

Business Fundamentals: Marketing and Strategy

Virtual Session 4

Today's Agenda

- Course goals and structure
- Black & Decker Case
- Applications to Pt Decision Making in Healthcare (individual deliverable)

Course Overview

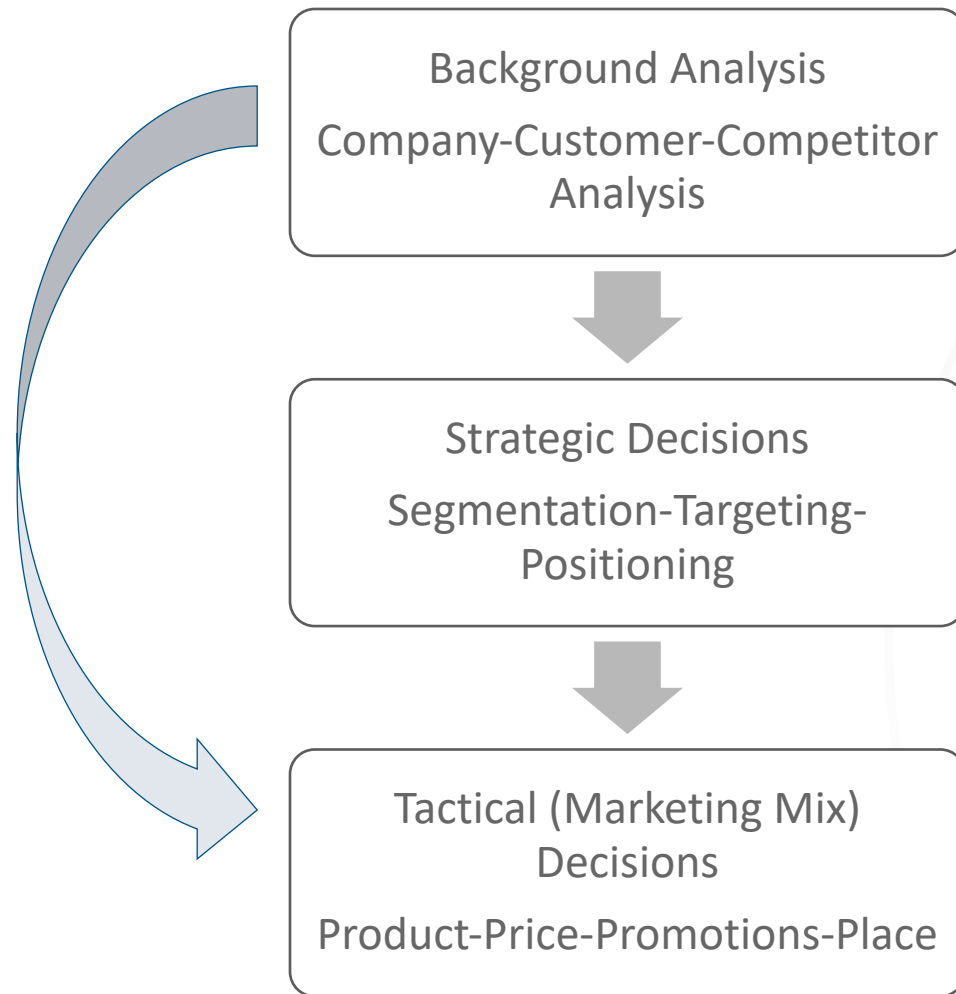
General Approach – Marketing Module Goal

- Ability to create and foster coherent marketing strategy
 - Connect the firm with the market
 - Success through customer value (think customer centricity)
 - Keep in mind that many decisions remain imprecise
 - Frameworks and principles help
 - Point towards opportunities to create analytics (Digital Marketing)
 - Guide use of analytics for decision making (e.g., reduce uncertainty around demand)
 - Acknowledging ambiguity helps too (keeps you humble)
 - Marketing is art and science

General Approach: Why Marketing Matters

- Creating unique customer value:
 - Assess opportunity: customers, competitors, company (3 C's)
 - Focus through segmentation, targeting, and positioning decisions (STP)
 - Strategy
 - Design effective marketing programs: pricing, promotion, place, and product (4 P's)
 - Tactics

Levels of Marketing Analysis



Course Grade Components

- Practice and Engagement (low variability)
 - Individual Assignments 15% (submit 1 of 2 deliverables)
 - Note: please read both cases, they are the basis of our live discussions
 - Class Participation 15%
 - Team Pre-Assignment 5% (intended for feedback)
- Major Components
 - Team Project Write-Up 30%
 - Final Examination 35%

Team Project: Application

- Application is particularly important for learning marketing
 - Connecting aspects of analysis, strategy, tactics
 - Translating between marketing frameworks and specific contexts
- Main project components
 - Define a competitive space: focal company, two competitors
 - Evaluate two segments and choose one
 - Articulate a positioning
 - Determine product and promotion tactics
- Grounded in (some) reality of your choosing
 - Ability to apply course content
 - Tradeoffs in team assignment: *Analysis* of context rather than *Description*

Team Projects: Timeline

- Pre-Assignment due after Segment 2 (Monday 25 March 11:59pm)
- Team Presentations Week 3 (April 6)
 - May be recorded (encouraged!), timing is tight
- Final report due 11:59pm, (Monday 8 April 11:59pm)
 - Try to incorporate feedback
- Note: The assignment and presentation requirements are designed to support your learning, as a team and as a class



Situation Analysis: 3 Cs

- Power tool broad market segments:
 - Professional-Industrial: large commercial contractors and assembly lines. Purchase by company, through distributor.
 - Professional-Tradesperson: independent professionals who buy their own tools at retail outlets (e.g., Home Depot)
 - Consumer: purchase for home (e.g., Home Depot or Wal-Mart)
- Questions:
 - How is B&D doing?
 - What would you want to know?



One place to start?

- How does B&D compare to main competition?
- Performance: Black & Decker Average Market Shares
 - Prof-Industrial: 20%
 - Prof-Trade: 9%
 - Consumer: 45%
- Why is B&D performing so poorly in professional-trade? EX: Compared to Makita?

Comparison: Professional-Trade Data

- B&D (9% share)
 - Awareness 98%
 - “One of Best” 44%
 - Good warranties
 - Not in discount outlets
 - Priced lower
 - Measured quality at parity



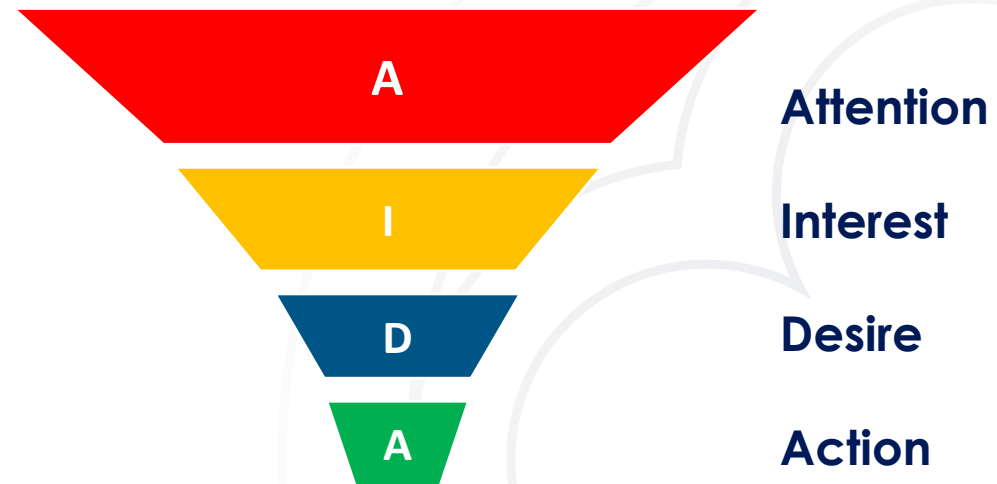
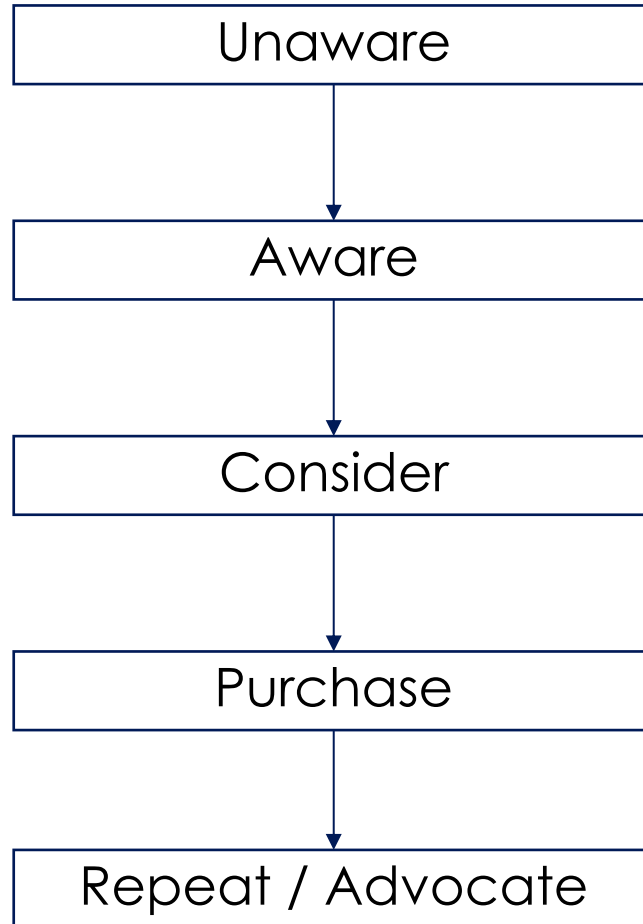
- Makita (50% share)
 - Awareness 90%
 - “One of Best” 67%
 - Poor warranty and service
 - Moving to discount outlets
 - 5-10% price premium
 - Measured quality at parity



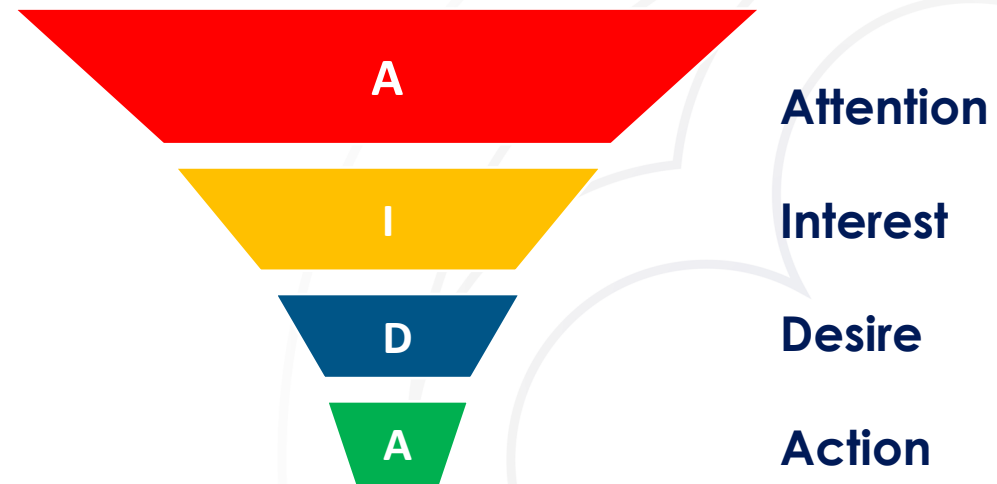
Focus on Professional-Trade Customer:

- Behaviors and Attitudes:
 - Knowledgeable, experienced
 - Buys own tools in retail outlets
 - Maintains own tools
 - Brings tools to jobsite
 - May rotate jobsite and colleagues
 - Cares, a lot, about being hired back
- Sources of Value?
- What is the Value Proposition (Benefits – Costs)?

Consumer Journey



The Purchase Funnel by Ariana Grande



“I see it, I like it, I want it, I got it (yeah)”

(source: Grande, Ariana (2019), “7 Rings,” *Thank U, Next*, Republic Records)

Basic Purchase Funnel



How does this customer segment engage
with your brand?

Professional Trade-Customer Funnel

- Awareness
- Interest
- Desire
- Action
- Satisfaction

Professional Trade-Customer Funnel: Some Issues

- Awareness
- Interest: May screen out by thinking B&D is “not for me”
- Desire: May be low if brand is inconsistent with professional identity
- Action:
- Satisfaction: Low if embarrassed at job site

Company and Competition

- Is B&D Differentiated?
- Should they target the professional-trade segment?
- Customer Lifetime Value (CLV) for professional-trade segment?
 - Potential for loyalty?
 - Potential for additional sales?

Company and Competition

- Is B&D Differentiated?
- Should they target the professional-trade segment?
 - Right now
 - P(winning) segment is low
 - Payoff of segment seems reasonably high (lowest dollar value but still \$420MM)
- Customer Lifetime Value (CLV) for professional-trade segment?
 - Potential for loyalty? Retention high IF tools are perceived to support work
 - Potential for additional sales? Likely to buy multiple tool types, replace and upgrade

So?

- What should B&D do?
- Options from Case
 - Harvest: Largely Give up on Professional-Trade
 - Sub-Brand: "...by Black & Decker"
 - New Brand in Professional-Trade Segment, e.g., DeWalt



Duke

DeWalt Launch



- Product:
 - Started with highest-quality tools by objective measures
 - Liberal returns (30 day), good warranty (year), 'no downtime' pledge
 - Yellow: color differentiates and stands out at job site
- Promotion:
 - Modest promotional budget targeted to tradespeople (e.g., *Electrical Contractor and Builder* magazine)
 - Trained a 75-person subset of B&D's salesforce
- Price: Premium
- Outcomes
 - Makita initially belittled the effort as "Yellow Decker"
 - By 1994, DeWalt Share 40%, Makita below 30%

What does Black + Decker tell us?

- *Customer* Perception = Reality
 - Understand the signals you are sending, correct them as necessary
 - Evaluate customers' decision-making process and usage experience to gain insight
 - "The customer is always right?"
 - Not that the customer knows the business better
 - Instead that marketing outcomes depend on customer perceptions, desires, emotions
- *Competitors* can beat you on a wide range of tangible or *intangible* attributes
 - Underperforming market share can be an indicator
 - Funnel leakage

Questions?

- B+D Case
- Course Content
- Next: Health Assignment Discussion

Sources of Value in Healthcare - Assignment

- Customer Analysis:

- What attributes / features drive patient decision making? (sources of value)
- How do patients make decisions? What information can they access, and where? What persuades them to act? (the funnel)
- Room for improvement?
 - Acknowledging some of the complexities of healthcare (see PEST)
 - At least implicitly, improvement is relative to other options (Competition)

Sources of Value in Healthcare - assignment

- Ideas: Specific tactic to move a potential patient from one stage to the next in the purchase funnel?
 - Address information asymmetries
 - Add new benefits
 - Reduce existing costs

Assignments

- Bonus (for me): Cool new ideas! Often, auxiliary services (recovery/rehab, trial, scheduling)
- Broad attributes mentioned
 - Quality, Accuracy, Expertise – nonnegotiable, but difficult for the patient to assess
 - Enhancing / emphasizing perceived provider reputation and trustworthiness: Ratings, Word of Mouth, Volume/Experience, Other Endorsements
 - Helping patient to co-produce health: Monitoring, Discharge Support, Information Processing Support

Summary: 3 Cs for Marketing Strategy

- Think broadly about customer benefits: Possible value propositions
 - Customer centricity
- Compare value you offer to value competitors offer
 - Differentiation – real or perceived....
- Formulate concrete, *tactical* actions
 - Use analytics to inform decisions
- Special note regarding healthcare: Often think that health decisions do or should rely on objective/clinical information only, but sources of value driving decisions can be very broad