyer step is making the decision. To help in this step, salespeople must overcome objections and gain final commitment.

To be able to modify one's approach to fit the buyer, salespeople must have empathy. Customers care less about salespeople who show their technical knowledge than about salespeople who show they care. And the best salespeople build relationships that last long after the transactional sale.

Sales managers play a critical role in this overall process. First, they have to ensure that the right salespeople are in the right roles to accomplish company goals. Careful hiring and training are required. Next, they must establish relevant compensation plans to encourage behavior that supports the overall business strategy. For example, a high percentage of salary (fixed vs. variable pay) may be appropriate in situations with long sales cycles or significant product support. Compensation plans might also be linked to the potential that exists in a given territory. Finally, sales managers must coach and track the performance of their sales staff.

The marketing/sales continuum

Figure 6.

Customer Relationship Management

Regardless of company size, most firms have product support and customer service functions that provide many of the ongoing touchpoints with customers. These support touchpoints can enhance or detract from the success of overall marketing strategies. Marketing strategies define market and product opportunities, sales strategies define how to capitalize on these opportunities, and support strategies define how to maintain and manage the customer relationships deriving from these opportunities (see Fig. 6).

Product support is primarily a set of value-added services attached to a physical product, which may include installation, repair, maintenance, and/or troubleshooting of a given product. It may be offered at no cost (to select high equity customers or target markets), or it may be a saleable item offered by the manufacturer or a third party. From a strategic perspective, it is important to assess what types of product support, offered to which customers, provide the best path to build customer relationships consistent with the overall marketing strategy.

Customer service, as a broad term, incorporates product support but goes beyond it to include all contacts between a customer and a firm. Customer service call centers, sales interactions, phone systems, order entry/fulfillment, and other interactions are the "moments of truth" that comprise this broad perspective of customer service. Just as sales strategies must link to the segmentation and target opportunities defined in the marketing plan, so should customer service. Although all customers must be treated with respect and dignity, customer service policies and procedures should be designed with the target customers in mind.

Integrated Marketing Communications Management

The final category of marketing plan implementation is integrated marketing communications (IMC) or marcom, which consists of the integrated set of tools a company uses to consistently communicate the value of its offerings to customers. *Integrated* is a key word here (18). In many firms, someone is assigned to "do" direct mail or public relations or advertising or sales collateral. An *integrated campaign* perspective designed around target customers is not always present. Both traditional and emerging tools and media should be considered.

Traditional Tools and Media. Several tools exist that a company can use to communicate its position in the market. The traditional marketing communications tools include publicity and public relations, sales promotions, trade shows, sales literature, direct mail, and advertising. These tools are not necessarily stand-alone items, and actually have more of an impact when used together. For example, direct mail can be used to generate leads (sometimes to a website), telephone sales personnel can qualify the leads and handle small accounts, and the remaining qualified leads can be given to the outside sales force. Similarly, a television advertising campaign can be used to increase awareness for a new product and then be followed with a direct mail sample to speed up the rate of product trial.

Publicity and public relations refer to information about a company through means other than paid advertising. Open houses, speeches, sponsored events, industry articles, and press releases fall into this category. Many companies submit press releases to the various media to announce new products and other events of interest to the market. To be effective, it is important that the press release is not written like advertising, but rather in an article or story format. "Hot" issues should be part of the press release, as well as a specific contact at the company who can be reached for further information. Reprints of articles that are written for trade periodicals should be obtained to mail to key customers or to be used as part of a sales call. In general, as publicity is perceived as more "real" than advertising, companies should try to use it whenever possible.

Sales promotions, whether directed at channel intermediaries or at the end user, are used to gain short-term sales. Trade promotions generally involve efforts to obtain retail shelf space or get more "push" from the sales representatives. Consumer promotions are frequently used to get end

customers to try new products (through free or low cost samples or coupons) or to prevent customers from buying competitive products.

Trade shows can be a useful way of demonstrating product advantages to potential buyers or of introducing a new product to the market. To use trade shows most effectively, managers can benefit from several tactics. First, they might send a pre-show mailing or e-mail to prospects, inviting them to their corporate booths. Second, they could solicit publicity at the trade show by submitting press releases for pre-show issues of trade publications, preparing a press kit for use during the show, arranging interviews with editors, and coaching the booth personnel to know how to answer press questions and use the press kit to their advantage. Third, managers should limit the amount of promotional material available at the booth. They can pack a small supply of brochures for "active" prospects, with low cost summary flyers to be handed out to unqualified prospects.

Sales literature refers to materials used by the sales force during sales calls, including leaflets, product specification sheets, catalogs, and similar print materials for sales representative usage. In developing these materials, it is important to remember that their goal is to *advance the sales call*. Bullet points, call-out benefits, and similar techniques are preferable to a wordy "presentation" device as the objective is to encourage salespeople to ask questions.

Direct mail can take many forms, from a simple letter to elaborate packages. When mailed to an existing customer database, it can be used effectively to cross-sell and build customer relationships. When mailed to purchased lists, it can be used to generate leads, complete a sale, or populate a prospect database.

Advertising is perhaps one of the most expensive and most visible tools of marketing communications. Print ads in newspapers and magazines, as well as broadcast commercials on radio and television, provide an opportunity to reach a broad section of customers. Specialized B2B and B2C publications offer more focused messages for target customers. Similarly, the growing number of cable channels provides increased specificity in audience profiles and interests.

Emerging Tools and Media. The growth of the Web has caused significant upheaval in the discipline of marketing communications. Websites, e-mail, blogs, RSS feeds, search engine optimization (SEO), and other technologies are necessarily being integrated into firms' marketing communications efforts. [Refer to MarketingProfs.com (19) for more information on Web-based marketing.] The challenge in implementing any of these approaches is to remember the basics. All customer contacts should provide a consistent brand identity, be designed around target customers, and add to rather than detract from the effectiveness of other marcom tools.

A firm's website has become a preeminent starting point for many B2B and even B2C customers when they are looking for product information. Therefore, the site has to be designed to simplify usability for the target customers. It is generally a good idea to provide useful information (e.g., white papers, tips, templates) to encourage customers to come to the site as well as possible opt-in requests for newsletters or updates from the firm.

To attract people to the site, it should incorporate appropriate key words to increase search engine visibility (a key component of SEO). Similarly, print communications, e-mail campaigns, business cards, and other marcom tools should list the Web address (also known as the URL or Uniform Resource Locator). Paying search engines for higher rankings for select key words or advertising on other sites are more ways to attempt to drive customers to a given website.

E-mail is the electronic counterpart to a direct mail campaign. Companies frequently contact their customers electronically to conduct surveys, sell products, provide notification of changes, or announce new products. Because of the growth of spam (i.e., unsolicited and unwanted bulk e-mail), e-mail campaigns may not be as effective as they once were. However, e-mail still provides a potentially useful communication tool.

A blog (or *weblog*) is a type of electronic journal or diary in which an individual writes about a specific topic (e.g., political figures, high-tech trends, or personal events). If the topic and writing style are sufficiently interesting to a group of people, the blog can develop a loyal reader base over time. Although the appeal of blogs is typically the "unedited" and "non-commercial" nature of the writings, companies are experimenting with various applications of blogs in their marketing communications efforts.

RSS (Really Simple Syndication) refers to a format for syndicating news and website content. It allows users (e.g., customers) to subscribe to specific content from their favorite websites. Customers may, for example, prefer to receive a company newsletter in RSS format rather than e-mail, or they may want to be notified of new postings to a favorite blog.

For firms to have a truly integrated marketing communications campaign, they must not only consider the wide range of media and tools, but also maintain discipline in linking them together.

CONCLUDING REMARKS

Marketing starts with conducting research to use in targeting customers; defining a brand image and positioning; and crafting a marketing strategy and plan. The implementation of the plan requires the following:

- Solid product development and management (to create market-based value for the identified target markets)
- Price management (to financially "capture" the value created)
- Channel management (to provide target customers with the appropriate access to the value created)
- Selling and sales force management (to align company offerings with customer goals)
- Customer relationship management (to provide appropriate product support and customer service as outlined in the marketing plan)

- Integrated marketing communications management (to consistently communicate the right value proposition to the right customers)

David Packard of Hewlett-Packard once said that marketing is too important to be left to the marketing department. Marketing is more than a job or a function; it is a philosophy about doing business. It is the recognition that customers form impressions about a company not only by the absolute quality of its products but also by a host of other factors. Customers want a product that addresses their specific needs and goals. They want to be treated well by the seller's employees. They want to feel comfortable that the price they are paying reflects the perceived value of what they are buying. They want the process of buying to be easy and straightforward. These pieces are all part of marketing—building a business around satisfying current and future market needs

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LINDA GORCHELS
University of Wisconsin-Madison
School of Business
Madison, WI