

MARKETING THAT

HOW **ENTREPRENEURIAL MARKETING**
CAN ADD SUSTAINABLE VALUE
TO ANY SIZED COMPANY

WORKS

SECOND
EDITION



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Marketing That Works

Second Edition

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Section Two

Demand-Generation and Sales— Lead Your Customers to Your Offering

Marketing strategy, positioning, and targeting establish the goals and objectives that the entrepreneurial marketer should achieve through a crafted collection of marketing activities. Marketing activities must serve their purpose in a cost-effective manner that attracts the largest number of customers and ultimately leads them to purchase. This is the basic premise of demand-generation and sales.

Through your actions and choices, you must efficiently reach the most valuable market segments, make them aware of your offering, educate them about your offering and its benefits, engage them in a trial and evaluation of your offering, and cultivate their interest to lead to a purchase. This may happen within a single website visit or over an extended period of time and may involve many touchpoints from your company and channel partners. These activities represent the marketing mix and may be integrated into a marketing plan comprising public relations, promotion, viral marketing, advertising, distribution, and sales. This section addresses each element of the marketing mix to help you develop and execute an effective marketing and sales plan.

A fundamental premise of entrepreneurial marketing is to direct your scarce resources to the most effective marketing activities that yield the greatest results and secure paying customers for a long period of time. Customer lifetime value (CLV) is the total revenue contributed to your venture by a customer over the length of their relationship with your venture. CLV is dependent upon three factors:

- Customer acquisition cost (CAC), the total cost to secure that customer
- Annual profits a customer generates for your venture
- Number of years the customer is likely to purchase from your venture

In its most simplistic form, we can express the CLV in the following equation:

$$CLV = m \times L - CAC$$

where m is the contribution margin generated from a customer in a year (or other time period),

L is the expected purchasing life of a customer (measured in the time period represented by m), and

CAC is the customer acquisition cost.¹

In actuality, the equation and analysis become dramatically more complex as we factor in other variables, such as retention and churn rates (rates at which customers continue or end, respectively, their purchasing relationship); referral; up-sell and cross-sell opportunities (which can both lower CAC for new customers and increase contribution margin for existing customers); and present value (which discounts value of future purchases). However, CAC in relation to the incremental profitability of the customers attracted is at the heart of evaluating your demand-generation and marketing effectiveness.

Each marketing activity has an associated cost and moves customers closer toward purchase and beginning to contribute to their CLV. CAC includes the costs associated with reaching all prospects and potential customers, yet yielding a single customer. The entrepreneurial marketer must consider each marketing activity in terms of its ability to reach customers with the highest CLV at the lowest CAC to capture the greatest value for your venture.

The most effective way to develop a comprehensive marketing plan is to map the adoption process for your customer, understanding the movement of information, influence, goods and services, benefits and value, and, of course, money, on the way to the customer actually making a purchase. Each marketing activity should have a positive effect, moving your customer closer to purchase.

Each element of the marketing mix has specific objectives and outcomes; however, taken as a whole, they lead your prospective customers through a process of adoption that may include many phases (see Figure S2-1). At each phase, the prospective customer determines whether your product has enough perceived value to them to proceed to the next phase. As you develop your marketing activities,

you must understand where in the adoption process the customer is and craft each activity to drive the best prospects to the next phase.

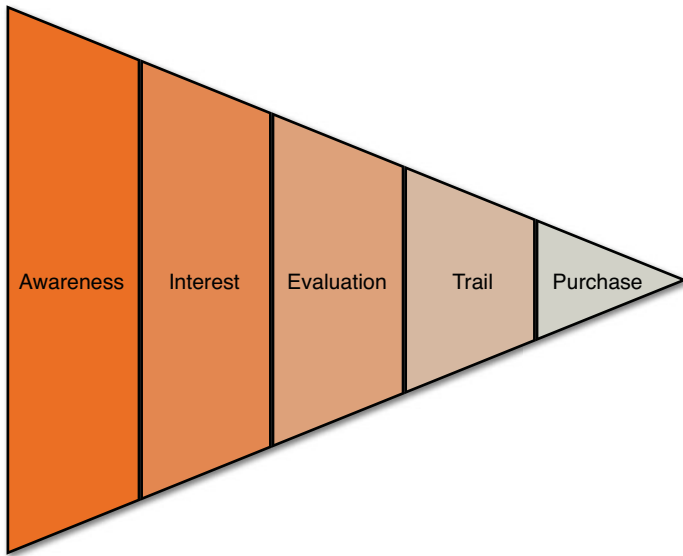


Figure S2-1 Consumer adoption process

To create effective marketing activities, you must understand your target customer, understand that customer's experience at the current phase of adoption, and communicate your value in such a way to allow the customer to assess whether to proceed. Develop personas or profiles of your customer segment(s) to bring them to life. Turn the psychographic and demographic information normally associated with market segmentation into a reflection of the activities, desires, and behaviors that the customers experience. Strong personas allow you to understand how your marketing tactics will engage and motivate your customers through each stage of the adoption process.

Finally, to create a successful marketing plan, the entrepreneurial marketer must ensure that every marketing tactic has a clear sense of:

- **Audience**—The target profile of prospects that you want to reach with your activity

- **Objective**—The goal that will allow the right prospects and customers to move on to the next phase and the wrong ones to seek alternatives
- **Call-to-action**—The specific action that the right customers will take to engage with you and move to the next phase of adoption, whether it be call a number, visit a website, redeem a coupon, or another action that moves them closer to realizing value for themselves and your venture
- **Measurable outcome**—The metric that will determine the success or failure of the marketing activity in terms of numbers of customers engaging, executing the call-to-action, and contribution of the activity to the CAC

The following chapters describe and demonstrate effective development and use of elements in the marketing mix to generate demand and lead to sales. There is no one right way to implement a marketing activity, and each should be undertaken and evaluated for effectiveness, making changes to improve success and outcomes for your business. You also learn ways to evaluate effectiveness to ensure that you make the best use of each marketing dollar spent.

Endnote

1. Thomas J. Steenburgh and Jill Avery, “Marketing Analysis Toolkit: Customer Lifetime Value Analysis,” *Harvard Business School Background Note* (August 2011).

Leverage Public Relations for Maximum Value

PayMyBills.com—Battling Competition with Public Relations

PayMyBills.com began as a project at the Wharton School and was entered into the annual Wharton Business Plan Competition. As the judging proceeded, and the plan made it into the final eight, a leading Internet firm decided to fund it as a full-fledged business. The cofounders were brought out to Idealab's Pasadena headquarters and told that they had 60 days in which to launch the company and the business. The business plan competition provided the opportunity to get some buzz about the company. Because it was covered by major media, articles appeared in the *New York Times*, *Philadelphia Magazine*, and other publications. This helped the company in its initial hiring and fundraising.

The founders moved to Idealab in May 1998. Ten days later, they had hired ten people, mainly through a job fair and contacts on the Internet who had heard of them through the articles and the *Industry Standard Internet* online newsletter. Three weeks later, Idealab used the buzz to raise more than \$4 million for the company at a much more favorable valuation than would have been possible without the public relations (PR). The Alexander Ogilvy agency, which has a long relationship with Idealab, was hired to get a fast-track product launch. They created an interview schedule for trade press, business press, and radio that focused on a product launch date of July 19 (slipped from an original July 4 target). Meetings were held with the *Wall*