

LESSON 16: Business Performance

Marketing God's Way

INTRODUCTION

Investopedia defines marketing as, *“Activities undertaken by a company to promote the buying or selling of a product or service. Marketing includes the advertising, selling and delivering of products to consumers or other businesses.”*

Marketing is such a broad and sometimes large undertaking that it can be overwhelming to define and determine the best marketing plan and strategies for your business. To help bring some clarity to the complex world of marketing, in the 1960's, E. Jerome McCarthy came up with the 4 Ps of marketing: **product, price, place, promotion**.

We desire to give you some basics to consider in developing a simple marketing strategy for your own business. Our hope is this will enable you to focus better, which will help you allocate limited resources more efficiently.

Unfortunately, the world has often taken marketing into directions that are not God honoring. In this lesson we will highlight some areas for you to consider that may be unconventional, but hopefully will lead you towards a marketing plan that will stand up to the scrutiny of the Bible.

THE 4 P'S OF MARKETING

Product

World renowned management consultant, Peter Drucker, once said, “The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.” A business will only survive if your product or service is meeting an unmet need of the customer.

You not only have to convince the customer that you can meet their need, you also have to produce a product or service that follows through on that commitment. Instead of buyer remorse, you should have a very satisfied customer who wants to tell others about their

experience. Knowing your customer and their needs is critical in developing a product or service.

Ray was a banker who worked for a bank that constantly rolled out new products based upon how to use their operational capacity better. Inevitably, these products were poorly received. But finally, the bank rolled out a new product that bundled many services together at a reasonable price, and the product soared as customers flocked to open a new account.

When Ray asked the head of consumer banking why the new products were so successful, he was told, “For the first time, we did several focus groups and asked the customers what they were looking for in their banking services. It’s amazing how much better it went by giving the customers what they want.”

Another product blind spot can be sourcing products or components of their products from other countries or from low-cost providers. There can be a temptation to contract with people who are using slave labor or treating employees in an inhumane way. As followers of Jesus we should be sensitive to how everyone is treated, due to the creation of our product, even if it becomes more costly to produce.

Price

Pricing can make or break your product or service. If you price your product lower than your costs you will go broke quickly, but if your price is too high you can alienate too many customers to survive.

Cost-Plus Approach

Kurt has a water delivery business on the West Coast that he purchased a few years ago. When he purchased the business, the previous owner gave him a formula that was used to quote prices to customers. The formula didn’t account for the costs Kurt had for the water he was delivering, and it pegged fuel costs at a fixed rate that might have worked initially but was no longer adequate.

UBN was able to help Kurt develop a new formula that made his business much more profitable.

One of the biggest mistakes small businesses make is to price their products on a cost-plus basis with too modest of a margin over their direct costs. Others price their product according to what their competition is doing, not knowing whether their competitor is making money or not.

Market Pricing

Customers don't care about your costs, they care about the value of your product to them personally. The better you know your customer and their needs the easier it is to price your product relative to the value it brings to your customer. Your costs plus a reasonable margin for profit should be the floor on your price, not the ceiling.

Pricing Strategy and Ethics

On the other end of the spectrum are products or services that are sold based on status or the customer's desperation. These products are sometimes priced ridiculously high to play on the pride of the customer or because of the product being the only alternative.

For instance, Martin Shkreli, former CEO of Turing Pharmaceuticals, realized he had a drug that patients needed that had been priced at \$13.50 per unit. He increased the price to \$750 causing outrage from patients who no longer could afford a drug that they desperately needed.

It begs the question how high is too high when you're pricing your products or service? For most businesses, the competitive nature of their industry will drive anyone out who tries to price their product too high.

If you have a product or service that has strong demand and no other competitors, then you need to carefully and prayerfully research what a fair and reasonable price would be in the eyes of the average customer. Use the Golden Rule as a guide. If you needed that product what would be a fair price you would be willing to pay?

DISCUSSION QUESTIONS

1. How well on a scale of 1 to 10 do you feel you know your customer's needs relative to your products or services?

What steps can you take to improve your customer knowledge?

2. How do you believe your customers would rate your service and/or product quality?

How does it fit your customer's needs?

3. Do you ever promote products that are not the best for the customer due to higher margins, commissions, or supplier incentives?

4. Share with the group the steps you use to create pricing for a sample customer transaction. Does the formula or method make sense and adequately account for all your direct costs? Is it cost based or value based? Is it fair to you and your customer?

5. Have you been tempted to participate in pricing that gives you an unfair or illegal advantage over a customer? (i.e. kickbacks, price fixing, or padding billing hours)

Promotion

If you have a high-quality product that fills a customer's need and is priced according to their willingness and ability to pay, you may not have to invest as much in promotion. But for most, promotion is critical for creating awareness of your product or service and to communicate its customer benefits.

The challenge for followers of Jesus is the tension between the desire to sell your product to as many people as possible and the truth. Truth in advertising is critical in order to maintain the integrity of the business, but overly aggressive promotion trips up many business leaders.

Being a purveyor of truth is not the only challenge in promoting your products. Marketers know that buying decisions are based frequently on emotion. This has led to many businesses using sex, fear, and other emotional appeals to lure customers to buy. This is an area that requires discernment and a biblical understanding of modesty and what it means to love others.

Chris Craft boat company, from 1874 until they sold in 2001, desired to glorify God through the business. In the boating industry skimpy apparel was common in the advertising and promotion of boat sales. Chris Craft, however, intentionally chose the unconventional route of requiring all TV commercials of theirs to maintain modest dress. They still performed very well financially while holding to their standards.

Place

Customers can't buy your product if they don't know how to best obtain your product or service. The distribution of your product has become more and more complex. There was a time when one-on-one selling or retail stores dominated, but the internet has opened many more opportunities. The large-box retail stores have been devastated by Amazon with no end in sight.

Whether your customer goes to a physical location or purchases your product over the internet there are additional distribution issues to consider. You have to determine if you are selling to consumers, business to business, through wholesalers, distributors, sales representatives or any number of possibilities.

Distribution can become a very strategic decision that needs careful consideration. There are pros and cons with each method for you to get your customer connected with your product. For instance, if you try to sell a product as a wholesaler to retailers while you are also trying to sell it retail yourself, you will undermine your wholesaler relationship and jeopardize your effectiveness.

The internet has also required us to be sensitive to our bedfellows. Many people have been disturbed to find that when they try to promote their service online through distribution channels, like YouTube, their brand can be undermined by inappropriate or offensive ads that may suddenly appear when the customer tries to view their ad.

Distribution can become a way to differentiate your product from others. Amazon knew that one of the challenges they faced in the early days was that customers were conditioned to go to a retail store and buy a physical book and have the immediate gratification of obtaining their purchase. They wisely determined that efficient distribution was critical to their success. Their Amazon Prime membership proved to be genius as people became confident in realizing that they could receive their product in two days and not have to pay additional shipping fees. When Walmart began catching up, Amazon raised the bar again and began a one-day Prime delivery option.

DISCUSSION QUESTIONS

1. How truthful are your promotional claims, advertisements or sales pitches?

- a. Can you back up any claims you make to customers?

- b. How often do you hear about buyer remorse from your customers?

2. What sort of emotional appeals do you use in your promotional activities?

Are they always appropriate and considerate of your customer's needs?

3. Discuss with the group your distribution strategy (how your customers obtain your product or service). How well is your current strategy working?

- a. Are there other distribution methods that might work just as well or better?

- b. Does distribution or delivery of product or services have any impact on your competitive advantages or disadvantages?

4. On which part of this lesson do you need to do some additional work?

What steps will you take this coming month to improve your marketing and promotional efforts?

