

Strategic Marketing: The basis for sustainable profitable growth in good times and bad

Many companies succumb to the pressure to reduce spending on marketing when times get tough, seeing it as an expendable expense rather than an investment in value. This is a false economy.

Marketing is not just about promotion and advertising, marketing is a strategic approach to managing a business for greater profit and is an absolutely critical discipline, especially when times get tough – enabling your company to make the right strategic decisions in terms of focus and resource deployment. Marketing is about developing lasting relationships with customers who **prefer** to do business with you, because their experience is more positive with your brand. The relationship and the brand experience must be sustainable through good times and through hard times, when the customer needs and values your support even more.

So what are the key things you need to do right now:-

- Critical review of market participation strategy
- Critical review of customer portfolio
- Critical review of customer participation strategy
- Critical review of product and offerings portfolio
- Critical review of customer value propositions
- Critical review of channel strategy
- Critical review of marketing communications
- Critical review of resource deployment
- Critical review of implementation plans
- Critical review of action plans

What are the key tools and questions for these reviews?

GEMS Europe GmbH has a special service to help you with a critical review of all your marketing, sales and customer value management activities to ensure that you focus on the right things.

Key tools and questions you can use to conduct your critical reviews:

Critical review of market participation strategy

- Product-Market Life Cycle*
- Market Value Chain Analysis*
- Needs and Value-Based Customer/Market Segmentation*
- Market Participation Portfolio Tool*
- MarketAbility Matrix*
- Market Profitability Analysis*
- Porter's 5 Forces Analysis*

Which are the long-term sustainable profitable markets?
Which are the key growth markets?
Which are the markets where I can differentiate myself sustainably?
What are my three key differentiators per segment and how can I leverage them more strongly to retain my customer positions?
Which markets will take my volume?
What do I need to do or do differently to maintain a profitable position in these target markets?
What are the key needs and value drivers in each market segment?
How can I adjust my offering to continue to address them profitably?

Critical review of customer portfolio

Customer Portfolio Analysis
Customer Pyramid
Customer Profitability Analysis
Customer Value Proposition

Which are the long-term sustainable profitable customers?
Which are our strategic partner customers?
Which are the key growth customers?
Which other customers are critical to our success?
Which are the customers where I have a strong and sustainable differentiation?
Which customers will take my volume?
How can I help my key target customers through these tough times?

Critical review of customer participation strategy

Customer Participation Portfolio Tool
Customer Pyramid
Customer Profitability Analysis
Customer Value Proposition
Customer Pareto Analysis

Which are the long-term sustainable profitable customers?
Which are our strategic partner customers?
Which are the key growth customers?
Which other customers are critical to our success?
Which are the customers where I have a strong and sustainable differentiation?
What are my three key differentiators per customer and how can I leverage them more strongly to retain my customer positions?
Which customers will take my volume?
What do I need to do or do differently to maintain a profitable position in these target customers?
What are the key needs and value drivers of the customer?
How can I adjust my offering to continue to address them profitably?
How can I help my key target customers through these tough times?

Critical review of product and offerings portfolio

Product/Offerings Portfolio Tool

Product-Market Life Cycle

Product/Offerings Profitability Analysis

Product/Offerings Pareto Analysis

Which are the long-term sustainable profitable products and offerings?

Which are our strategic products and offerings?

Which are the key growth products and offerings?

Which products and offerings are critical to our success?

Which are the products and offerings where I have a strong and sustainable differentiation?

What are my three key differentiators per product/offering and how can I leverage them more strongly to retain my customer and market positions?

Which products will take my volume?

What do I need to do or do differently to maintain a profitable position in these strategic products/offerings?

Which products and offerings should I remove from the portfolio and discontinue (**BE BRUTAL**)?

Critical review of customer value propositions

Customer Value Proposition

Which are the long-term sustainable profitable customer value propositions?

Which are our strategic customer value propositions?

Which are the key customer value propositions offering growth potential?

Which customer value propositions are critical to our success?

Which are the customer value propositions where I have a strong and sustainable differentiation?

What are my three key differentiators per customer value proposition and how can I leverage them more strongly to retain my customer and market positions?

What do I need to do or do differently to maintain a profitable position in these strategic customer value propositions?

Which customer value propositions should I discontinue (**BE BRUTAL**)?

Have I leveraged the 4R's of sustainable differentiation? – *Reputation, Reliability, Responsiveness, Relationship*

How can I leverage them more strongly?

How can I extract more value from the 4R's?

Critical review of channel strategy

Channel Portfolio Tool

Product-Market Life Cycle

Channel Profitability Analysis

Which are the long-term sustainable profitable channels to serve my strategic target markets, segments and customers?

Which are the key growth channels?

Which channels are critical to our success in which strategic target markets, segments and customers?

Which are the channels where I have a strong and sustainable differentiation?

What are my three key differentiators per channel and how can I leverage them more strongly to retain my customer and market positions?

Which channels will take my volume?

What do I need to do or do differently to maintain a profitable position in these strategic channels?

Which channels should I exit and discontinue (**BE BRUTAL**)?

How can I help my strategic channel partners through these tough times?

Critical review of marketing communications

Product-Market Life Cycle

AIDA

Needs and Value-Based Customer/Market Segmentation

Brand Experience Analysis

Reputation and Recognition Analysis

Customer Loyalty Analysis

Marketing Communications Effectiveness Analyses

Which are the long-term sustainable marketing communications supporting my business profitability?

Which are our strategic marketing communications activities?

Which marketing communications activities are critical to our success?

Which are the marketing communications having the most direct impact on sales, profitability, customer value and customer retention?

How can I leverage my key marketing communications more strongly to retain my customer and market positions?

What do I need to do or do differently in marketing communications to maintain a profitable position in my strategic markets, customers, products, geographies?

Which marketing communications should I discontinue (**BE BRUTAL**)?

Critical review of resource deployment

Product-Market Life Cycle

Needs and Value-Based Customer/Market Segmentation

Deployment Analysis

Performance Analysis

Skills and Competences Review

Marketing and Sales Effectiveness Analyses

Which are the long-term sustainable resources supporting my business profitability?

Which are our strategic marketing, sales and customer value management resources?

Which resources are critical to our success?

Which are the resources having the most direct impact on sales, profitability, customer value and customer retention?

How can I leverage my key marketing, sales and customer value management resources more strongly to retain my customer and market positions?

What do I need to do or do differently in resource deployment to maintain a profitable position in my strategic markets, customers, products, geographies?

How can I use and deploy resources more efficiently and effectively?

What activities should be discontinued to enable resources to operate more effectively and to have the most direct impact on sales, profitability, customer value and customer retention? (**BE BRUTAL**)?

Critical review of implementation and action plans

Product-Market Life Cycle

Deployment Analysis

Marketing and Sales Effectiveness Analyses

Activity Prioritisation Matrix

Which are the long-term sustainable activities supporting my business profitability?

Which are our strategic marketing, sales and customer value management actions essential to achievement of our customer, market and profitability goals?

Which actions are critical to our success?

Which are the actions having the most direct impact on sales, profitability, customer value and customer retention?

What do I need to do or do differently to maintain a profitable position in my strategic markets, customers, products, geographies?

How can I act and implement more efficiently and effectively?

What activities should be discontinued to enable resources to operate more effectively and to have the most direct impact on sales, profitability, customer value and customer retention? (**BE BRUTAL**)?

What activities are driven by internal needs rather than customer needs and how can I discontinue these?

Whether in good times or bad there are some key aspects of marketing that we should always remember.

Value-based marketing starts with an **understanding of the market value chain**, in order to identify the real customers whom we are serving – not always and not only the customers to whom we sell directly, but often also their customers and even their customers' customers and on down to the final consumer. This means gaining a deep understanding of the entire value chain and of the different needs and value-drivers of the various customers at each level in the value chain, which leads to a **customer needs and value-based segmentation** - essential to constructing a compelling and differentiated offering to address the needs and values of these customers in a targeted way.

Understanding what drives customers at each level in the value chain can often help us to identify value elements in our offering of which we had previously been unaware. It also involves understanding what customers do not value. The essential question we need to answer is: **What is the customer WILLING to pay for?**

Customer Value Segmentation is an important basis for choosing our strategic direction – we must **target the segments** that are most attractive and where we have the greatest competitive advantage, de-emphasizing those less attractive segments where we cannot differentiate our offering. This is a critical strategic choice in order to ensure that we deploy our resources where they will have the greatest impact.

Once you have identified the customer value segments you will target, then you must set about identifying what elements of your offering can deliver that value and how you can **differentiate your offering** from those of your competition. This is where you need to study carefully and comprehensively the product, service and intangible elements of your offering and be able to quantify the value to the customer of those offering elements, building a picture of the true and complete value of your offering as a basis for understanding the pricing potential.

Marketing is all about **retaining profitable customers** by providing them with a uniquely positive and superior experience related to our brand. Each and every customer contact opportunity must include a reinforcement of the superior value which you offer to your customers, building the belief for the customer that you are truly their supplier of choice. If you build this belief over time and reinforce your position as the supplier of choice, then selling in price increases becomes a much easier task and retaining customers against lower priced competition also becomes possible, especially in hard times.

This demands a thorough **understanding of the customer value proposition** throughout the organization, with each individual understanding their contribution to delivering the positive customer experience and with every customer contact reinforcing the positive experience of the customer value proposition to the customer.

Case in point:

GEMS client gets a wake-up call as many of their longstanding key customers complain about price levels and threaten to switch to competition. GEMS client operates an innovation-based business model that does not allow for very low prices. The realization also dawned that client was presenting the same offering to every customer, taking no account of what the customer really valued. This led to a poor overall brand experience at the customer and a confused and unclear image of client's brand and what it stood for.

Following needs and value-based customer segmentation, GEMS client discovered very clear and distinct customer segments, valuing very different offerings. One very obvious distinction emerged between customers seeking low or competitively priced offerings with little or no extras and customers seeking solutions. GEMS client adopted a dual branding strategy:-

One brand represented a new SOLUTIONS approach for customers who valued one or more of the following: innovation, new products, tried and tested solutions, technical support, responsive service etc and

The second brand was built around a new LOW PRICED business model to serve the large volume, standard products customers at competitive prices.

RESULT: low-priced business retained at healthy profit margins; SOLUTIONS business grows and develops several hundreds of millions of dollars of new business based around services and solutions previously unidentified. The dual branding strategy enables client to achieve sustainable profitable growth throughout the economic cycle. Client outperforms all others in their market and grows profitably at above market rates.

Case in point:

GEMS client operates in an **undifferentiated** product market (many would describe this as COMMODITY) where market prices are known.

Following needs and value-based customer segmentation, GEMS client adopts a differential pricing strategy based on well-defined product, service and intangible offering elements to four distinct customer segments with very different needs profiles. Client achieved **price differentials between 5% and 50%**, depending on customer value segment.

RESULT: low-priced business clearly identified and separated from customers who value special services, relationships or offerings for which they were willing to pay a premium. Client has evolved a sustainable strategy with differentiated offerings to targeted segments at very different price levels, gaining multiple millions of Euros bottom-line profit as a result.

Let us help you to improve your business performance and profitability by applying strategic marketing excellence and customer value management.

We can help you with a critical review of all your marketing, sales and customer value management activities to ensure that you focus on the right ones

We can also benchmark your company or business unit against Strategic Marketing and Customer Value Management Best Practice and help you to identify the priorities:

What do you do well and how can you leverage them to stay ahead of competition

What needs to be improved?

What do you need to do differently or do you need to do that you are not doing today?

Call Phil Allen today on +41 7 9423 1390 to discuss how we can be of service to you.