

MARKETING IN THE 21ST CENTURY

Revisiting the 4 P's

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**SSPC2001 The Industrial Protective Coatings
Conference and Exhibit**

November 2001
Atlanta, Georgia

Abstract

Marketing is an important business function and a key to the success of every company. As the 21st century emerges, technology will allow us to market in more efficient ways, but the classic elements of product, price, placement and promotion still hold true. Carefully applied, technology will improve the efficiency of, but not the basic nature of, marketing.



Introduction

Marketing is often a second thought in the industrial maintenance industry. The industry is technology-driven, which requires a substantial investment of technical resources, leaving little for the marketing efforts.

This paper is intended to give rudimentary tools for developing a highly efficient marketing plan and/or improving a plan that already exists. Special emphasis will be placed on updating these tools to make them applicable in the age of the Internet



What Is Marketing?

Often there is confusion between the function of marketing and the function of marketing communications – they are often used interchangeably. This confusion is especially prevalent in industrial markets where marketing is often thought of as just advertising. Marketing is not the same as advertising! Advertising is just one element of a much larger set of activities that encompass marketing.

A definition for marketing is...

“...the actions of optimizing a company’s participation in the marketplace in order to maximize business performance.”

Marketing can be thought of as a never-ending process of looking outward toward the marketplace, inward toward the business, and then reconciling these two views in order to optimize the business performance. Figure 1 graphically represents this concept of marketing. Note that the outward view should be fixed on:

- Customer Needs – knowing your customer and their needs is the cornerstone of the marketing effort
- Market Trends – changes in the marketplace are important to monitor as they may cause the customer needs to change, competitors to modify their strategies, and you to change your strategy
- Competitors – maintaining a watch on your competitors is vital in assuring your product and marketing strategy are differentiated in the mind of the customer.

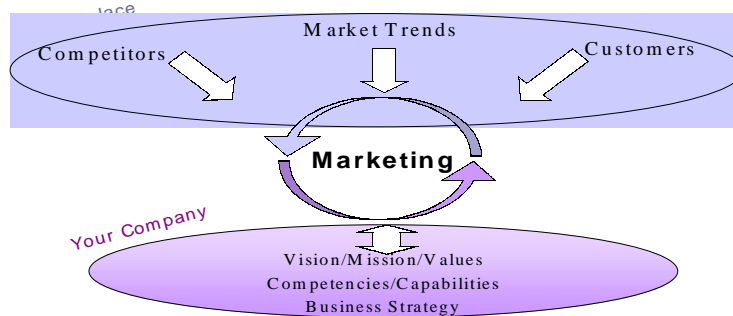


Figure 1 The Marketing Process



The inward view is toward the corporate mission and strategies. This inward look should have the ultimate goal of improving shareholder value. Shareholder value is the value returned to shareholders less the cost of borrowing capital. It is considered to be the ultimate measure of business performance. Shareholder value depends on three elements:

- Sales
- Costs
- Use of capital

Marketing can be thought of as the task of maximizing sales, minimizing costs and maximizing the leverage of assets *in the face of the marketplace*. Marketers are constantly researching, analyzing, compromising and communicating to make this happen!

To complete the marketing process there must be an auditing step that closes the loop – a means of measuring the performance of the process itself. This step is most crucial in assuring that the tactical actions of marketing are focused on improving the business. If improving shareholder value is the goal of marketing, a proxy metric for shareholder value is return on assets (ROA), which is typically calculated as:

$$\text{ROA} = \text{AFTER-TAX INCOME} \div \text{NET INVESTMENT}$$

Note that return on assets depends on the three variables that the marketer can impact – sales, costs (the difference of which is income) and asset utilization (directly related to net investment). This paper examines how marketers can improve ROA using classical marketing concepts and how those concepts might be more efficiently managed with modern technology.



The Basic Elements Of Marketing

The marketing process can be thought of as a structure built on layers of successively complex effort. Figure 2 shows how these elements build on each other.

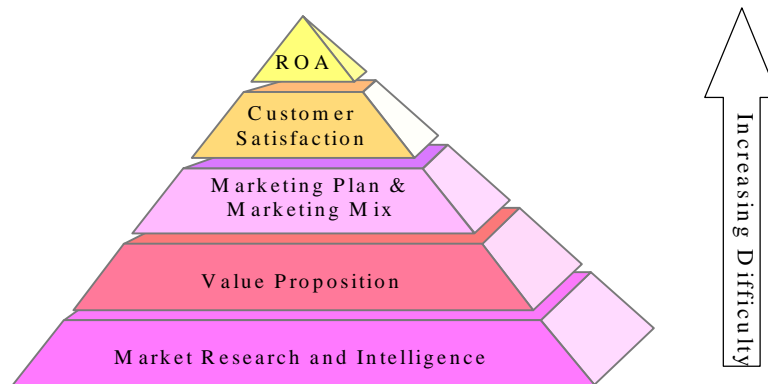


Figure 2 – The Marketing Pyramid

A proper marketing effort should be built on:

- ❑ Market Research and Intelligence
- ❑ A validated Value Proposition
- ❑ A detailed Marketing Plan
- ❑ On-going measurement of Customer Satisfaction
- ❑ On-going measurement of ROA

Market Research/Market Intelligence

Market Research is the foundation of marketing and consists of a constant flow of information from the market. This information should include customer needs, market trends, competitive actions, and market demand. Sources of Market Research are customers, trade associations, government agencies, suppliers and consultants. Market Intelligence is the analysis of Market Research and the dissemination of this analysis throughout the business. Market Intelligence makes the information dynamic, actionable and consumable by the organization.



Value Proposition

The Value Proposition is the next “layer” of Marketing. The Value Proposition is the keystone of the Marketing Plan and is a written statement of facts, assumptions and perceptions that suggest the reasons why a buyer will buy a set of differentiating features that compromise a seller’s offering. The Value Proposition is derived from the marketer’s knowledge of the market, (particularly customer needs) combined with the marketer’s product features and how these features will meet the customer’s needs better than the incumbent or other alternative product.

Marketing Plan and Marketing Mix

The Marketing Plan is the working document of the marketer. A well-developed Marketing Plan is developed directly from, and consistent with, the Value Proposition. Classic marketing theory breaks the Marketing Plan into four areas, the so-called “4 P’s”:

- ❑ Product Plan – A detailed plan of the product attributes, how these attributes meet customer needs, and how the product is differentiated from competition. This plan also includes details on how the product is designed, manufactured and managed. It should also address how the product co-exists in the market with other products and services of the business.
- ❑ Pricing Plan – A plan of pricing strategy including what the price will be for the product (the so-called “price list”), a profit analysis of the product, and how pricing will be managed within the various distribution channels. The Pricing Plan should address product positioning versus other competitive products and how the price will be tactically managed in competitive and bid situations.
- ❑ Placement (Distribution) Plan – A plan describing the ways the product is brought to the marketplace – often referred to as distribution channels. This plan describes how the product will be sold (direct salesmen or through independent distributors), how and where the product will be inventoried and how the product will co-exist with other not-in-kind products in the value chain.



- Promotion Plan – A plan that addresses the ways in which the product will be promoted in the market. Typical elements of this plan are advertising, branding, support and collateral materials (brochures, data sheets, etc) and public relations.

The Marketing Plan can be thought of as the “operating manual” for the marketing process. Ideally, the Marketing Plan is directly linked to, and a part of, a larger corporate business plan.

Customer Satisfaction Measurement

Measuring Customer Satisfaction is important in determining if the Marketing Plan is successful in the marketplace. It is the “outward” metric. Customer Satisfaction measurement should determine how well the product and its company meets (and exceeds!) the customer needs – particularly versus competition. Customer Satisfaction should also measure how the customer views the value of the product, how effectively distribution channels are operating and how promotional activities are improving awareness and customer loyalty for the product. Typical methods for measuring customer satisfaction involve personal interviews and surveys of existing, potential and former customers.

ROA Measurement

As discussed earlier, the goal of marketing is to improve shareholder value and ROA is a proxy metric for measuring and monitoring shareholder value. ROA must exceed the cost of the business’s capital in order to bring shareholders value. Maximum business performance occurs when ROA increasingly exceeds the cost of capital with time.

Unfortunately, in most companies ROA is difficult to measure on a product-specific basis. Marketers should work closely with controllers to build a product-specific income statement so that ROA can be measured and monitored.



Marketing In The 21st Century

With this brief summary of marketing principles, the marketer can now look at the use of technology to enhance and efficiently execute the Marketing Plan.

Technology, specifically the use of the Internet and the various sets of hardware and software that interface with the Internet, is drastically altering the way all business processes are managed. The term “e-business” has been used to describe the ways in which technology will change the business enterprise. Goals of e-business are to:

- Reduce buy/sell costs
- Reach global and remote markets
- Improve the efficiency of the supply chain
- Recreate the value chain
- Improve customer relationships

E-business includes e-commerce, supply chain integration, and for the purposes of this paper, “e-marketing”. E-marketing will be examined in more detail below.



Connecting E-Marketing To The Mix

Generic marketing strategies that marketers typically consider for their Marketing Plan connect to shareholder value as shown in Figure 3. Also shown are those strategies that will most likely be impacted by technology. When evaluating the suitability of technology for use with the Marketing Plan, the marketer should first consider which strategies to pursue and only then consider how technology will enhance and/or improve these strategies – not the other way around.

* - maximum technology impact

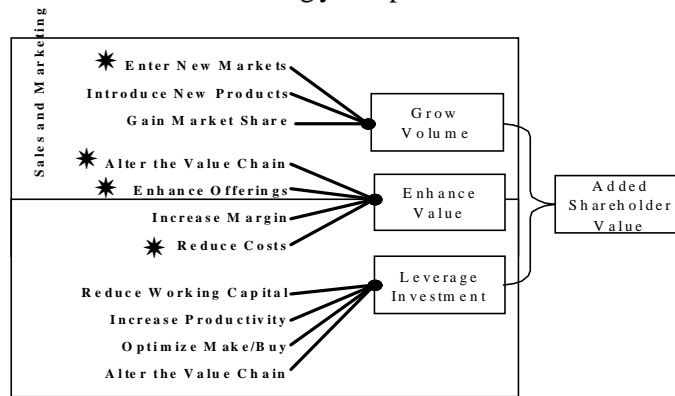


Figure 3 Marketing Strategies and Technology

A framework for evaluating technology options is shown in Figure 4. Think of the evolution of e-business along two axes –the y-axis represents increasing business value and the x-axis representing increasing complexity. As the use of technology becomes increasingly complex, it slowly shifts from *enabling* a business to *transforming* a business. In some markets, the transformation can result in the evolution of entirely new business models. Good examples are Yahoo!, (a business built on availability of concentrated and organized information), Amazon (a very low-cost distribution channel) and e-Bay (a worldwide public auction). Examples of the use of technology for marketing are shown in black.



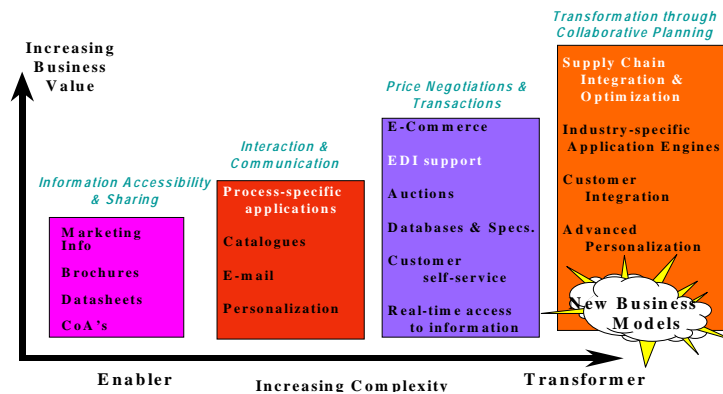


Figure 4 Evolution of e-Business

Like all industries, the coatings industry will evolve along the x-axis. Regardless of the whether a business provides products or services, technology can be expected to improve the efficiencies of marketing. ChemQuest forecasts that technology will impact the coatings industry and the strategies pursued as shown in Figure 5. This table can serve as a useful tool for monitoring a company’s participation in e-marketing in the coatings industry.

	Enabling	Transforming
Enter New Markets	<ul style="list-style-type: none"> □ Promote to remote markets □ Research new markets 	<ul style="list-style-type: none"> □ Internet delivery of services □ Collaborative bundling with industry co-participants □
Alter the Value Chain	<ul style="list-style-type: none"> □ End-use e-promotion 	<ul style="list-style-type: none"> □ e-commerce □ Industry portals □ Disintermediation □ Auctions and reverse auction
Enhance Offerings	<ul style="list-style-type: none"> □ On-line project management □ On-line technical service 	<ul style="list-style-type: none"> □ Co-Branding □ Advanced personalization □ Complex pricing □ Mass customization of products
Reduce Costs	<ul style="list-style-type: none"> □ On-line collateral □ On-line data □ On-line market research □ e-mail 	<ul style="list-style-type: none"> □ e-commerce □ Personalized CRM □ Integrated industry demand forecasting □ Real-time measurement of customer satisfaction and ROA

Figure 5 e-Marketing in the Coatings Industry



SUMMARY

As the 21st century unfolds, marketing will continue to be an important function in the business enterprise. Technology should provide new ways of managing and enabling the marketing process. While the world rapidly changes around us, ChemQuest suggests that there will be certain unchanging constants:

- Meeting customer needs better than competition will still drive business success!!
- The classic framework of the marketing mix and the “layers” of the marketing process will still be used:
 - Market Research/Intelligence
 - Value Proposition
 - Marketing Plan (“4 P’s)
 - Measurement (Customer & ROA)
- Technology and e-marketing will allow us to apply the classics *faster and cheaper*, and will *enable us to implement strategies that would have been impossible in the past*.

To properly use technology in marketing, a marketer should enact the following “rules of engagement”:

1. Practice the basics of marketing first – unless they are in place technology will not help.
2. Use technology to improve upon and/or enable your marketing strategies – don’t let technology drive your strategies!
3. Measure the ROA of your entire marketing plan as well as the ROA of specific technology projects
4. Watch the market – monitor your customers, your competitors and your suppliers and their use of technology - be humble and copy what works.



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