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MARKETING GUIDE

DEFINE POSITIONING, BRAND STRATEGY, DISTRIBUTION AND PRICING

FOR A NEW PRODUCT OR SERVICE

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NET INCOME


NET INCOME

RESEARCH THE DEMOGRAPHICS OF OUR MARKET

QUANTITATIVE MARKET RESEARCH AND MARKET LIFECYCLE

A good positioning strategy requires a careful evaluation of market research. The first step is to evaluate the total market size and opportunity. Market data (including industry reports, external market data, and our own experience with the market) will help us outline the total number of potential customers in the market, as well as the total potential sales in the market. These are the demographics of our market.

The next step is to outline the market characteristics, to determine whether our market is growing, stable or contracting, and what external factors or trends are influencing our market.

An analysis of the market lifecycle stage—introductory, growth, maturity or decline—will help us determine the best positioning approach: Do we need to educate our market? Focus on the value of our offering? Position our features and benefits against our main competitors? Compete on price? Or re-segment our market?

TASKS TO COMPLETE:

1. Define Market Size
2. Outline Market Characteristics
3. Determine Market Lifecycle Stage
4. Select Positioning Approach Based on Market Lifecycle

DEFINE MARKET SIZE

Competitive positioning is about defining how you'll differentiate your offering and create value for your market. It's about carving out a spot in the competitive landscape and focusing your company/product/service to deliver on that strategy. Your ultimate goal is to win mindshare in the market—to be known as a "certain something" in the market's mind.

Your positioning strategy is one of the most important strategic marketing decisions you'll make. It's the foundation for your brand strategy and serves as your compass for all your marketing and sales activity over the years.

To start developing your positioning strategy, begin researching your market to create a market profile. What is the size of your market? To whom are you selling? What does a typical customer look like?

Consumer products and services companies almost always conduct detailed market research BEFORE making a decision to enter a market and position themselves. If Proctor and Gamble is evaluating whether to launch a new line of toothpaste, they want to understand the exact size of the opportunity so they forecast market share and sales figures, before they commit millions of dollars to product development, launch, distribution and advertising.

For big companies, this often requires months of research and could cost upwards of hundreds of thousands of dollars. Market research firms often perform much of this work for big companies, and much of the cost comes from creating focus groups and interviewing the market.

Yet it's common for mid-size B2B firms, and some small B2C firms, to conduct little market research as they're shaping their positioning strategy. Without strong market data, it's difficult to understand true positioning and new opportunities that might present themselves, so if you haven't completed your market research, start here.

MARKET SIZE

The first step to creating a market profile is to evaluate the total market size and opportunity. You'll need access to as much market numerical data as you can find—industry reports, external market data and your own experience with the market. Most companies have a few people on staff who have a good understanding of the total market size, so make sure to get their opinion while conducting your research.

If you sell multiple products/services, or if you sell to multiple markets, you may wish to create a separate positioning strategy for each one.

Your goal is to make your market profile as complete as possible. If you're researching a portion of a market, or a portion of a vertical or sub-market, repeat this task, if necessary, for each. It's better to have multiple profiles of targeted markets than to have a single profile of a huge market that provides little useful information on how to gain even a single percentage point of market share.

MARKET NAME:

PRODUCT/SERVICE:

Depending on your situation, you may wish to purchase market reports or hire an outside research firm. If you're pressed for time, start with estimates, and iterate over time.

Begin by estimating the total number of potential customers in your market. This number may be difficult to estimate if you're in an early-stage growth market. If you're in a mature market without room for growth, it will simply be the total number of unit sales in the existing market.

If you need to hire a market research firm, here are some global innovative firms listed in the GreenBook Research Industry Trends:

- Brainjuicer
- TNS Global
- Vision Critical
- Ipsos
- Nielsen
- Anderson Analytics
- Itracks
- GFK
- Peanut Labs

You might also consider joining the Marketing Research Association or searching the Blue Book Marketing Research Services Directory which lists specialty marketing research companies around the world.

If you're completing your market research in house and don't have the budget to hire an outside firm, you'll most likely need to compile information from numerous sources. Here are a few helpful general information sources on the Web:

- United States Bureau of Labor Statistics
- Hoovers
- Yahoo Finance
- InfoUSA
- Consumer Behavior and Demographics Guides
- U.S. Company Information

Offline resources include:

- U.S. Census Bureau (or equivalent bureaus in other countries)
- Professional trade organizations
- Professional industry associations
- Chambers of commerce
- Analyst reports

If you're pressed for time, you can always estimate and iterate as you gather more data. For example, if you sell 10,000 units per year in your market, and you estimate that you own 5% of that market, a solid starting estimate is that your market has 200,000 potential customers (10,000 / .05).

Note: If you're creating a new market, the total existing unit sales won't be an accurate representation of your total number of potential customers in the market, so you'll have to estimate. How many customers might the total market have in X years in the future?

NUMBER OF TOTAL POTENTIAL CUSTOMERS IN MARKET:

What does a typical company or customer look like in your market? If you're B2B, list the annual revenue, number of employees, and years in business. If you're B2C, list the demographical data.

- Industry
- Department that makes the decision
- Geography
- Company size (revenue, employees, etc.)
- Stage of growth
- Age
- Marital status
- Education
- Household size
- Income/socio-economic status
- Ethnicity
- Religion

TYPICAL COMPANY/CUSTOMER PROFILE IN MARKET:

What are the total annual sales (revenue) for the product or service in your market? For example, if you sell a red widget, what is the total spending on red widgets in your market each year? A B2B example would be that there were $4.5 billion of sales of CRM software in the U.S. in 2014. A B2C example would be that there were $750 million of sales of hiking boots in the U.K. in 2014.

TOTAL ANNUAL SALES FOR MARKET:

Now think about the geography of the sales. Are they local, regional, national or international?

GEOGRAPHIC LOCATION OF CUSTOMERS WITHIN MARKET:

What do your target customers have in common? If B2B, think in terms of company size, annual revenue, number of employees, etc. If B2C, evaluate the demographics.

COMMONALITIES AMONG TYPICAL CUSTOMERS:

How many companies/products are already selling into the market? Is it hyper-competitive? Or is there room for more "suppliers"? This is important, as it will help determine your market lifecycle stage and positioning strategy.

NUMBER OF COMPANIES/PRODUCTS AVAILABLE IN MARKET:

In the next task you'll add the characteristics of the market.

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OUTLINE MARKET CHARACTERISTICS

After you've defined your market size, begin outlining your market's characteristics. For this task we highly recommended that you have at least one person involved who intimately knows your market and customers. You'll want to describe what's currently happening in your market and the influences on the market.

This information isn't as easy to obtain as was your market size in the previous task. You'll probably need to make some assumptions, and to be creative, but smart when obtaining your market research data.

CURRENT CHARACTERISTICS

What are the characteristics of your market? Is it growing, stable or contracting? Are prospects actively seeking out your product/service? Do they have a known pain but not yet realize that your product/service will alleviate that pain?

MARKET NAME:

PRODUCT/SERVICE:

CURRENT MARKET CHARACTERISTICS:

INFLUENCES

What's currently influencing your market? Are there any new developments affecting it, such as legislation, social trends or new technological breakthroughs that are creating urgency?

CURRENT INFLUENCES ON MARKET:

DECISION MAKERS & INFLUENCERS

Who makes the ultimate decision to buy from you? B2B marketers often have to deal with multiple decision makers, or a team of decision makers and a number of influencers. This affects their overall marketing and sales strategy, as they often have to deliver different messages to different people within a company.

It's typically clearer for consumer marketers, as the person using the product/service is often the decision maker. However, many big-ticket items, such as cars, furniture and appliances, may have multiple decision makers.

DECISION MAKER:

Who else is involved in the buying decisions (the "influencers")?

INFLUENCERS:

KNOWLEDGE OF PAIN

Is your market actively seeking a solution to this problem? In B2B, for most companies, there is a mix of people actively seeking a solution, people wanting a solution if one were to be presented to them (but they're not actively seeking one), and people who have the pain (whether they've realized it or not). B2C is similar. For example, for a cold medicine, the buyers have pain (a cold) and are actively seeking a solution. For a teeth whitener, many people in the market might not be actively seeking the product, but might be interested if it was affordable, easy and effective. People with stained teeth, who have no interest in bleaching them, would have a pain, but wouldn't desire a solution. People with naturally white teeth would have no pain.

These scenarios affect marketing strategy and ultimate positioning, as markets with a high number of prospects actively seeking a solution require different activities than does a market with a large number of prospects who have a latent or unknown pain.

Estimate the percentages of each scenario. If you don't know, start with a guess, and refine it as you are able. All four combined should total 100%.

PERCENTAGE MIX OF PEOPLE/COMPANIES ACTIVELY SEEKING A SOLUTION IN THE MARKET:

PERCENTAGE MIX OF PEOPLE/COMPANIES DESIRING A SOLUTION IN THE MARKET:

PERCENTAGE MIX OF PEOPLE/COMPANIES WITH A PAIN BUT NOT DESIRING A SOLUTION IN THE MARKET:

PERCENTAGE MIX OF PEOPLE/COMPANIES WITH NO PAIN IN THE MARKET:

TRENDS

Finally, what are the trends in your industry and/or market? Trends are important because they can translate into new opportunities. For example, is the industry shifting toward a new type of solution? A current popular trend is "green" products. Many consumers are willing to pay more for a product that they believe is friendly to the environment.

You may have already listed your trends above under "Characteristics or Influences," which is fine, but it's possible that all three — characteristics, influences and trends — could be different.

MARKET TRENDS:

____

____

____

DETERMINE MARKET LIFECYCLE STAGE

It's important to understand the lifecycle stage of your market. The market's maturity impacts how you should approach your market and position your company/product/service against your competitors. Reference the market data and market characteristics from the previous tasks to help determine the lifecycle stage if it's not apparent.

Once again, if you sell a single product or service to multiple markets, you might have different lifecycle stages for each.

MARKET NAME:

____

____

PRODUCT/SERVICE:

____

____

MARKET LIFECYCLE STAGE	DESCRIPTION
INTRODUCTION	The product/service and market are completely new. If you're not the first, you're the second or third entrant. Market data may not be well defined. The market is not actively seeking your solution. Decision makers and influencers vary from company to company if you're B2B, and few consumers are aware of your product/service if you're B2C.
GROWTH	The total market revenue is increasing rapidly, and new competitors are consistently entering the market. Companies are starting to seek out your offering, and some are already buying from your competitor. Decision makers and influencers are becoming clearer for B2B, and the majority of consumers are aware of your product/service if you're B2C, but many companies/people are not familiar with your or your competitors' products/services. This stage is like a land grab.
MATURITY	There are a number of strong competitors with similar products/services. Sales growth has slowed and is probably in the single digits. Decision makers and influencers are well established if you're B2B, and most consumers already have a solution in place if you're B2C.
DECLINE	Revenue is declining as customers migrate to newer solutions to their problems. Companies offer heavy discounts, discontinue these products, or develop entirely new markets/uses for the product. Decision makers and influencers are well established and completely control the buying process if you're B2B. Consumers have used your product/service and many have little interest in purchasing more of it. The primary way to land new customers is to compete on price.

MARKET LIFECYCLE STAGE:

COMMENTARY:

SELECT POSITIONING APPROACH BASED ON MARKET LIFECYCLE

Now it's time to put everything together to determine your high-level approach to positioning yourself in the market. The market lifecycle stage you selected previously will help you determine this, as there are standard approaches for the market based on its stage.

Review the characteristics of your lifecycle stage and the typical positioning approach for each below. You may decide that the typical positioning approach is right for you, or you may wish to modify it.

This task doesn't complete the Competitive Positioning subject, but it will guide your strategic thinking as you work toward determining the ultimate mindshare you want to own.

MARKET NAME:

PRODUCT/SERVICE:

STAGE	CHARACTERISTICS	TYPICAL POSITIONING APPROACH
INTRODUCTION	As the first or second mover, focus on creating a market for your new product. From a positioning standpoint, you should focus on building awareness for the solution in general, rather than positioning yourself against other early entrants. Promote the category instead of your offering. Competition at this point can be good, to help build awareness to create the market.	You first need to convince prospects that this is the right solution altogether. You'll build awareness among "early adopters" and educate them about how your solution is new, different and better than their current options.
GROWTH	During the growth stage, your objective is to build preference for your product/service versus those of your competitors.	Your approach should focus on why prospects should buy from you and why your features & benefits are better than those of your competitors.
MATURITY	In a mature market, price becomes more critical in the customer's decision-making process because there is substantial competition and less differentiation among products/services.	Your positioning will still focus on why your product/service is better, but price will play a more important role than in earlier stages.
DECLINE	As a market declines, the number of competitors decreases as larger competitors move resources toward other markets.	You can either continue to focus on price, or try to create niches, while innovating to increase market share and/or increase price.

Based on your market size, characteristics and stage of growth, what approach should you take?

POSITIONING APPROACH BASED ON MARKET LIFECYCLE:

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RESEARCH THE PSYCHOGRAPHICS OF OUR MARKET

QUALITATIVE MARKET RESEARCH AND MARKET SEGMENTS

Qualitative market research will help us understand the behaviors, attitudes and decision-making processes of customers and prospects in our markets. These are the psychographics of our market.

By understanding how our customers and prospects think—knowing what their true problems are, how they attempt to solve them and how we fit into their solution—we'll better understand how to fulfill their needs and market to them.

This understanding will also help us define market segments or personas—the distinct subgroups of our market —that will allow us to more efficiently market to each group.

TASKS TO COMPLETE:

1. Understand Market Pains
2. Define Market Segments/Personas

UNDERSTAND MARKET PAINS

How well do you really know your customers and your target market? Your goal is to understand how your prospects & customers think. What are their true problems, and how do they attempt to solve them?

There are many ways to accomplish this. Your approach is probably dependent upon your current market intelligence, your available resources, and your urgency for creating a competitive positioning and brand strategy.

DATA COLLECTION OPTIONS

OPTION 1: POLL CUSTOMERS

This is straightforward for B2B companies. B2C companies may not have easy access to customer information and might need to collect it over time.

Your list of targets should be as long (or as short) as you need, to connect with a solid cross-section of your market. Be sure to connect with all types of customers in your market. If you connect with only your happiest and most loyal customers, you may find that they're only a single segment that you serve well, and you may miss out on accessing other segments.

Some examples of B2B survey questions:

- Why did you decide to buy from us instead of from our competitor(s)?
- What's the greatest value we provide for the company?
- Do we provide a different value for you personally?
- What's the main problem we solve for the company? For you personally?
- Does our product/service completely solve your problem? If not, what is it missing?
- What additional things could we do to keep your business long term?

Some examples of B2C questions:

- Why did you decide to purchase our product?
- What other products did you consider?
- How does our product make you feel?
- What's the greatest value we provide?
- Does our product alleviate a pain for you? If so, what is it?
- What is our product missing that would make you enjoy it even more?

It's a good idea to review these questions with everyone who will gather this information from customers, to ensure they understand the purpose and do a good job of gathering information.

Survey methods:

- Online survey using a tool like Survey Monkey or SurveyGizmo
- Phone survey, with sales reps conducting the calls
- Written survey
- Third-party survey using an independent survey company

Caution: Be careful about getting skewed data. Your customers represent only one view of you – a positive one. This may be helpful, but in many cases won't be a true sample.

Record your answers. Add as much company data or demographic data as possible.

OPTION 2: POLL LOST PROSPECTS

This works best in B2B companies, but it can be challenging to get true data. Sometimes your sales team might be effective in conducting the polls (in certain B2B situations). Other times, an independent third-party is needed.

Some examples of survey questions:

- Why did you select _____ (competitor) instead of us?
- What could we have done differently to earn your business?
- What problem are they solving for you?
- Did your company believe that our product could solve the problem?
- Did you personally believe that our product could solve the problem?

Survey methods:

- Online survey using a tool like Survey Monkey or SurveyGizmo
- Phone survey, with sales reps conducting the calls
- Written survey
- Third-party survey using an independent survey company

Caution: Be careful about getting skewed data. Your lost prospects represent only one view of you – a negative one. This may be helpful, but, in many cases, won't be a true sample.

Record your answers. Add as much company data or demographic data as possible.

OPTION 3: USE A FOCUS GROUP

Focus groups are more common in B2C than in B2B, and can be a powerful method for testing ideas or gaining market feedback. Focus groups are basically a group interview, with anywhere from 5 to 15 people attending a single session.

If you've never run a focus group, you may consider hiring a seasoned professional to moderate. However, with careful planning and preparation, you can run your own. The greatest benefit of focus groups is getting people to talk about their feelings and opinions; you gain much more information than you could gather in a survey.

Here's a quick checklist for preparing yours:

- Prepare your questions: Know what information you're trying to obtain and what questions you're going to ask. Prepare them carefully.
- Recruit the right people: You might wish to hire a research firm who can connect you with your demographics.
- Plan the session: Have your meeting run between 1 and 2 hours. Pick a good location and treat your guests. Record the session.
- Facilitate: Be a good moderator and stay unbiased. Make sure everyone participates. Avoid "groupthink."
- Record observations: Write down your observations, notes and results. This is why you held the focus group in the first place.

If you'd like to dig deeper, here are more suggestions for holding a focus group.

OPTION 4: USE A MARKET RESEARCH FIRM TO POLL THE GENERAL MARKET

This is typically the best option, but, for many companies, it's cost-prohibitive. Quality market research is expensive, though valuable.

MARKET NAME:

PRODUCT/SERVICE:

MARKET RESEARCH METHOD:

MARKET RESEARCH SAMPLE SIZE:

RESPONSES AND ANALYSIS

After you've reviewed your results, consider them carefully and summarize your findings. This could take hours to weeks, depending on your sample size and the type of information you've collected.

Read through it carefully, and take your time to capture the essence of what your market is telling you. It's valuable information to consider as you work toward deciding upon the mindshare you want to own and your strategy for obtaining it.

SAMPLE RESPONSES:

MARKET RESEARCH ANALYSIS:

DEFINE MARKET SEGMENTS/PERSONAS

When you segment your market or create customer personas, you can do a better job addressing the specific problems faced by the people/companies/prospects within each segment. And when you speak to specific problems and needs, you can greatly improve all of your sales and marketing efforts.

Some marketers refer to these groups as their market segments. Others prefer to call them their buyer personas, (which are essentially a detailed description of a typical buyer), who represents a particular segment. Choose whichever you're most comfortable with.

Market segmentation: Grouping your market into smaller homogeneous subgroups to create efficiencies in marketing messages and campaigns.

Buyer personas: A detailed profile that represents a target buyer in a particular segment.

You have a few different options for your segmentation strategy. It can focus on:

- The problems a group of customers face and how they use a product
- The profiles of the buyers themselves
- Traditional criteria such as industry or geography

If you've completed Understand Market Pains, you've evaluated your market research and arrived at some conclusions. Consider the market feedback and evaluate the problems, pains or challenges that your customers and prospects face. You may end up with as few as one or two problems or as many as five to ten.

Next, for each problem, evaluate the issues below. It's tempting to slip into a "sales mode" when thinking about these issues. Instead, be very objective and put yourself in the shoes of a prospect who doesn't know all of your features and benefits as well as you do. Your goal is to look for common problems your market faces, so you can group them into segments or personas.

Here are issues to consider:

- How do your prospects attempt to solve their problem?
- How do your competitors solve this problem?
- Is there a difference between the way you solve the problem and the way your competitors solve the problem? If yes, what is it?
- What do your prospects and customers value most?
- How valuable are you to your customers (in their mind, not in yours)?
- What are the characteristics (gender, age, family status, interests) of the decision maker?
- What additional things can you do to earn/continue to earn business?
- Why do they buy from you?

For example, if you're B2B, your company may feel that the prospect buys from you because they think that they will get "better service" from you versus the alternative. But is that truly the reason they will buy in the first place? Be honest and tough. You'll end up with a better positioning strategy for it.

If you're B2C, you may find that certain segments buy for a reason that you couldn't anticipate. For example, in Malcolm Gladwell's bestseller The Tipping Point, he discusses how a handful of trendsetters decided that the boring Hush Puppies shoes were cool, creating a word-of-mouth trend that created a strong national brand fueled by an unusual buyer persona.

ISSUE/CHALLENGE AND COMPANIES/PEOPLE THAT FALL INTO CATEGORY:

Now, think about the issues you listed above and the companies/people that fall into those categories. These may end up becoming your market segments or personas. Then consider the below examples of segmentation criteria. (Note - these are for both B2B and B2C. Select which are most appropriate to you.)

Product Usage

- Problem experienced
- Usage rate (frequency)
- Usage rate (size or volume of order)
- Brand loyalty
- Percent of budget your product accounts for

Demographics

- Industry
- Department that makes the decision
- Geography
- Company size (revenue, employees, etc.)
- Stage of growth
- Age
- Marital status
- Education
- Household size
- Income/socio-economic status
- Ethnicity
- Religion

Persona

- Role in company
- Problem person is tasked with resolving
- Experience level
- Department characteristics
- Age group
- Personal interests
- Life stage

Do any of these criteria work for you? Remember that you're trying to group your market so that you can speak directly to their problems/pains. You might find that you segment your markets using multiple criteria of different types. That's okay. Think of your segments as tags applied to each customer. While you'd prefer to have only one tag per customer, the reality is that you might have multiple.

It's a good idea to revisit the problems you outlined in Understand Market Pains before you determine your segmentation criteria. Most of the time, it's a good idea to have "problems" account for at least some of your segments.

SEGMENTATION CRITERIA:

The final step is to create and profile each segment or persona (whichever term you choose to use). For each one, add as much detail as possible. The more detail, the better you'll be able to position your company to own some of the mindshare of the market.

For each segment, describe a typical company/ person in this segment. If you're B2B, focus more on the business angles. If you're B2C, focus more on the personal angles.

- What are their problems?
- What do they need, to solve their problems?
- Who in the organization is impacted by the problem?
- Who ultimately makes the decision to buy?
- What are the characteristics (gender, age, family status, interests) of the decision maker?
- Who else influences the decision?
- What process will the company use to make the decision?
- What are their alternatives to buying from you?
- What will they get from you that they won't get from the alternative options? (Be honest and tough!)
- What's their primary motivation to purchase?

- What are their emotional triggers? (For example, can you appeal to their emotions to encourage them to buy?)
- Is there an "a-ha" factor that you can focus on in your marketing? (For example, is there a fact or a message you can deliver that will help them quickly understand why your product is better/ different?)

When you've defined and profiled your customer segments, you have a valuable tool that you'll reference throughout all of your marketing efforts. Share this information with your team and refer to it frequently – it will help you speak clearly to your market and improve your results.

MARKET SEGMENT AND SEGMENT DESCRIPTION:

COMMENTARY:

EVALUATE OUR COMPETITION

COMPETITIVE ANALYSIS

A THOROUGH COMPETITIVE ANALYSIS WILL HELP US BETTER UNDERSTAND THE COMPETITIVE LANDSCAPE, ALLOWING US TO CLARIFY OUR STRENGTHS, AS WELL AS THE CHALLENGES WE'LL NEED TO OVERCOME TO BEAT OUR COMPETITION IN THE MARKETPLACE.

We'll determine our direct, indirect and future competitors, and the criteria we'll use to evaluate how each compares to us. This, along with our quantitative and qualitative market research, will give us the foundation to complete our SWOT analysis—analyzing our strengths, weaknesses, opportunities and threats in the marketplace.

Our competitive analysis might also shed light on new opportunities, or identify mindshare already owned by a competitor that we might not be able to win. At the minimum, it'll give us an objective view of where we stand in the marketplace, and where we can win with our customer acquisition activities.

TASKS TO COMPLETE:

1. Research Competition
2. Evaluate Competition and Complete SWOT Analysis

RESEARCH COMPETITION

After outlining your quantitative and qualitative market research, the next step is to perform a competitive analysis.

Here you'll evaluate your competition and determine the strengths of each. It's important to understand the competitive landscape prior to selecting the mindshare you want to own. The competitive landscape can shed light on new opportunities or identify mindshare already owned by a competitor that you might never win.

Consider the competition within each market, and think on a national, international, regional or local level if appropriate. Also consider all three types of competitors:

- **Direct** - They offer products/services that are similar to your own.
- **Indirect** - Their products/services are different from yours, but can potentially provide relief for the market.
- **Future** - They could easily expand their offerings to compete with yours.

Some early-stage or small companies fail to properly plan for indirect or future competitors. Microsoft is a competitor that commonly enters markets after a startup has proven viability for a product. Because of its distribution and pricing power (i.e., the ability to bundle products and give them away for free), it can completely reshape technology markets in a short period of time. Here's a quick review of how they dethroned Netscape, the browser that dominated the market back in the mid 1990s.

PRODUCT/SERVICE:

MARKET:

DIRECT COMPETITORS

For each product/market you're analyzing, list your top five direct competitors and include all their details. Include company/product details such as description, annual revenue, year founded (or number of years in the market if you're B2C), trends and market share.

DIRECT COMPETITOR AND DETAILS:

INDIRECT COMPETITORS

For each product/market you're analyzing, list your top five indirect competitors and include all their details. Include company/product details such as description, annual revenue, year founded (or number of years in the market if you're B2C), trends and market share.

INDIRECT COMPETITOR AND DETAILS:

FUTURE COMPETITORS

For each product/market you're analyzing, list your top five future potential competitors and include all their details. Include company/product details such as description, annual revenue, year founded (or number of years in the market if you're B2C), trends and market share.

FUTURE COMPETITOR AND DETAILS:

FINAL COMPETITOR LIST

Now, evaluate all of your direct, indirect and future competitors, and create your final competitor list. Most end up listing primarily direct competitors, but this exercise is valuable in helping you begin to think about indirect and future competitors as you shape your competitive positioning strategy.

In the next task you'll perform a competitive analysis for each.

TOP COMPETITOR AND TYPE AND COMMENTARY:

EVALUATE COMPETITION AND COMPLETE SWOT ANALYSIS

You've selected your main competition. Now, determine the criteria you'll use to rate your competitors and yourself, to gain an objective view of the marketplace. Different products/services/ companies in different industries/markets require different criteria, so choose the most effective criteria for you and your market.

Here are some suggestions to use as your criteria:

- Product/Service Quality
- Product/Service Uniqueness
- Product/Service Features
- Product/Service Effectiveness
- Customer Service
- Price
- Innovation
- Market Share
- Distribution Channels/Power
- Brand Awareness/Name Recognition
- Reputation
- Corporate Citizenship
- Financial Strength
- Sales Ability
- "Cool" Factor
- Environmental Responsibility

Remember, you're not required to select criteria from this list. Pick the most important criteria for your market. You may wish to reference your results from Understand Market Pains.

COMPARISON CRITERIA TO USE:

RATINGS

Now, rate your competitors and yourself based on the criteria you've selected, with 5 being the best and 1 being the worst. Be as neutral as possible – pretend you're a prospect who doesn't know a lot about you or your competitors.

Here's how your inputs should look:

COMPARISON CRITERIA	COMPANY/PRODUCT	RATING
Price (Whatever you selected above)	Widget A	4
Price	Widget B	5
Price	Widget C	2
Price	Us	3
Quality	Widget A	3
Quality	Widget B	5
Quality	Widget C	1
Quality	Us	5

COMPARISON CRITERIA AND COMPETITOR AND RATING:

Now, evaluate your ratings. Again, be as neutral as possible, especially when considering your own company. Think about the following:

- In which categories did you score higher than average?
- In which categories did you score lower than average?
- Are there any categories with consistently low scores across the board? Can you focus on those categories to differentiate your offering?
- Are your scores significantly different from those of many of your competitors? If not, the market may not see how you are different.
- Can you improve your scores to stand out?
- In what areas are you weak?
- Can you improve on these weak areas? If so, what do you need to improve them? And, should you improve on them?

COMPETITIVE RATINGS ANALYSIS:

PERFORM SWOT ANALYSIS

After analyzing your competition and yourself, synthesize all the information into a SWOT analysis. This is a standard way to group the results from the previous exercise into a table format. It creates a powerful visual to use organizing your competitive strategy.

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses are internal, controlled by you. Threats and opportunities are external, controlled by the market.

You may also wish to input your results into a standard SWOT template. If you'd like to review a detailed SWOT before you start, check out this SWOT for Tesco, the third largest grocery chain in the world.

STRENGTHS: WHAT WE DO WELL:

WEAKNESSES: WHAT WE DO POORLY:

OPPORTUNITIES: AVAILABLE POTENTIAL:

THREATS: OBSTACLES IN OUR PATH:

COMMENTARY:

You'll consider these results in a future exercise as you determine the mindshare you want to own and your plan to achieve it.

DETERMINE HOW WE TRULY PROVIDE VALUE TO OUR MARKET

METHOD FOR DELIVERING VALUE

A key element of any positioning strategy is how we deliver value to our market at the highest level. Which of the three essential methods for delivering value are we focused on: product leadership, customer intimacy or operational excellence?

Or put another way, are we: better/faster, more complete, or cheaper?

This focus should be reflected in our positioning, brand, pricing, distribution and messaging. Aligning them and understanding how our competitors deliver value to the marketplace will guide us when creating new campaigns and sales strategies, and improve the results of our marketing activities.

TASKS TO COMPLETE:

1. Select Value Proposition
2. Review Competitors' Value Propositions
3. Analyze the Market

SELECT VALUE PROPOSITION

The concept of “value proposition” has been in the marketplace since the early 1970s. Some marketers refer to “value proposition” as a key selling point, or a differentiator used to persuade. For the purposes of these exercises, we refer to the term “value proposition” as the method you use to deliver value to your market.

It’s important to note the difference. We refer to the actual language you’ll use in the marketplace as your messages, such as your elevator pitch and positioning statements (in Messaging) and your campaign creative (in Marketing Campaigns and any specific campaign section). And, for many, their “value proposition,” or “unique selling proposition,” may end up being very close to the mindshare they want to own.

Here are the three methods for delivering value to your market:

VALUE PROPOSITION	DESCRIPTION
PRODUCT LEADERSHIP	Your focus is innovation: new technologies, better products/services. Because your products are new, different and unique, your prices are likely to be higher than those of your competition, but you’re delivering a superior product/service.
OPERATIONAL EXCELLENCE	You can deliver your product/service at a lower cost than that of your competitors, thanks to better manufacturing processes, better economies, or other advantages. Your product/service is typical for the category – not the best and not the worst. In mature industries, most companies are competing on operational excellence (costs); those companies that cannot produce at a lower price will lose in the market.
CUSTOMER INTIMACY	Your goal is to solve your customers’ problems with a broad portfolio or a customized set of products/services. You’re selling a relationship that is superior to the relationship offered by your competitors.

Most companies/products/services focus on one or two value propositions; it's impossible to deliver on all three. Why?

Here's another way to think of it. Can (or would) you deliver a product/service that is the:

- best in the market
- cheapest in the market
- most comprehensive in the market

Understanding how you deliver value to the market is important, as you build your brand and interact with the market. It'll bring clarity to decisions about your pricing, your distribution, your creative, your messaging, your marketing campaign design, your brand and your people.

Select your primary and (if desired) secondary value proposition(s) below. If you sell multiple products to multiple markets, you may wish to select your value proposition for each — complete this task for each market if the value propositions are different.

MARKET:

PRIMARY VALUE PROPOSITION:

SECONDARY VALUE PROPOSITION:

COMMENTARY:

REVIEW COMPETITORS' VALUE PROPOSITIONS

Now that you've selected your value proposition, it's a good idea to understand the value propositions of your competitors in the marketplace. This will help as you consider your competitive positioning and the mindshare that you'd like to own.

For example, if all your competitors deliver value through operational excellence and you have an opportunity to focus on customer intimacy, you'll have a better chance at differentiating yourself by moving, in the words of the authors of Blue Ocean Strategy, "out of the red ocean and into the blue ocean of uncontested market space."

Your value proposition should be apparent in your company's business strategy. Apple doesn't worry about producing low-cost laptops, MP3 players and tablets because they're entirely focused on innovation — Apple products typically cost more than the competition. Their product development, branding, pricing and marketing campaigns support this.

Walmart doesn't focus on innovation and product leadership — it focuses on creating cost efficiencies to deliver products at the lowest possible price. Its entire business model is built on operational excellence.

It's possible that you might focus on delivering one type of value for one customer segment (or market) and a different type of value for another segment, so keep this in mind as you consider your entire product/service line and the markets you serve.

MARKET:

COMPETITOR AND PRIMARY VALUE PROPOSITION AND SECONDARY VALUE PROPOSITION:

Now rate yourself and each of your competitors on your ability to deliver upon each of these value propositions. Be very realistic and think like a prospect or a customer; otherwise, the exercise will be of no value.

Ratings

5 = the company offers extremely high value in this category

3 = the company offers average value in this category

1 = the company offers little or no value in this category

COMPETITOR AND VALUE PROPOSITION AND RATING:

COMMENTARY:

ANALYZE THE MARKET

After you've rated yourself and your competitors on your ability to deliver value to the market, consider the marketplace and the value propositions that you and your competitors deliver. Are they identical? Are they different? Think about the problems your customers face, and take an objective look at the market. Pretend you're a prospect. How cluttered is your market? Do you stand out? Does the competition stand out? Are there potential opportunities for delivering additional value to your market?

Competitive positioning is about owning a space in the market. It's your "turf," and the mindshare that you own. In order to differentiate, what value should you focus on to beat your competition? For example, if all of your competitors offer the same value, it will be difficult to differentiate in your customers' minds.

This isn't the end result of your competitive positioning strategy, so don't be frustrated if you find that everyone is delivering the same type of value to your market. If that's the case, there's still

room for differentiation and owning mindshare; it's simply a good idea to have an objective view of your market as you consider the mindshare you'd like to own.

And remember, mindshare is a perception, so you don't always have to change your product/service to change the market's perception of you — to change their perception, you have to change your marketing.

PROBLEMS OUR COMPETITORS ARE SOLVING EFFECTIVELY:

PROBLEMS OUR COMPETITORS AREN'T SOLVING EFFECTIVELY:

OPPORTUNITIES:

OUR VALUE PROPOSITION ANALYSIS:

Next, you'll define the mindshare you'd like to own.

DEFINE OUR POSITIONING STRATEGY

COMPETITIVE POSITIONING STRATEGY

POSITIONING IS ABOUT DEFINING HOW WE'LL DIFFERENTIATE OUR OFFERING AND CARVE OUT A SPOT IN THE COMPETITIVE LANDSCAPE—PUTTING OUR STAKE IN THE GROUND, AND WINNING MINDSHARE IN THE MARKETPLACE.

At the core, our positioning strategy defines what we want to be known for—that certain "something"—and how we plan to achieve that over a 5- to 10-year timeframe.

Our positioning strategy considers all aspects of our market: size, characteristics, demographics and psychographics, how we deliver value, and how we stack up against the competition. When creating it, it's a good idea to evaluate all of this data in a single matrix to gain an understanding of what we're currently known for, the opportunities in the marketplace, what we ultimately want to be known for, and how'll we'll get there.

TASKS TO COMPLETE:

1. Create Competitive Positioning Matrix
2. Define Competitive Positioning & Strategy

CREATE COMPETITIVE POSITIONING MATRIX

Competitive positioning is a complex topic that forces you to consider many different items and boil down a lot of information into a single thought — the one thing you want to be remembered for. A good way to hone in on that one thing is to create a competitive positioning matrix for each major market you serve.

This task will help you organize all the market research you've performed to date, so you can consider it for your next task — selecting the mindshare you'd like to own and determining your strategy to obtain it.

Complete this task for each market you serve, or, if you want to get really granular, do it for each market segment.

MARKET:

PRODUCT/SERVICE:

DATE:

MARKET SIZE (# OF POTENTIAL CUSTOMERS):

MARKET SIZE (ANNUAL REVENUE):

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MARKET CHARACTERISTICS:

MARKET LIFECYCLE STAGE:

POSITIONING APPROACH BASED ON MARKET LIFECYCLE:

MARKET SEGMENT AND DESCRIPTION:

COMPETITOR AND DESCRIPTION:

TOP COMPETITOR AND TYPE AND COMMENTARY:

STRENGTHS:

WEAKNESSES:

OPPORTUNITIES:

THREATS:

PROBLEMS OUR COMPETITORS ARE SOLVING EFFECTIVELY:

PROBLEMS OUR COMPETITORS AREN'T SOLVING EFFECTIVELY:

OUR VALUE PROPOSITION:

OUR VALUE PROPOSITION ANALYSIS:

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DEFINE COMPETITIVE POSITIONING & STRATEGY

This is where the rubber meets the road. Think about your current market positioning and how you relate to your competitors. Take an objective view.

If you haven't already decided on the mindshare you want to own, it may help to view your positioning on a map. There are numerous ways to approach this.

You may wish to create your own positioning map to understand where you fit amongst your competitors. Grab a paper and pencil and sketch positioning grids until you find one that works well for you. Label the X and Y axes with the things that are most relevant to your market. Remember, though, that this positioning is based on how the market perceives the brand, or the mindshare that it currently owns.

It's not uncommon, for a company that currently owns a particular mindshare, to want to move to another. Or, maybe they don't yet own any mindshare. That's where strategy comes in, which is brought to life by the brand and the day-in and day-out marketing execution.

MARKET:

PRODUCT/SERVICE:

DATE:

List your competitors and the mindshare you believe they currently own. If you're not yet clear, download Jack Trout's tips for winning mindshare and positioning strategy.

COMPETITOR AND MINDSHARE OWNED:

Now, think about yourself. Do you currently own mindshare? What mindshare would you like to own?

LONG-TERM MINDSHARE GOAL:

To obtain this mindshare over the long term, do you need to make any changes in order to fulfill your positioning strategy? For example, you may need to implement:

- Changes to your product or service
- New messages or methods for communicating with the market
- New methods for pricing or distributing your product/service
- Changes in your sales & marketing materials
- Training programs to guide your team to deliver new messages
- Manufacturing redesign
- New brand imagery

This is no small undertaking, and it might take weeks or months to outline and years or decades to obtain. It's not something you can simply "put in the microwave" and hope it comes out fully baked.

But it's worth expending the effort if you want to influence your market.

LONG-TERM COMPETITIVE POSITIONING STRATEGY:

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DETERMINE THE BASICS FOR THE FOUNDATION OF OUR BRAND

BRAND BASICS

SINCE A BRAND CREATES AN EXPERIENCE, WE CAN BRAND ALMOST ANYTHING—A CONCEPT, AN ACTION, A PRODUCT, A SERVICE OR A COMPANY.

The first step in defining our brand strategy is to define the type of brand we're building: an individual product or service brand, a company brand, a family brand, or an idea brand.

We'll align our brand with the high-level method in which our brand delivers value to the marketplace, and identify the theme for our brand—for example, whether it's innovative, creative, cool, authoritative, essential, supportive, friendly, warm, caring, kind, gentle, matter-of-fact, competitive, aggressive, comforting or blunt.

TASKS TO COMPLETE:

1. Determine Brand Type
2. Confirm Value Proposition
3. Identify Brand Theme

DETERMINE BRAND TYPE

Branding is crucial for products and services sold in huge consumer markets. It's also important in B2B because it helps you stand out from your competition. It brings your competitive positioning and value proposition to life; it positions you as a "certain something" in the minds of your prospects and customers.

Your brand is the entire experience you deliver; good brands consistently and repeatedly deliver the same experience so the market clearly understands what they receive by interacting with you. If you're B2B, this might sound a bit fluffy, but it's important – a strong B2B brand makes all of your sales and marketing activities easier.

Think about successful consumer brands like Disney, Tiffany or Starbucks. You probably know what each brand represents. Now imagine that you're competing against one of these companies. If you want to capture significant market share, start with a strong and unique brand identity or you may not get far.

Successful branding also creates "brand equity" – the amount of money that customers are willing to pay just because it's your brand. In addition to generating revenue, brand equity makes your company itself more valuable over the long term.

What can you brand? Many believe that you can brand almost anything. Branding intangibles is very challenging, but the point is that you can brand a concept, an action, a product, a service or a company.

In this exercise you'll outline your brand basics, starting with your brand type. If you're a new company, or an existing company launching a new product or service, complete the Brand Strategy exercises prior to selecting your name. It may sound counterintuitive, but your name should represent your brand, so it's easiest to select a good name after you've defined what it should represent.

PRODUCT BRAND

Companies typically create individual brand identities for different products or services. This allows the company to market to very different customer groups without harming the brand equity of another product.

Example

- P&G: Tide, Cheer, Era
- Sage Software: ACT!, Peachtree, Timberline, SalesLogix

When to Use

- When you offer a very diverse set of products and services that need different brand identities
- When you offer two or more products that compete in the same category but appeal to very different users – for example, a product that offers a very high-end solution and one that offers a low-end solution

- If you're selling through multiple channels, create a different brand around each channel's product even if they are essentially the same, thereby enabling you to better tackle competitive pricing issues

FAMILY BRAND

When you develop a brand around a group of products or services that fall into a similar "family." A family brand strategy is midway between a corporate brand and a product brand strategy – all products in the family must meet the standards of the family brand, but you can offer multiple family brands.

Example

- GM does it with their sub brands: Chevy, Buick, Cadillac.
- Gillette: Mach3, Sensor, Atra
- HP Printers: Office Jet, Laser Jet

When to Use

- When you offer a variety of products/services that don't fall under a corporate brand, but can be assimilated into a family
- When you offer high-end and low-end solutions to meet the needs of the various levels of the market

IDEA BRAND

When you develop a brand around an idea, a concept or an intangible offering. Branding an idea can be useful for companies creating a new market or a new way to approach something. In order to sell product, the market first needs to understand the new concept. Idea branding is also popular among industry associations.

Example

- Hello Kitty is a cartoon depiction of a cat created by Japanese company Sanrio Co. Created in the early 1970s, the Hello Kitty brand is targeted toward young girls and women. It's estimated to produce more than $1 billion in sales from licensing arrangements on products such as dolls, greeting cards, clothes and home appliances.
- Industry association examples are "Milk, it does the body good," and "Beef, it's what's for dinner," and "Pork, the other white meat."

When to Use

- When you offer products/services that can benefit from increased awareness in your category
- When you offer products/services that are unfamiliar to the market and require that people understand a concept, an idea or an action

And, of course, you can also be creating a brand strategy for a company brand.

BRAND NAME AND BRAND TYPE:

COMMENTARY:

CONFIRM VALUE PROPOSITION

The concept of value proposition has been in the marketplace since the early 1970s. Some marketers refer to "value proposition" as a key selling point, or a differentiator used to persuade. We refer to the term "value proposition" as the method you use to deliver value to your market.

It's important to note the difference.

All companies have a primary value proposition that should drive everything they do. A company can also have a secondary value proposition, but it is impossible to effectively deliver on all three (listed in the chart below). [Competitive Positioning can help.] If you completed Competitive Positioning, you outlined this material in Select Value Proposition.

Here are the three methods for delivering value to your market:

VALUE PROPOSITION	DESCRIPTION
PRODUCT LEADERSHIP	Your focus is innovation: new technologies, better products/services. Because your products are new, different and unique, your prices are likely to be higher than those of your competition, but you're delivering a superior product/service.
OPERATIONAL EXCELLENCE	You can deliver your product/service at a lower cost than that of your competitors, thanks to better manufacturing processes, better economies, or other advantages. Your product/service is typical for the category – not the best and not the worst. In mature industries, most companies are competing on operational excellence (costs); those companies that cannot produce at a lower price will lose in the market.

VALUE PROPOSITION	DESCRIPTION
CUSTOMER INTIMACY	Your goal is to solve your customers' problems with a broad portfolio or a customized set of products/services. You're selling a relationship that is superior to the relationship offered by your competitors.

Understanding how you deliver value to the market at the highest level is important as you build your brand and interact with the market. It'll bring clarity to decisions about your marketing campaign design, your visual branding, your pricing and your people. For example, if your value proposition is product leadership, the entire experience you deliver needs to reflect this leadership — your creative, your personal interactions, and your total impression — or you'll end up weakening the experience.

Select your primary value proposition below (and secondary if desired). If you sell multiple products to multiple markets, you may wish to select your value proposition for each — complete this task for each market if they're different.

PRIMARY VALUE PROPOSITION:

SECONDARY VALUE PROPOSITION:

COMMENTARY:

Your branding and messaging will need to support your primary value proposition and, to a lesser extent, your secondary value proposition.

IDENTIFY BRAND THEME

Your branding theme conveys the general personality of your brand. Your value proposition can give you some general guidance about the types of branding themes to explore, as certain types of value propositions lend themselves to certain types of brand themes. If yours doesn't fit – that's okay. This is just a helpful task in case it does.

VALUE PROPOSITION	OVERVIEW	POTENTIAL THEMES TO EXPLORE
PRODUCT LEADERSHIP	With product leadership, it's important to separate yourself from the crowd. You're not competing on price (as your solution probably costs more), but your market values your offering because it's unique. Emphasize this!	Elite, hip, different, powerful, creative, innovative, cool, coveted, scarce, rare, authoritative, essential
OPERATIONAL EXCELLENCE	Operational excellence gives you a lot of flexibility with your brand theme. Since you have a price advantage, you can choose to emphasize that in your brand theme. You can also emphasize the operational advantages that allow you to deliver the low price, thereby taking an operational leadership position.	Matter-of-fact, competitive, aggressive, comforting, innovative, blunt, authoritative, powerful, commanding, smart, fast, broad
CUSTOMER INTIMACY	With customer intimacy you're selling a relationship, so your theme most likely will take on a warmer, more "touchy—feely" approach.	Supportive, friendly, warm, caring, kind, gentle, helpful, nurturing, interested

As you continue through the Brand Strategy, you'll dive into your brand details such as defining your exact brand personality traits, your brand pillars, your brand promise, your brand experience, your brand story and your visual and operational requirements.

BRAND THEMES TO EXPLORE:

You'll flesh these out further in the rest of the Brand Strategy exercises.

COMMENTARY:

CREATE OUR BRAND ARCHITECTURE BY EVALUATING THE BENEFITS WE PROVIDE

BRAND ARCHITECTURE

BRANDS THAT TAP INTO OUR EMOTIONS ARE FAR MORE POWERFUL THAN BRANDS THAT DON'T.

Connecting with human emotions is an inexact science at best—it's more of an art, and it's the main thrust of consumer marketing.

By determining which benefits of our product or service are most important to our market, and which benefits are emotional, we'll have a strong understanding of what our brand should mean to our market.

TASKS TO COMPLETE:

1. Explore Brand Emotional Benefits
2. Select Brand Pillars
3. Determine Brand Means

EXPLORE BRAND EMOTIONAL BENEFITS

Here you will begin to explore the elements that will shape your brand strategy. Since branding is intangible, there are different ways to approach it, yet there is no single accepted method. Not even the highest rated MBA textbooks present a clear-cut method for shaping a brand.

The key to remember is that a brand is an experience, and experiences are shaped by emotion. This task will focus on emotion to help you define the experience your brand should deliver.

For examples, check out BrandZ's Top 100 Most Valuable Global Brands for 2014.

THE BRAND EXPERIENCE AND EMOTION

Brands that tap into our emotions are far more powerful than brands that don't. Connecting with human emotions is an inexact science at best — it's more an art, and it's the main thrust of consumer marketing.

Studies have shown that business brands can stimulate the human mind and emotions in the same manner as do consumer brands. You may be able to accomplish this if you **develop your brand strategy around the emotional benefits of using** your product/service.

For many consumer products, the emotional component is obvious. If you're a consumer marketer and you have a clear understanding of the emotional benefits of your product/service, jump ahead to Select Brand Pillars.

For B2B products and services (and some B2C offerings), it's not always obvious. A good way to start exploring the emotional benefits of your brand is to consider the features and benefits of your product/service.

A feature is an element of what something does or is. It's usually a noun. For example, a car's features may include a ski rack and an upgraded stereo system. A benefit is a positive result that the feature delivers.

Then, determine whether each benefit is functional or emotional:

Functional Benefit: This benefit is directly related to the functionality of the feature. An upgraded stereo provides higher-quality sound.

Emotional Benefit: This benefits the user's feelings. An upgraded stereo may make the user feel like a rock star.

A feature often has multiple benefits, and sometimes the emotional benefits are less obvious. For each functional benefit you identify, think about the emotional impact that benefit can have on your buyer. You'll want to record these emotional benefits below.

For example, one feature of Marketing MO is online project management. The benefit is your ability to organize your marketing tasks. That's a functional benefit. The emotional benefit is that organizing your marketing tasks enables you to feel confident reporting your marketing results to your VP of Sales because you have complete control of each campaign. For this example you'd record the following:

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FEATURE	BENEFIT	BENEFIT TYPE
ONLINE PROJECT MANAGEMENT	Organize your marketing tasks	Functional
ONLINE PROJECT MANAGEMENT	Confidence reporting marketing results to VP of Sales	Emotional

Now, list the features of your product/service along with their benefits, and designate the benefit type for each.

BRAND:

FEATURE AND BENEFIT AND BENEFIT TYPE:

LEVEL OF IMPORTANCE

Now determine how important each feature and benefit is to your customers. There are three levels of importance:

Expected: Basic and expected; a customer won't buy without this feature or benefit. Every product/ service in the category must offer it.

Adds Value: Adds value but most customers probably won't purchase on this factor alone. Still, it helps differentiate your product/service from those of your competitors.

Will Buy: Customers will definitely choose you over your competitors based on this feature/benefit alone – it's that valuable.

For each feature and benefit type, choose a single "level of importance."

FEATURE AND LEVEL OF IMPORTANCE:

FUNCTIONAL BENEFIT AND LEVEL OF IMPORTANCE:

EMOTIONAL BENEFIT AND LEVEL OF IMPORTANCE:

In the next task you'll rate your brand features and benefits. This will help you determine the benefits that will be your brand pillars and shape the experience you deliver.

COMMENTARY:

SELECT BRAND PILLARS

After determining your brand benefits and level of importance, rate your features and benefits to determine those that connect most strongly with your market's emotions. These are typically what you should use as pillars of your brand.

Use this as your rating system:

RATING VALUE	CATEGORY
1	Features that are expected
2	Features that add value
3	Features that will buy
4	Functional benefits that are expected
5	Functional benefits that add value
6	Functional benefits that will buy
7	Emotional benefits that are expected
8	Emotional benefits that add value
9	Emotional benefits that will buy

The highest ratings are typically the strongest pillars to use for your brand. Carefully evaluate all of those rated at or above a 6; you might decide to include a few functional benefits with the emotional benefits.

BRAND:

FEATURE AND RATING:

FUNCTIONAL BENEFIT AND RATING:

EMOTIONAL BENEFIT AND RATING:

You may wish to list them in a table similar to the one below, sketching this out on a notepad. The results in the upper right are going to be the strongest.

	FEATURES	FUNCTIONAL BENEFITS	EMOTIONAL BENEFIT
WILL BUY	Rating 3	Rating 6	Rating 9
Customers will choose you because of these features & benefits.			
ADDS VALUE	Rating 2	Rating 5	Rating 8
These features or benefits are “nice to have” and differentiate your product/ service, but the customer probably won’t buy for these items alone.			
EXPECTED	Rating 1	Rating 4	Rating 7
These features/ benefits are expected from all competitors in the category.			

IMPORTANCE

IMPORTANCE

Now, determine which of these are the strongest. Record them below, and think of these as your “brand pillars.” They’ll help guide you as you work toward defining the experience your brand should deliver.

BENEFITS THAT ARE BRAND PILLARS:

TEST YOUR BRAND PILLARS

If you're not yet confident in your brand pillars, you can battle-test them for each of your customer segments. [Competitive Positioning can help you identify your segments.]

Why should each customer segment buy from you instead of your competitors? Make sure each reason is compelling and clearly stated. Here's an example using the Marketing MO emotional benefit of "Confidence reporting marketing results to VP of Sales":

MARKET SEGMENT/ PERSONA	SEGMENT PAIN	REASON TO BUY FROM US INSTEAD OF COMPETITORS
Mary the mid-market company marketing director	Organizing marketing campaign tasks for team to execute throughout the year	Marketing MO enables Mary to move her marketing plan out of a static document, into a project management system that makes it easier for her to manage all of its moving parts. Her annual marketing plan, written in a Microsoft Word document does not allow for this.

Outline your reasons to buy below.

MARKET SEGMENT AND SEGMENT PAIN AND REASON TO BUY FROM YOU INSTEAD OF COMPETITORS:

How consistent are these reasons with your brand pillars? Are they close? Do your brand pillars convey the emotion of your reasons to buy?

If not, you may need to tweak your brand pillars or your reasons to buy; they should match. If you're not sure, don't hesitate to move forward to the next task of outlining your brand means. All of the information you're outlining here is meant to guide you to a single decision, which is the experience you want to deliver: the one you want your brand to stand for.

Thus, there are no right or wrong answers here. Measure your success by whether your answers are moving you toward understanding the experience you want to deliver.

COMMENTARY:

DETERMINE BRAND MEANS

Now, consider the brand pillars you identified previously and brainstorm to create compelling statements about what your brand should mean to your customers. Make sure that they evoke your brand pillars and support your value proposition.

You're looking for the answers if you asked your customers What does this brand mean? or How would you describe interacting with your brand?

Beware of generic adjectives and ideas! The more specific, unique, and powerful the phrase, the better your prospects and customers will understand it. If you can apply the phrase to any of your competitors, then it's not good enough. Your brand means should be unique to you.

Start by brainstorming your brand means, and list as many as you wish. If you'd like to dig deeper into how we associate meaning to brands, download this paper: What Do Brands Mean to Us? by Anne Rindell.

BRAND:

POTENTIAL BRAND MEANS:

Now, take a break and come back to these with a fresh mind. Review your brand pillars and evaluate your potential brand means.

Which ones stand out? Are they consistent with your value proposition? If not, don't use them. Then choose your top three. You don't have to worry about wordsmithing them at this point, as they most likely won't end up being ad copy. Your brand means are another tool to guide you to your brand experience.

PRIMARY VALUE PROPOSITION:

BRAND MEANS:

COMMENTARY:

DEFINE THE PERSONALITY OF OUR BRAND AND OUR BRAND PROMISE

BRAND EXPERIENCE

Our brand experience is the essence of what we represent—it's the embodiment of our positioning, and the experience we wish to deliver at each interaction with the market.

Adding human personality traits to our brand will help us crystallize the experience we want to deliver. They'll serve as a check and balance mechanism for our campaign creative and messaging, to create a memorable experience.

Good brands also deliver a promise to the market—communicating a simple, singular idea that supports our positioning and the mindshare that we wish to own.

TASKS TO COMPLETE:

1. Select Brand Personality Traits
2. Determine Brand Promise
3. Summarize Brand Strategy

SELECT BRAND PERSONALITY TRAITS

Adding human personality traits to your brand will help crystallize the experience you want to deliver. You'll be able to use them as a check and balance mechanism for your campaign creative and messaging, to create a memorable experience. Human personality traits are a powerful element that can help you win the mindshare you want to own [Competitive Positioning can help].

Review your brand pillars, your brand means and any potential brand themes you want to explore. Now, think about your brand as if it were a person. How would you describe that person?

HUMAN PERSONALITY TRAITS

Identify five human traits that describe the way you want the market to view your brand. These traits make up your "brand personality" and they should be consistent with your value proposition, the emotional benefits of your brand and the three things your brand means (all of which should be tightly aligned).

If possible, limit each trait to one word – for example, "knowledgeable," "fun," "visionary," "friendly," or "creative."

For examples of brands and their associated human personality traits, download this paper: Dimensions of Brand Personality from Jennifer L. Aaker of Stanford. Even though it was published in 1997, it still contains an excellent discussion about well-known brands and their human personalities. Be sure to check out the traits and facet names in Appendix A.

BRAND:

BRAND PERSONALITY TRAITS:

COMMENTARY:

DETERMINE BRAND PROMISE

Now, it's time to put it all together to create your brand promise. Branding and positioning experts like Jack Trout and Al and Laura Ries emphasize that your brand should stand for one thing in the customer's mind. Strong brands have captured that certain mindshare in the market. You have already identified the mindshare you'd like to own if you completed the Competitive Positioning subject.

Here are some examples (from the United States):

MINDSHARE	BRAND THAT OWNS IT
Overnight delivery	FedEx
Safe cars	Volvo
Cotton swaps	Q-Tips
MP-3 player	iPod
Ketchup	Heinz
Low fare airline	Southwest
Copy machines	Xerox
Internet search	Google

Don't be intimidated by the size of these companies. Google was able to capture this mindshare in less than a decade with little to no advertising. While few companies will ever be as successful as Google, their biggest product, their company mission and the mindshare they own are all aligned.

Google = Information

Google's mission is to organize the world's information and make it universally accessible and useful. If founders Larry Page and Sergei Brin were completing this exercise circa 1998, their promise would probably have been something along the lines of:

- Information
- Fast information
- Information delivered from the Web
- The easiest way to access information
- The fastest way to access information

You can wordsmith your brand promise to continually improve it, but the important part now is to nail down the concept.

The strongest brand promises convey value to their target market or customer personas. Think of your promise as your core selling idea — the shortest and simplest way to convey your value to the market. It takes years to decades of delivering your brand promise to the market, via marketing campaigns through different distribution channels to achieve a singular word mindshare of the market, and most companies will never achieve it.

But striving for it is far better than having no plan at all, so brainstorm, decide and refine. Consider your brand architecture:

- Your value proposition
- The strongest emotional benefits you deliver, or your brand pillars
- What your brand means
- Your market segments' greatest pains
- Your brand's human personality traits

As you're thinking about your brand promise, keep in mind that owning a single word in the customer's mind is extremely difficult, and often requires companies to use longer promises over time to own the single word.

Now, determine your brand promise.

BRAND PROMISE:

If you can't narrow it down to one phase that embodies all of these criteria and communicates value, pick the strongest word as it relates to your value proposition and emotional benefits. Continue to iterate until you nail it.

COMPETITORS' PROMISES

When you complete your promise, repeat this exercise for your top 5 competitors, so you can identify where you fit in the marketplace. You may need to apply previous Brand Strategy and Competitive Positioning exercises to each competitor, but repetition breeds familiarity. To save time, feel free to estimate and refine any shaky estimates later.

COMPETITOR AND BRAND PROMISE:

Now, review the competitors' promises. Do many of them share the same promise? How many different groups of promises are there?

If you'd like to create a map of those companies that make specific promises to claim mindshare, rank the promises, with #1 being the most valuable to the market.

BRAND PROMISES AND RANKING:

COMMENTARY:

SUMMARIZE BRAND STRATEGY

You've completed all the legwork, so it's time to define your brand experience. Consider everything you've outlined up to this point:

- Value proposition
- Brand theme
- Brand pillars
- Brand means
- Brand personality traits
- Brand promise

How do all of these devices work together to deliver a single experience? Before you decide on yours, revisit your current positioning in the marketplace and your long-term mindshare goal. These were addressed in the Competitive Positioning subject. If you haven't completed them yet, it's a good idea to identify these before deciding on the brand experience that will drive your brand strategy. The strongest brands deliver an experience that reinforces the mindshare a company/product/service wants to own.

OUR CURRENT POSITIONING IN THE MARKETPLACE (OR MINDSHARE OWNED):

OUR LONG-TERM MINDSHARE GOAL:

Now, outline the experience your brand should deliver.

BRAND EXPERIENCE:

As you think about the experience you want your brand to deliver, and the mindshare you want to own, do you need to make any changes to ensure your brand will own this experience and mindshare? For example, you may need to implement one or more of the following:

- Changes to your product or service
- New messages or methods for communicating with the market
- New methods for pricing or distributing your product/service
- Changes in your sales & marketing materials or campaign messages/creative
- Training programs to guide your team to deliver new messages

You've already created the elements for your strategy. Your task now is to create the written strategy that is easy to convey to your team. Take your time while crafting it; this should last for five to ten years, and it should be visible to everyone in your organization who influences your brand. At the minimum, your marketing and sales team should clearly understand it, and you should reference it prior to launching any new marketing campaign. It's your roadmap and your guide for carving out the mindshare you seek to own in the market.

OUR BRAND STRATEGY TO ACHIEVE OUR DESIRED POSITIONING:

COMMENTARY:

If you'd like to review other companies' ideas on branding as you're finalizing your strategy, check out brandchannel's array of band papers, or the Blake Project's Branding Strategy Insider blog.

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WRITE OUR BRAND STORY AND POSITIONING STATEMENT

BRAND STORY & POSITIONING STATEMENT

OUR BRAND POSITIONING STATEMENT IS A 25- TO 35-WORD STATEMENT THAT CAPTURES THE ESSENCE OF OUR BRAND—WHO WE ARE, WHAT WE DO, FOR WHOM, ALONG WITH A KEY DIFFERENTIATOR OR OUR BRAND PROMISE.

Our brand story is a longer narrative that gives us a chance to connect with our market—to introduce our personality, convey what we stand for, and show why we care.

Stories have been used to communicate for thousands of years; a good brand story can solidify our positioning and support our brand experience.

TASKS TO COMPLETE:

1. Create Brand Positioning Statement
2. Write Brand Story

CREATE BRAND POSITIONING STATEMENT

Your brand positioning statement should succinctly capture the essence of your brand. You may wish to review your results from the previous branding exercises before starting this task.

Consider the elements of your brand strategy:

- Your value proposition
- Your brand pillars
- Your brand means
- Your market segments' greatest pains
- Your brand's human personality traits
- Your brand promise
- The experience your brand delivers

Your goal for your positioning statement is to create a clear, concise, meaningful statement. Don't elaborate on the why, how, and where just yet. The essence of this statement is going to be used throughout your materials, so it may take time to get it right.

Your 25-word positioning pitch should contain:

- Your company/product/service name
- What you do
- For whom (referring to your customers)
- One or two of the most important reasons customers buy from you (from box 9 if you completed Brand Experience)

If you work for a large, multi-product company, your statement will probably be more general than a statement from a smaller company.

Here's an example from HP:

"HP creates new possibilities for technology to have a meaningful impact on people, businesses, governments and society."

Here's an example of a much smaller company, Zuora, a technology company with a single offering targeting a much narrower market:

"Zuora's subscription billing and commerce platform changes the way subscription businesses manage and sell to customers, allowing them to bring new products to market in less time, with more flexibility and less hassle."

It's challenging to fit all this into one or two succinct sentences, so you'll probably need multiple iterations, and you may need to wordsmith to eliminate each unnecessary word. The 25-word positioning statement is the most difficult of the three different-length statements to write. Spend enough time to make sure you get it right. And it doesn't have to be exactly 25 words, but keep it between 20 to 35.

BRAND:

25-WORD BRAND POSITIONING STATEMENT:

Now review your statement. Ultimately it should meet all of the following criteria:

- Is this statement truly the reason that your customers should buy from you and not your competition?
- Does the statement apply only to you and not your competitor(s)?
- Is it crystal clear what you stand for?
- Is it written in the active tense?
- Is it written in plain English without long sentences, awkward structure or jargon?
- Is it compelling?

If you'd like to dig deeper into branding to make sure you've nailed your brand strategy, check out this classic branding book: The 22 Immutable Laws of Branding by Al and Laura Ries.

WRITE BRAND STORY

Your brand story is longer than your 25-word positioning statement and can be anywhere from a few paragraphs to a few pages. Stories can be very powerful. For centuries, people have used stories to communicate ideas, concepts and history.

To come up with your brand story, brainstorm on these topics:

- **Credibility:** Why are YOU qualified to sell this product?
- **Differentiation:** Why are you DIFFERENT from everyone else who sells this type of product? (Be positive and truthful.)
- **Purpose:** Why are you in business? What difference or IMPACT are you trying to make?

(Be emotional if possible. People want to know that you care.)

- **Intrigue and personality:** What makes your story worth listening to? What will appeal to the customer on a personal level?

Your brand story is important. It's a great way to connect with your market, show your personality, and convey what you stand for and why you care. Good brand stories can drive home that experience you want to deliver.

Seth Godin says that the two elements that must come together in a brand story are the:

- story you can confidently tell
- worldview the buyer tells herself

When those align, you win.

Entrepreneur.com says:

"The most memorable brand stories tell the unexpected, speak directly to the heart or dare you to live life to the fullest."

Now, record some ideas to include in your brand story. Make them short statements or bullet points. It's easier to write a complete story after you've thought through the ideas you want to convey.

BRAND STORY IDEAS:

Take a break and revisit your ideas with a fresh perspective. How do you feel about your ideas? Do they come from the heart? Are they emotional?

This may be difficult if you have a pragmatic, business-type personality. If this seems "fluffy," remember that it's important for the long-term opportunities for your brand, and it can make a significant impact. People want to interact with good companies doing good things. As our world becomes more connected and more transparent, we have more choices, and there's less tolerance for working with companies that we don't like.

Now begin crafting your brand story format. This may take days to weeks to finalize. Brainstorm with your team and iterate until you have a compelling story that will endure for five to ten years.

Here are a few example brand stories:

- Chipotle
- Honest Tea
- Freshbooks

BRAND STORY:

Look back at your story – here's what it should accomplish:

- Builds credibility
- Conveys your brand identity
- Differentiates you from your competition
- Shows you have a purpose
- Has personality
- Gives the market a reason to listen to you

Once again, you may need a copywriter to write the story or polish your own version. [Copywriting and Graphic Design and Vendor Selection can help.]

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DEVELOP OUR VISUAL BRAND REQUIREMENTS

VISUAL BRAND REQUIREMENTS

FOR MANY CONSUMER PRODUCT MARKETERS, MUCH OF THE "BRANDING" TAKES PLACE IN THE PACKAGING AND CAMPAIGN IMAGERY. VISUAL IDENTITY TIES INTO HUMAN EMOTIONS, AND THERE ARE PLENTY OF CASE STUDIES OF CONSUMER PACKAGING REDESIGNS THAT INFURIATED A CUSTOMER BASE OR DRAMATICALLY INCREASED SALES.

Service companies and B2B brands encompass more than just a label, box, or package, but the visual identity can unify a brand, neutralize it or worst of all, damage it.

By defining the key elements to our visual branding—Relevance (Do the visuals support our defined brand strategy and promise?), Quality (Are the visuals professionally designed?), and Consistency (Are the visuals consistent at all market touchpoints?), we'll ensure that our visuals reinforce our positioning and brand experience.

TASKS TO COMPLETE:

1. Evaluate Brand Visual Requirements
2. Create Brand Visuals

EVALUATE BRAND VISUAL REQUIREMENTS

If you've completed the other Brand Strategy exercises, you've already created a detailed structure for your brand with a goal of winning specific mindshare of the market by creating a specific experience.

Now it's time to evaluate how your brand visuals will represent that experience. For many consumer products, most of the branding takes place in the packaging, the retail location, or the marketing campaigns. Service companies and B2B brands encompass more than just a label, a box or a package, but the visual identity can unify a brand, neutralize it, or worst of all, damage it.

When thinking of your brand's visual identity, think about the three key elements to visual branding:

- **Relevance:** Do the visuals support the written brand strategy and promise?
- **Quality:** Are the visuals professionally designed?
- **Consistency:** Are the visuals consistent at all market touch points?

Unfortunately many B2B companies are missing one or more of these three elements in their brand visual identity. Often, the smaller the company, the greater the tendency to omit these attributes. And this propensity is especially common in local sales-driven organizations.

Why don't companies spend more effort on their visual identity? Some don't realize that they have a problem, since the market doesn't often give direct feedback. Very few new prospects will ever say, "I don't want to engage because I think your company looks cheap and schlocky." They simply fall quietly out of the pipeline, or they make an excuse.

Still, other companies just don't care, which is fine as long as you're not one of them.

Use this task to review your brand's visual elements and to comment on their effectiveness. If you're starting from scratch, record your thoughts before moving to the next task, in which you'll create your visuals.

BRAND CONSISTENCY

Most new companies start with shiny new logos and a clear corporate identity that is consistent throughout all print and graphics. (That's the goal anyway.)

As companies grow, they often lose control of that standard corporate image. It takes discipline to maintain consistency while launching new locations, adding more employees, switching creative vendors, and constantly creating new marketing campaign materials and sales tools and literature.

After a few years, branding can easily be represented by different color shades, inconsistent fonts and variations of packaging, logo size and image quality. While a retail outlet would almost never allow its brand to become inconsistent, it's common in B2B.

It's easy to put a few quality management steps in place to ensure consistency and quality moving forward.

1. **Create a style guide.** Most big companies use a branding style guide that explains which images can be used, in what contexts, and in what variations, with EXACT design descriptions and color formulas provided for print and screen (HEX, RGB and Pantone). The depth and breadth of the style guide depends upon your company size and your branding budget. Some companies may have separate 100-page logo style guides, print style guides, Web style guides, location style guides, etc.

   Here are some examples:

   - Logo Style Guide - Compaq
   - Brand Standards - Michigan State University
   - Brand Manual - Arizona State University

If you work for a smaller company without a style guide, just getting the basics down will be helpful. Here's what it should contain:

- A description of your brand experience
- The tone and writing style to use with the brand
- Specific colors (Pantone, RGB, HEX, etc)
- Preferred fonts
- Logo dimensions and examples of proper and improper use
- Reproduction guidelines
- Typographical elements

2. **Designate a person to be responsible for enforcing the styles.** If no one is responsible for it, it won't be followed. Add "branding/logo quality control" to someone's job description.

3. **Consider using a marketing digital asset management service.** Big companies can save tens of thousands of dollars (or more) and ensure consistent quality by using a web-based solution.

BRAND STYLE GUIDE COMMENTARY:

LOGO

If your name is the first touchpoint of your brand that your market experiences, your logo is most likely the second. It's a key component of any brand's visual identity.

Logos for consumer products are clearly very important. But B2B companies shouldn't treat this lightly either — a good logo can strongly influence the market on an emotional level, before business buyers engage in the sales process.

While a well-designed logo can anchor your brand experience, a bad logo can diffuse it.

LOGO COMMENTARY:

PRINT & DIGITAL DESIGN

Evaluate your print materials along with your digital materials. Do they support your brand? Are they disjointed? As you review them, look for the three brand visual keys:

- Relevance
- Quality
- Consistency

PRINT & DIGITAL DESIGN COMMENTARY:

MARKETING CAMPAIGN DESIGN

Now, evaluate some of your past marketing campaigns. You might have already reviewed some of the print and digital assets, but what about the overall tone? Did the campaigns use a voice that's consistent with your brand? Are they aligned with the mindshare you'd like to own? Are they of the same quality as the rest of your visual branding?

MARKETING CAMPAIGN DESIGN COMMENTARY:

RETAIL LOCATION

If your brand is a retail outlet for consumers, chances are your company has spent tremendous effort to ensure your relevance, quality and consistency.

Add any thoughts here.

RETAIL LOCATION COMMENTARY:

EMPLOYEE LOCATION

And what do we mean by your employee location? It's just as it seems; it's your office. Employees are part of every brand, so does your location bring your brand alive? Does it remind your employees of what you stand for?

Or is it a stale cubicle culture?

Record any ideas for making your brand a greater component of your office.

EMPLOYEE LOCATION COMMENTARY:

The next task will provide some guidance for creating brand elements.

CREATE BRAND VISUALS

If you're ready to create your brand's visual identity from scratch, or to revamp an existing brand, the first place to start is your logo. But since logos require color, it's a good idea to consider color choices before you begin reviewing logos.

COLOR

The strongest brands connect with people at the emotional level, and color plays an enormous role in conveying your brand promise and personality traits. Don't just choose colors that your team likes or that you've used in the past; select a color palette that supports your brand promise and personality traits.

By choosing the right colors, you can reinforce the work that you've just completed. If you use a color that's inconsistent with your brand promise and personality, you can neutralize your work and confuse your market.

Should you use multiple colors? Color is most powerful in large doses; however, you can use two colors to add interest and depth.

Make sure your selections work well electronically and in print. If your website is important in your sales process, or if you send a lot of documents or email campaigns with color, make sure you choose colors that look good onscreen. For example, silver in print will be gray online.

Here is a list of colors with their traditional meaning.

COLOR	TRADITIONAL MEANING
NAVY BLUE	Navy blue is a masculine color associated with depth, expertise, and stability. It's a preferred color for corporate America.
BLUE	Blue is associated with tranquility and calm. The color of the sky and water, it symbolizes sincerity, trust, wisdom and truth.
GREEN	Green is the color of nature. It symbolizes harmony, safety, growth, freshness, and fertility. It's a restful color that suggests stability and endurance.
RED	Red is an emotionally intense color. It's associated with energy, strength, power, danger, and passion. It's highly visible and enhances human metabolism, increases respiration, and raises blood pressure.

COLOR	TRADITIONAL MEANING
ORANGE	Orange combines the energy of red and the happiness of yellow. It's associated with enthusiasm, joy, stimulation, attraction, creativity and health.
YELLOW	Yellow is the color of sunshine and produces a warming effect, arouses cheerfulness, stimulates mental activity, and generates muscle energy. It's associated with joy, happiness, vibrancy, intellect and energy.
PURPLE	Purple combines the stability of blue and the energy of red. Generally associated with royalty, purple symbolizes luxury, wealth, power, and dignity.
BROWN	Brown is the color of earth. It's associated with genuineness, simplicity, dependability, and friendliness.
BLACK	Black is associated with power, mystery, elegance, strength and formality. Black can be very formal, elegant and prestigious; it adds depth when combined with other colors.
GRAY/SILVER	Gray/silver has similar connotations to black, evoking dignity, wisdom, and responsibility.
GOLD	Gold is associated with success, money and wealth; it can evoke comfort and quality.

When considering your colors for your logo and visual brand identity, it's important to consider the colors of your competitors. If everyone in your market uses blue and red, there's value in making your brand memorable by standing out from them. This is even more important in B2C markets, where consumers focus on the top two brands in a category. If one is red, the other is typically the opposite color (blue).

Now, select your colors. Or — evaluate your existing colors to see if they represent your brand personality traits and strategy. If you're still unconvinced, check out this detailed study about the psychology of color.

BRAND:

PRIMARY BRAND COLOR:

SECONDARY BRAND COLOR:

TERTIARY BRAND COLOR:

COMMENTARY ON COLORS:

Final Palette Selection

To create your materials, you'll need very specific colors. You may wish to have your designer help with the selection of the final PMS, CMYK and RGB colors.

- **PMS** - Pantone Matching System used for ink colors – for example, if you are only printing two colors on your business cards, your printer will probably use your two PMS color inks
- **CMYK** - The formula for creating the color using a combination of cyan, magenta, yellow and black ink during four-color printing
- **RGB** - The amount of red + blue + green used to replicate the color onscreen
- **HEX** - Hexadecimal codes for use in HTML web pages

PMS AND CMYK AND RGB VALUES:

LOGO

Your colors are key elements of your brand's visual identity. It's important that they're brought together with a good logo design. Logos for consumer products are clearly very important. But B2B companies shouldn't treat this lightly either — a good logo can strongly influence the market on an emotional level, before business buyers engage in the sales process.

The Internet has made finding decent designers much easier than it was in pre-Internet days. However, carefully consider any designer you choose to create your product or company logo. Some designers are very skilled in creating logos. Others aren't. Given the importance of your brand, think long and hard about saving pennies on your logo design. [Copywriting and Graphic Design can help].

Here's another way to think about it: If you've spent this much time and effort crafting your brand strategy, do you want to use a $300 logo to introduce it?

Here are some sites to visit if you'd like to review the general design elements of great logos:

- What makes a logo great
- Review of all time greatest logos

Your logo should support your brand promise (the one thing you stand for) and convey your brand personality traits. It's part of the entire experience you'll deliver.

If you already have a logo and it doesn't meet these requirements, use this process to develop a logo that does:

- Agree on your brand promise and personality traits.
- Outline your brand experience.
- Select a designer to create your logo [Vendor Selection and Copywriting and Graphic Design can help]
- Develop a creative brief for your designer. [Copywriting & Graphic Design can help]
- Insist that your designer provide all concepts in black and white only. Color plays a dramatic role in design, and you need to select the right conceptual logo without being swayed by various colors they may present. In addition, the logo needs to hold up in black only.
- Review the first round of black & white comps and provide direction for the second round.
- Select your final logo in black & white.
- Have the designer incorporate your colors, and choose the final logo.
- Get final artwork and move forward in designing business cards, letterhead and other corporate identity collateral. [Corporate Identity can help]

LOGO COMMENTARY:

TYPESTYLE/FONT

Fonts are potentially even more important than your colors because they're used in every written piece that your company delivers, and fonts can convey an enormous range of personalities.

Choose a font that is consistent with your branding. The first decision is whether to use a serif or sans serif font. Here are some examples. These fonts are all standard, web-safe fonts.

SERIF FONTS - Classic fonts that look like they were created with a calligraphy pen; the line widths may vary and the edges have a bit of a flourish	SANS SERIF - These fonts are simple, have less variation in the line width and don't have flourishes at the end of the letters.
Book Antiqua	Arial
Bookman	Calibri
Garamond	Helvetica
Georgia	Tahoma
Palatino	Trebuchet
Times New Roman	Verdana

Now determine how your font(s) will appear on various sales tools and literature:

- Printed materials (can be in any font)
- Product packaging
- Materials that will be transmitted electronically (must be in standard fonts used by most computers)
- Website (must be a web-safe font unless you wish to use font-replacement)
- Employee email font* (must be a web-safe font)

Be sure to include instructions about point size and styles like bold, italic, etc. Here's a great font resource if you'd like to learn about thousands of different fonts and their histories.

FONT AND APPLICATION:

There are plenty of other visual branding elements, especially if you're B2C with product packaging and a retail outlet. It's far too encompassing to address them all here, so think through as many items as possible and summarize the rest of your visual branding requirements below.

Items to consider:

- Print ads (Design, graphics, photography, paper quality, finish)
- Digital elements (Website, microsites, social media, videos)
- Letterhead, envelopes, etc [Corporate Identity can help]
- Spokespersons or celebrity endorsements
- Indoor and outdoor signage
- Print and digital ads
- Ad copy
- TV ads
- Radio ads
- Design, architecture, layout and decor of any facility open to the public

VISUAL BRANDING REQUIREMENTS:

EVALUATE HOW OUR PEOPLE AND OPERATIONS REPRESENT OUR BRAND

OPERATIONAL BRAND REQUIREMENTS

WE MAKE AN IMPRESSION—POSITIVE, NEGATIVE OR NEUTRAL—WITH OUR MARKET AT EVERY TOUCH POINT.

To deliver a consistent brand experience, we must ensure that every interaction with our market supports our brand strategy. Part of that results from our brand visual imagery and copy. The rest of it results from our people's interactions with the market.

By identifying every touch point our customers and prospects have with our company and the people who represent our brand, we'll have an understanding of how well our people are supporting our positioning, brand promise and brand experience.

TASKS TO COMPLETE:

1. Define Brand Operational Requirements

DEFINE BRAND OPERATIONAL REQUIREMENTS

A “touch point” with your market occurs whenever your prospects and customers talk with an employee; review a piece of literature, an invoice or your website; or visit your retail location or your offices.

You have an opportunity to represent your brand at every touch point. You make an impression each time—positive, negative, or neutral—so strive to communicate your brand and brand promise each and every time.

To fully deliver on your brand experience, make sure that every interaction they have with you conveys the same thing. For example:

- If your value proposition is customer intimacy and your brand is built around service, but your account managers don’t return calls properly or your receptionist is rude, you’re not going to look like a service organization.

First, consider your entire company operations and list all inbound touch points with your market. Each time a customer, prospect or outsider communicates with your company there is an opportunity to represent your brand.

BRAND:

OPERATIONAL TOUCH POINT AND DEPARTMENT:

Now, review each and every touch point and determine if you’re currently supporting your brand and brand promise. You may wish to review your brand personality traits and brand promise.

Here are some suggestions in case you missed any. Add your own touch points not covered on the list.

TOUCH POINT	ELEMENT
Telephone	• Main answering system • Responsiveness of each department • On-hold messaging • Employee voicemails
Customer Service	• Responsiveness • Depth of phone tree • Friendliness
Sales	• Professionalism • Appearance • Demeanor
Retail Outlet	• Friendliness • Appearance • Helpfulness • Professionalism
Email	• Email responsiveness • Email signatures • Email stationery

Explain what you'll need to do to ensure that your brand lives within all of your employees. What kind of training will you need to conduct to accomplish this goal? How will you review your operations on an ongoing basis to make sure you're delivering on your brand promise?

OPERATIONAL TOUCH POINT AND IMPROVEMENT TO MATCH BRAND:

Now, summarize the above touch points into succinct operational branding requirements.

OPERATIONAL BRANDING REQUIREMENTS:

COMMENTARY:

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OUTLINE OUR HIGH-LEVEL PRICING STRATEGY

PRICING STRATEGY

Pricing is one of the 4Ps of marketing. It can be a complex subject—there are many factors to consider, both short- and long-term.

Our price sends a strong message to our market—it needs to be consistent with our positioning, our brand, and the value we're delivering.

To ensure that our pricing strategy supports our brand, we'll consider: what the market will truly pay for our offering; whether our desired price reflects the value we provide versus our competitors; and whether it will enable us to reach our revenue, profit and market share goals.

TASKS TO COMPLETE:

1. Align Value Proposition to Market Share Goals
2. Define Pricing Strategy

ALIGN VALUE PROPOSITION TO MARKET SHARE GOALS

Your price sends a strong message to your market – it needs to be consistent with the value you're delivering. When your price, value proposition, positioning and brand are aligned, you're in the best situation to maximize revenue and profits.

- If your value proposition is operational efficiency, then your price needs to be extremely competitive.
- If your value proposition is product leadership, a low price sends the wrong message. After all, if a luxury item isn't expensive, is it really a luxury?

To develop your pricing strategy, start by looking at the major variables such as your value proposition, stage of the market, and revenue/profit goals.

PRODUCT/SERVICE:

First, what's your value proposition? [Competitive Positioning can help] We refer to the term "value proposition" as the method you use to deliver value to your market. There are three basic value propositions, or ways to deliver value to the market:

Operational excellence

- You can deliver your product at a lower cost than your competitors thanks to better manufacturing processes, better economies, or other advantages
- Your product is typical for the category – not the best and not the worst. In mature industries, most companies are competing on operational excellence (costs); those companies that cannot produce at a lower price will lose in the marketplace

Product leadership

- Your focus is innovation: new technologies, better products
- Because your products are new, different and unique, your prices are likely higher than your competition, but you're delivering a superior product

Customer intimacy

- Your goal is to solve your customers' problems with a broad portfolio or customized set of products/services
- You're selling a relationship that is superior to the relationship offered by your competitors

This concept of value proposition has been in the marketplace since the early 1970s. Some marketers refer to “value proposition” as a key selling point, or a differentiator used to persuade. We refer to that as campaign messaging, often tied to an offer.

Most companies focus on one or two value propositions; it’s impossible to deliver on all three.

VALUE PROPOSITION:

Next, determine which pricing strategy matches your value proposition:

VALUE PROPOSITION	ALIGN YOUR VALUE PROPOSITION AND PRICING STRATEGY
OPERATIONAL EXCELLENCE	When you’re competing on price, your price needs to be similar or lower than that of your competitors.
PRODUCT LEADERSHIP	Your pricing strategy will depend on the maturity of the market and your market share goals.
CUSTOMER INTIMACY	Your pricing strategy will depend on the maturity of the market and your market share goals

Now review your market stage and define your market share goals:

HOW MATURE IS YOUR MARKET? THIS IS YOUR MARKET LIFECYCLE STAGE	WHAT ARE YOUR MARKET SHARE GOALS?	STRATEGY RECOMMENDATION
MATURE: THERE ARE A NUMBER OF COMPETITORS DOMINATING THE MARKET AND LITTLE DIFFERENTIATION BETWEEN THEIR PRODUCTS.	Growth	To grow in a mature market, your price needs to be substantially lower than your competitors' prices.
	Maintain current position	You may need to change your pricing in reaction to competitive pressures.
	Maximize profit rather than focus on market share	You need to figure out the price at which you can maximize your profit.
GROWTH OR EARLY STAGE	Aggressive growth	If you're trying to grow very aggressively in a young market, you may want to price slightly lower than you would otherwise.
	Grow with the market/ average pace	Your price can be similar to your competitors.

MARKET LIFECYCLE STAGE:

MARKET SHARE GOALS:

Now consider these along with the typical pricing strategy for your value proposition. What is your initial thought? If your product is already in the marketplace, does your current pricing match your value proposition and your market share goals?

While you may decide to define your pricing strategy now, the next exercise will introduce a few more items you may wish to address before you finalize it. Here you can just record your thoughts prior to confirming them after more thought and research.

INITIAL PRICING STRATEGY THOUGHTS:

DEFINE PRICING STRATEGY

The previous task should have given you a good overview regarding the pricing strategy you should pursue. Are there any other elements to consider? Examples could include short-term economic conditions, competitor changes, or new market developments. Your short-term prices can deviate from your overall pricing strategy, but this can be tricky and needs to have a defined end-point.

Are there any current market factors to consider?

MARKET FACTORS TO CONSIDER:

Now consider your pricing strategy. Here are examples along with suggestions for next steps:

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PRICING STRATEGY	NEXT STEPS
Compete on price. Your price needs to be similar or lower than that of your competitors.	• Determine your cost structure • Evaluate your main competitors' prices • You'll then have a range in which your price should fall, and your brand strategy should guide your final decision
Grow in a mature market. Your price needs to be substantially lower than your competitors.	• Document your cost structure • Determine how far underneath the market you can be and still be profitable • Capture your main competitors' prices • Recommend a price
React to competitive pressures. You may need to change your price.	• Document your cost structure • Determine an acceptable range of prices that still meets your profit goals • Capture your main competitors' prices • Recommend a price
Maximize profit. You need to figure out the price at which you can maximize your profit.	• Document your cost structure • Capture your main competitors' prices • Estimate how sensitive your market is to price fluctuations • Calculate the price and volume that will maximize profit • Recommend a price
Grow aggressively. If you're trying to grow very aggressively in a young market, you may want to price slightly lower than you would otherwise.	• Document your cost structure • Capture your main competitors' prices • Determine an acceptable range of prices that still meets your profit goals • Recommend a price

After considering everything, what is your recommended pricing strategy? If you'd like to dig deeper, check out the level of detail Parker Hannifin went through to evaluate their pricing strategy.

Also, consider the possible negative effects of having a lower price. Medical science is starting to show that price does affect the part of the brain that affects pleasure (and that marketing can influence how we perceive real quality).

PRICING STRATEGY RECOMMENDATION:

NEXT STEPS:

MATCH PRICE TO PROFITABILITY TARGETS

PROFITABILITY TARGETS

Our pricing should support our positioning, brand and channel partners.

It also needs to support our operational cost structure. If we can't profitably deliver our offering at our desired price, we'll have to reduce our cost structure or increase the price, which might not support our positioning or brand.

TASKS TO COMPLETE:

1. Determine Cost of Goods Sold
2. Set Price Floor

DETERMINE COST OF GOODS SOLD

Pricing is one of the 4Ps of marketing, but your strategy should also factor in your operational cost structure. Understand your cost of goods sold (COGS) and your price floor before settling on a final price.

Let's start with a few important definitions:

TERM	DEFINITION
COST OF GOODS A.K.A. COST OF GOODS SOLD A.K.A. COGS	The cost to physically produce a product (or deliver a service if you're in a service business). For a product, COGS may include the costs of the raw materials, the costs to ship and store the raw materials, labor to assemble the product, and other costs to actually put together the object that you sell. COGS is a tricky figure and companies calculate it differently. We can provide basic information, but you should talk with your accountant/CFO/CEO/owner/finance department to discuss the proper method of calculating the number for your business. The difference between the sales price of an item (revenue) and the cost to physically produce it (COGS). It's often expressed as a percentage:
GROSS MARGIN A.K.A. GROSS PROFIT MARGIN A.K.A. GROSS PROFIT	Margin = (Revenue – Cost of Goods)/Revenue The margin is the % of the revenue that is "profit". In other words, a 60% gross margin means that 40% of the product's sale price is the cost to produce it and the other 60% is "gross profit" before expenses such as marketing, salaries, rent, etc. The higher the gross margin, the more money a company has for expenses like salaries, research and development, marketing, or to pay down debt or pay back investors.

Does your company already have your Cost of Goods calculated?

STEPS TO CALCULATE COST OF GOODS

If you don't know your Cost of Goods (COGS) for the products or services you're trying to price, talk with your finance team to determine them.

Or, use 4.8.a and 4.8.b to put together your own estimate. (You may still want to talk to your finance team, or you can create your own estimate and firm it up later.)

Download the Excel workbook that supports this task: 4.8-Pricing

You can track COGS in 4.8.c you wish.

PRODUCT/SERVICE:

COST OF GOODS:

SET PRICE FLOOR

Before you set your price, it's important to determine your price "floor," or the minimum price you can charge to earn a reasonable profit.

STEPS TO ESTABLISH A PRICE FLOOR

Once you have your COGS, enter them in 4.8.d.

Download the Excel workbook that supports this task: 4.8-Pricing

You'll also need to establish your desired Gross Profit Margin % for each product. Again, your finance team is the best resource for this data.

If you're having trouble establishing a Gross Profit Margin that's appropriate, ask your finance team or owner for potential industries or public companies that you can research to get that information. You can also just ask them to give you an estimate.

4.8.d. will give you a minimum price that you can't go under and still generate the desired level of gross profit - it's your price floor.

PRODUCT/SERVICE:

COST OF GOODS:

DESIRED GROSS MARGIN %:

PRICE FLOOR:

If your value proposition and brand is focused on cost leadership/low price, the prices shown above are probably very close to where you should be – as long as you've been realistic about the margin %.

However, it's helpful to continue and evaluate your competitors. If their prices are lower than your floor, you'll need to lower your COGS or desired gross profit margin in order to compete.

ANALYZE COMPETITORS' PRICES AND DETERMINE OUR PRICE

PRICING ANALYSIS

BEFORE SETTLING ON A FINAL PRICE, IT'S A GOOD IDEA TO EVALUATE OUR COMPETITORS' PRICES.

As we review our competitors' prices, it's important to understand each offering's positioning in the marketplace and method for delivering value.

Different types of positioning support different price levels, so it's best to evaluate pricing and positioning together when reviewing the market landscape.

TASKS TO COMPLETE:

1. Analyze Competitors' Pricing and Value Propositions
2. Determine Price

ANALYZE COMPETITORS' PRICING AND VALUE PROPOSITIONS

It's important to understand your competitors' prices and their value propositions before you settle on a price. Start by listing your competitors and/or enter them in 4.8.e.

Download the Excel workbook that supports this task: 4.8-Pricing

If you've completed Competitive Positioning, pull these results from Research Competition.

Product/Service

If you haven't already selected your value proposition, you may wish to jump ahead to the next section. It's important to have a strong understanding of your value proposition as you consider how your competitors deliver value to the marketplace. It affects the effectiveness of your pricing.

We refer to the term "value proposition" as the method you use to deliver value to your market. There are three basic value propositions, or ways to deliver value to the market:

Operational excellence

- You can deliver your product at a lower cost than your competitors thanks to better manufacturing processes, better economies, or other advantages
- Your product is typical for the category – not the best and not the worst
- In mature industries, most companies are competing on operational excellence (costs); those companies that cannot produce at a lower price will lose in the marketplace

Product leadership

- Your focus is innovation: new technologies, better products
- Because your products are new, different and unique, your prices are likely higher than your competition, but you're delivering a superior product

Customer intimacy

- Your goal is to solve your customers' problems with a broad portfolio or customized set of products/services. You're selling a relationship that is superior to the relationship offered by your competitors

This concept of value proposition has been in the marketplace since the early 1970s. Some marketers refer to "value proposition" as a key selling point, or a differentiator used to persuade. We refer to that as campaign messaging, often tied to an offer.

Most companies focus on one or two value propositions; it's impossible to deliver on all three. Now, list your main competitors and how they deliver value to the market.

COMPETITOR AND PRIMARY VALUE PROPOSITION AND SECONDARY VALUE PROPOSITION:

You'll also need to know the price that each competitor charges for the product or service you're competing with. For B2C, this is easy. For some B2B offerings, it can be difficult, and you may need to estimate. While you may be comparing apples to oranges, use your best judgment – you have to start somewhere.

If you're having trouble obtaining your competitor's pricing, you could:

- Call them and ask for a quote.
- Have a friend call and ask about pricing.
- Review their website.
- Request info and have it sent to your home or a friend's company.
- Ask current customers/clients you trust.

Then complete 4.8.f to compare pricing variances in the market.

COMPETITOR AND PRICE:

Enter the results from both of these grids in 4.8.e. This will give you a picture of how you stand against your competitors when matching your price to your value proposition.

What's your general result? What does this tell you?

COMPETITOR PRICING COMMENTARY:

DETERMINE PRICE

Now it's time to decide on your price. Open 4.8.g and review the results to recommend the price range for your product/service.

Download the Excel workbook that supports this task: 4.8-Pricing

Review the high, low and average prices and margins. Also consider your minimum profit margin goal and your price at that goal. Then review your previous pricing strategy and consider the following:

- What kind of pricing strategy did you previously recommend?
- Looking at these numbers, what conclusions can you draw? For example, can you meet your profit goal if your price falls within the recommended range?

At this point, you'll need to look hard at your competitors. How are you positioning your product against theirs, and what does that mean for your pricing strategy? Look at the competitors who offer the same value proposition as you. Is it more important for you to price against one or two of those competitors versus the group as a whole? If so, what does that mean for your pricing strategy?

Conclusion: Based on your overall analysis, what narrow price range do you recommend?

PRODUCT/SERVICE:

DISTRIBUTION CHANNEL:

RECOMMENDED PRICE:

COMMENTARY:

EVALUATE IF WE SHOULD PURSUE ADDING A NEW DISTRIBUTION CHANNEL

DISTRIBUTION CHANNEL ANALYSIS

DISTRIBUTION IS A KEY ELEMENT OF OUR MARKETING STRATEGY—IT'S HOW WE ACCESS OUR MARKET. IT'S COMMON TO USE MULTIPLE CHANNELS OF DISTRIBUTION: DIRECT VIA THE WEB, SALES TEAM OR RETAIL LOCATION, OR INDIRECT THROUGH WHOLESALERS, DISTRIBUTORS, VALUE-ADDED RESELLERS OR CONSULTANTS.

Adding new channels can be a great way to launch a new product to large market, grow revenue quickly, speed cash flow, and improve our brand's experience with our end users.

By analyzing our business goals and evaluating our existing channels, we can determine whether a new distribution channel can help us achieve our goals, or whether improving the performance of an existing channel will be a more effective strategy.

TASKS TO COMPLETE:

1. Determine If a New Distribution Channel is Right for You
2. Evaluate an Existing Distribution Channel

DETERMINE IF A NEW DISTRIBUTION CHANNEL IS RIGHT FOR YOU

Distribution is one of the classic “4 Ps” of marketing (product, promotion, price, placement a.k.a. distribution). It’s a key element of your marketing strategy—distribution channels are how you reach your market and grow revenue, whether you’re B2B or B2C.

Most companies have the ability to distribute their products/services through more than one channel. For example, if you’re a manufacturer, you may sell 1) to wholesalers and 2) directly to your end-users. If you make software, you may sell 1) to retailers and 2) through consultants who bundle the software with hardware and offer services like installation, customization and training.

BUSINESS GOALS

Are you looking to expand your market reach? To create a good distribution channel, start by focusing on the needs of the end-users of your product/service.

For example, if your customers need personalized service, you can utilize a local dealer network or reseller program to provide that service. If your customers prefer to buy online, you can create an e-commerce website and fulfillment system and sell direct; you can also sell to another online retailer or distributor that can offer your product on their own sites. You can also build your own specialized sales team to prospect and close deals directly with customers. Or, if you have a consumer product, you can reach out to larger retail stores or specialty stores to entice them to carry your product.

Wholesalers, resellers, retailers, consultants and agents already have resources and relationships to quickly bring your product to market. If you sell through these groups instead of (or in addition to) selling direct, treat the entire channel as a group of customers—and they are, since they’re buying your product and reselling it. Understand their needs and deliver strong marketing programs; you’ll maximize everyone’s revenue in the process.

If you’re a new company, you’re probably already considering channels to access your market. If you’re an existing company, remember that your mix of channels might change throughout your product or service life cycle.

For B2C companies, people’s lifestyles change, attitudes change, and the competitive landscape always provides alternate product and service options as your market evolves. Different channels can help you access new market segments and different price points.

For B2B companies, corporate needs can change rapidly, especially if you’re selling anything related to IT.

Here are some business goals that a new distribution channel can help you achieve:

BUSINESS GOAL	POTENTIAL SCENARIO
LAUNCH A NEW PRODUCT TO A LARGE MARKET—QUICKLY	Use a distribution channel with a large sales force and market share if you're B2B, or use a large, national retailer if you're B2C. You'll have significantly more resources available to you than if you sold direct.
GROW REVENUE QUICKLY	Establish multiple streams of revenue through multiple distribution channels.
ACCESS AN EXISTING SALES FORCE	Explore relationships with channel partners that have experienced and trained sales reps. By using a channel, you can potentially reduce your overhead, limit training expenditures, and plug into existing sales relationships.
GAIN TRACTION IN NEW MARKETS	Enter a new market with confidence through a channel partner. By capitalizing on the channel's established relationships with end-users, you'll have a better chance of quickly establishing rapport.
BUILD A MORE EFFICIENT SERVICE OPERATION	Design and seek out channels that support the needs of your customers. You'll potentially increase service satisfaction and decrease overhead by delegating service, installation, and product integration to a specialized channel partner.
SPEED CASH FLOW	Sell direct to a wholesaler and negotiate pre-payment. The channel becomes responsible for storage (and storage expense) of the product/service and you receive money up front, instead of waiting for a sale to the end-user.
EXCEED THE NEEDS OF YOUR END-USERS	Offer your end-users additional products or expertise to complement yours, through an added value reseller or consultant channel.

What are the most important goals for you?

BUSINESS GOAL:

POTENTIAL SCENARIO:

You've seen the positives of distribution channels. Now, consider the potential downsides to creating a new channel.

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POTENTIAL NEGATIVES	POTENTIAL SCENARIO
CHANNEL PARTNERS MAY NOT HAVE YOUR DESIRED LEVEL OF EXPERTISE	Utilize the channel partner's independent sales force with care. The quality, training or experience level of sales and service reps may be unacceptable or uncontrollable.
YOU MAY NEED TO CREATE A TEAM/DEPARTMENT TO MANAGE THE CHANNEL	Actively manage your channel, just as you would a sales team. Without dedicated attention, the channel may feel neglected or unsupported. Also, without your involvement in the process, the channel may run rampant.
DISAGREEMENTS BETWEEN CHANNEL PARTNERS	Keep an eye on the interactive relationships in your channel network. Any one member's actions can upset the balance and performance of the entire channel, causing your sales to suffer.
PRODUCTION REQUIREMENTS	So Costco or Walmart decides to carry your product and it's a hot seller. They demand X level of production each month, which is 4 times your current production. Can you handle it?
CHANNEL PARTNERS MAY LOSE INTEREST IN YOUR PRODUCT IF SOMETHING BETTER COMES ALONG	Focus on building win-win relationships with your channel partners. Otherwise, distributors may switch to new, more exciting products (or those with better margins). Without a strong relationship, they may also put your product at the bottom of their priorities, if they have better opportunities to pursue.
PRICING IS NOT CONSISTENT ACROSS THE CHANNELS	Track your product pricing to ensure fair pricing through the distribution channels. End-users, channel partners, and your relationships can suffer if you don't.
YOU LOSE TOUCH WITH YOUR END-USERS	Losing touch with your end-users can make it difficult to understand how your market is viewing and interacting with your product/service.

What are the most important potential negatives for you?

COMMENTARY:

DISTRIBUTION CHANNEL EXAMPLES

Sometimes it helps to see examples of distribution channels after they've been established. Here are some case studies:

TYPE	INDUSTRY	COMMENTS
B2C	Hospitality—Montage Resort & Spa, Laguna Beach	Direct channel via the Internet
B2C	Consumer Products—PepsiCo	Multi-channel distribution and logistics overview
B2C	Computer hardware—HP	How HP overtook Dell via retail channels
B2B	B2B Technology Distribution Channel Examples	Requires registration, but it's a free membership

If you'd like a more in-depth review before making your final decision, check out the book The Channel Advantage by Lawrence Friedman.

After considering the pros and cons, what's your decision? Will you pursue a new distribution channel?

NEW DISTRIBUTION CHANNEL DECISION:

EVALUATE AN EXISTING DISTRIBUTION CHANNEL

How well are your existing channels performing? There's always room for improvement—it's just a question of cost vs. benefit. Here you'll evaluate your channel performance at a high level. If you're already aware of specific channel problems you'd like to correct, such as channel conflict or channel management, feel free to jump ahead to CREATE CHANNEL MANAGEMENT PLAN.

EXISTING DISTRIBUTION CHANNEL NAME:

CHANNEL DESCRIPTION:

Channel management is often a hot issue in marketing. While most companies agree that their distribution channels are a critical component of their business and marketing plan, it's easy to put channel management at the bottom of the priority list.

As you're thinking about your channel, consider your performance in specific areas. Below are some examples.

POTENTIAL NEGATIVES	POTENTIAL SCENARIO
MANAGEMENT	How challenging is it to manage your channel? Do you have resources dedicated to channel management? Are they effective?
PERFORMANCE TRACKING	Are you able to easily track orders, volume and total revenue at each point? Do you know who your best performers are? How much time does it take to track the metrics?
CHANNEL COMMUNICATION	How strong are your relationships within your channel? Do you communicate effectively? Do your partners communicate effectively with you?
CHANNEL MARKETING	Do you support your channel with marketing campaigns? Do you send leads to your channel partner(s) if you're B2B? Do they follow up with the leads and convert them to sales?
PRICING CONFLICTS	Does your channel adhere to your pricing policies? Do they ever deviate, and create pricing conflicts?
CHANNEL DISCORD	How often do channel conflicts occur? Do you spend an inordinate amount of time and effort resolving them?
CHANNEL PERFORMANCE	How well does each channel perform, relative to your other channels? Have you measured ROI? If so, how does it compare to that of other channels?

You should also think about everything that's working well in your channel. It'll help to balance those things that are not working well, and give you an unbiased view of your existing channel's performance.

AREAS WORKING WELL:

AREAS NEEDING IMPROVEMENT:

After careful evaluation, what's your conclusion? Do you need to spend time and effort to improve the channel? Should you leave the channel as is? Should you discontinue the channel?

If you're not sure of the economic performance of your channel, feel free to jump ahead to Measure Channel ROI. The numerical analysis should help with your decision.

CHANNEL ANALYSIS:

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DEFINE WHAT OUR CHANNEL WILL LOOK LIKE

NEW DISTRIBUTION CHANNEL OUTLINE

AS WE'RE CONSIDERING OUR BUSINESS GOALS AND THE DESIGN OF OUR NEW CHANNEL, IT'S HELPFUL TO DEFINE THE TRUE NEEDS OF OUR CUSTOMERS AND HOW WE WOULD EXPECT A CHANNEL TO WORK.

Do the channel partners need any type of guidance, training or support? Are channel partners required to hold inventory? If we're selling direct, what are our requirements to create and fulfill orders?

Answers to these questions will help us determine what type of channel to create, as well as the channel structure and the channel logistics.

TASKS TO COMPLETE:

1. Establish Distribution Goals
2. Select Channel Type
3. Project Channel Revenue

ESTABLISH DISTRIBUTION GOALS

Before reviewing the types of channels that can work for you, it's helpful to define what your end-users need and how you would expect a channel to work.

Take some time to think through the following questions:

- How well do you truly understand the needs of your end-users and how your product helps them?
- How much guidance and one-on-one do the end-users need during the sales process? For example, do they need an in-depth personalized review?
- Do your users need to purchase other products or services to be used in conjunction with yours? What kind of training and service do your end-users need? How frequently do they need that support? How much control do you need over the delivery and servicing of your product—can it be effectively sold and serviced by someone else?
- Would you need to actively train and manage your channel partners? If so, would your company be willing to make a commitment to that activity?
- Are there inventory and product distribution issues to worry about? In the best scenario, who would carry the inventory?

Now, record any important elements you'll need to address in a potential new distribution channel.

DISTRIBUTION ELEMENTS TO CONSIDER:

Now, determine your distribution channel goals. These can be either qualitative or quantitative. Start high level. You'll be able to refine these later, after you've created more structure around your channel.

DISTRIBUTION CHANNEL GOALS:

SELECT CHANNEL TYPE

Now it's time to review channel types. If you're a service provider, it's typically pretty straightforward—you either sell direct or through an agent/partner.

Manufacturers, of both business and consumer products, have many options.

Below is a more in-depth list of channel types along with some of the pros and cons of each. These can be applicable to either B2B or B2C.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
WHOLESALER/ DISTRIBUTOR	A company that buys products in bulk from many manufacturers and then resells smaller volumes to resellers or retailers. A distributor carries inventory; when a reseller or retailer runs out of stock, they call the distributor. By selling to a distributor, you can potentially reach a wide market very quickly, depending on the distributor's industry focus and customer list.	Distributors have the relationships and expertise to get a product quickly to market. They make money by turning over large volumes of inventory. When a manufacturer is also selling direct, it competes head-to-head with the distributor and can easily ruin the channel or create damaging mistrust. Distributors also insulate you from end-users or VARs who can provide valuable feedback and data. Finally, a distributor sells to resellers or retailers, so you're three steps away from your end-user.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
VAR (VALUE-ADDED RESELLER)	A VAR works with end-users to provide custom solutions that may include multiple products and services from different manufacturers. For example, a VAR may have a customer who needs a new system implemented; the VAR decides what the customer needs, and then purchases the necessary products from a distributor or an individual manufacturer. The VAR installs and services the system, as well. With this type of channel, you have to build a relationship with each individual VAR and treat that VAR as a potential customer who buys from you in small quantities on an ongoing basis. However, a VAR needs fast turnaround and may be ordering many products from different manufacturers; they would often prefer to buy from a distributor than directly from a manufacturer to save time and hassle.	A VAR is often an expert in a particular industry and works closely with end-users to create the right solution for their particular problems. A VAR may have built a strong customer base over many years; VARs may have a handful or hundreds of employees and sales reps. The VAR needs to earn a fair profit and feel that your product is the right fit for their customers and services; if they have any trouble or if they feel that their profit doesn't justify their time, they will discontinue the program. Many VARS would prefer to call a distributor rather than a manufacturer, particularly if there are a lot of products in the solutions the distributor sells – it's easier to make one call.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
CONSULTANT	A consultant develops relationships with companies and provides very specific or broad services. These consultants may recommend a manufacturer's product or service, or simply purchase it to deliver a solution for the customer. A consultant relationship is essentially the same as a VAR relationship – you need to build your network, provide tools for the network to sell your solutions and fulfill orders on demand.	Consultants sell services and can influence and make suggestions to their clients to purchase from outside firms like yours. Consultants are typically looking for new opportunities to generate more revenue from their existing clients, so if you offer them a worthwhile commission and your product is the right one, they can recommend it. Other potential negatives are the same as with a VAR.
SALES AGENT/ MANUFACTURER'S REP FIRM	You can essentially outsource your sales team for a particular industry if desired. A "manufacturer's rep" is a firm or a company that sells different manufacturers' products to a group of similar customers in a specific territory. They typically don't carry inventory; they function like a normal sales rep and earn commission when they place an order with you for a customer in their territory.	A sales agent or manufacturer's rep is an outsourced sales force that typically specializes in a specific field. By hiring them, you gain sales reps that have an understanding of your product, your market and your end-user, so they can immediately begin moving your product through the channel. Sales agents/manufacturer's reps typically sell multiple products, so yours will compete with others for their "sales time." You probably won't be able to control their required sales volume and will need to figure out ways to incent them to sell your product.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
DEALER	A company or person who buys inventory from either a manufacturer or distributor, and then resells to an end-user. A dealer may sell via a retail space, a catalog, a website, or through a sales team that calls on potential customers.	Like resellers and VARs, dealers have relationships with end-users. Other potential negatives are the same as with a VAR.
RETAIL	Retailers sell directly to end-users via a physical store and/or website. Depending on the store's focus, the sales reps may or may not have extensive training and knowledge about the individual products they sell. You can sell directly to a retailer; you can also sell to a distributor who sells to multiple retailers. You can sell products or services through a retailer – if retail is a good way to reach your end-users. Be creative when thinking about these opportunities. You may be able to set up a store-within-a-store, offer services to the retailer's customers, and/or run a wide variety of promotions.	You can reach a large number of people when they're actively shopping for your product or related products. Retail salespeople may not have enough training to effectively sell a complex product; large companies who need higher volumes prefer to buy from a distributor or the manufacturer.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
DIRECT – INTERNET	You sell directly to your end-users from your website. Since you're handling the order processing and the inventory, and shipping the product to the end-user, your website will need a full ecommerce engine that should be as integrated to your inventory database as possible. You may also need to have it integrated to your customer relationship management software for account management and customer service.	A good e-commerce website can automate most of the sales and ordering process, and can handle a large volume of transactions accurately and efficiently. An example is Dell Computers, which became the #1 computer manufacturer based solely on website sales. Building the site can be expensive and time consuming. And, you have to substantially increase your marketing efforts to get end-users to visit the site.
DIRECT – CATALOG	You sell directly to your end-users and they purchase from a catalog. Typical catalog orders are placed via the phone or facsimile, so you'll need an order-taking department.	It's easier to set up, print and distribute a catalog than it is to set up a good ecommerce website. Fulfilling catalog sales can be labor intensive and can have a greater propensity for fulfillment errors, with people handling large volumes of individual transactions.

CHANNEL TYPE	DESCRIPTION	PROS AND CONS
DIRECT – SPECIALIZED INTERNAL SALES TEAM	If you have different customer segments with very different needs, or if you sell a line of products that vary widely, you can break up your own sales efforts so that you have teams that specialize in and focus on their own areas. By splitting up your internal efforts, you can hire reps with more specialized skill sets, create more specific and attainable quotas, and better manage reps' activities to meet their goals.	You can control the quality and frequency of your marketing efforts to the end-users. A good sales force will know the end-users' exact needs, and can probably do a better job selling your product than can anyone in the channel. Building a direct sales force can be challenging and it takes time to establish relationships with end-users that a potential distribution partner may already have. If you have a direct sales force and a distribution channel, you need to avoid channel conflict as much as possible

Which of these options seems most appealing and will support the business goals that you outlined previously? Select those that you'd like to evaluate, and list examples in your industry of those types that interest you.

As you're considering potential new channels, remember that a decision to create a new distribution channel is a long-term, strategic decision. Setting up and managing a new channel requires significant time and resources. If done well, it can significantly impact your market reach. If unsuccessful, it'll probably reduce your bottom line due to the lost investment.

Also consider your channel strategy—are you focusing on a vertical distribution strategy, or a horizontal distribution strategy? In a vertical distribution system, suppliers and distributors work closely together while planning production, delivery, promotion and pricing. There are typically one or a handful of partners at each level, with little competition between each. An example could be an auto parts manufacturer, who contracts with a sole steel supplier, and a single retail distributor who has locations throughout its geographical market.

In a horizontal distribution system, numerous companies operate on the same level, often times working together to exploit marketing opportunities. An example could be a manufacturer that sells a food product (specialty cookies, flavored tea, or ice cream) to full service groceries, to mom and pop stores, and to large discount clubs such as Sam's Club or Costco. Horizontal systems can also create channel conflict if one outlet is selling the same product or service at a substantially lower price.

TYPE OF DISTRIBUTION CHANNEL TO ESTABLISH AND DESCRIPTION:

COMMENTARY:

PROJECT CHANNEL REVENUE

If you've identified a new channel to pursue, take a few minutes to project the revenue the channel could potentially generate. This is a rough estimate, but it will help you gauge how impactful the new channel could be, and help you prioritize your channel activities.

Download the Excel workbook that supports this task: 3.7-Distribution-Channels

Use 3.7.a to help you estimate the amount of revenue you think you can generate from a channel. 3.7.b will summarize your results in a report format for printing.

You'll need to estimate:

- The number of channel partners you bring on board in months 1-3, 4-6, 7-9, and 10-12 of your program
- The average per-unit revenue you can generate, when you sell to an average channel partner
- The number of units an average channel partner could sell per month, for the first three months and on a monthly basis thereafter. (A partner will probably start off slowly and ramp up as they reach the market with your message.)

CHANNEL REVENUE PROJECTION:

COMMENTARY:

To start setting up your channel, continue with Design Channel.

FIND CHANNEL PARTNERS AND CREATE OUR CHANNEL PLAN

NEW DISTRIBUTION CHANNEL PLAN

BEFORE APPROACHING POTENTIAL NEW CHANNEL PARTNERS, IT'S A GOOD IDEA TO DEFINE THE SPECIFIC ELEMENTS OF THE CHANNEL.

What is its purpose? How will it benefit our end-users? What are the channel logistics? How are orders processed? Who handles inventory?

Answers to these questions will help us create the criteria for potential channel partners that would support our distribution goals. Then, it's time to approach potential partners, secure a deal, and create our plan for managing the relationship.

TASKS TO COMPLETE:

1. Design Channel
2. Find Channel Partners
3. Create Channel Partner Management Plan

DESIGN CHANNEL

By now, you should have an idea of what types of channels are appropriate for your business.

Here you'll create your channel structure and think about your channel logistics.

DISTRIBUTION CHANNEL TO CREATE:

DISTRIBUTION CHANNEL PURPOSE:

Since you're developing a new channel to deliver products/service to the end-user, start your design by thinking about your end-user's needs.

For the benefits, focus on the end-users' benefits—not yours.

TARGET MARKET SEGMENTS AND END-USER DESCRIPTION AND BENEFITS FROM USING CHANNEL:

Now, for each segment, think about the steps involved in reaching your end-user. For example, if you sell to a VAR, who sells to an end-user, it's a two-step process.

Examples:

CHANNEL EXAMPLE	STEP 1: YOU SELL TO:	STEP 2: THEY SELL TO:	STEP 3: THEY SELL TO:
DISTRIBUTOR MODEL #1	Distributor with VAR relationships	VARs	End-users
DISTRIBUTOR MODEL #2	Distributor with retail relationships	Retailers	End-users
VAR	VARs	End-users	
RETAIL	Retailers	End-users	
CONSULTANT	Consultants	End-users	
OUTSOURCED SALES	Manufacturer's agents	End-users	
DIRECT – SALES GROUP	End-users via your sales team		
DIRECT – INTERNET	End-users via your website		
DIRECT – CATALOG	End-users via a catalog		

After thinking about your potential channel structure, outline it below, considering each of the following:

- Channel name
- Product
- Customer segment you're trying to reach
- Purpose of the channel
- Step 1—you sell to
- Step 2—who sells to
- Step 3—who sells to

TIPS

1 The fewer channel partners you have, the less training and management you'll need to do; think about ways to reach the largest market in the fewest possible steps.

2 The closer you are to the end-user, the better, unless your product is truly a commodity—then sheer volume is your goal.

3 You'll probably want to provide marketing support to your channel partners; the farther you are from the end-user, the more difficult that becomes.

DISTRIBUTION CHANNEL STRUCTURE:

LOGISTICS

Now think about logistics. Here are some questions to consider:

- Inventory: In a perfect scenario, who would carry the inventory?
- How should orders be processed and fulfilled?
- Who is responsible for generating leads?
- Who is responsible for qualifying leads?
- Who will create sales literature and tools?
- Who will service the product?
- Who is responsible for collecting bad debts?

CHANNEL LOGISTICS:

FIND CHANNEL PARTNERS

After you've designed your channel, you'll want to start researching the types of companies to contact as potential channel partners and connect with them to give them your pitch.

First, list your channel type:

- Wholesaler/distributor
- VAR (value-added reseller)
- Consultant
- Sales agent/ manufacturer's rep firm
- Dealer
- Retail
- Direct—Internet
- Direct—catalog
- Direct—specialized internal sales team

CHANNEL TYPE:

Before you start contacting your target companies, think about the key criteria you're looking for. For example, if you're selling software and you're going to sell to VARs, you will need to find VARs with the kind of expertise and customer base that enables reps to quickly get your product to the end-users who need it.

Treat this step as if you're designing a marketing campaign—if you do a good job targeting your potential channel partners, it will be easier to get them on board and get them producing.

Things to consider:

- What kind of customers does this company need to have?
- What kind of skills and experience will the company need to have to sell this product?

- What kind of geographical territory does the company need to serve?
- Do you have any quantitative criteria such as the size of the company, the number of sales reps, the number of customers they have, or the number of years they've been in business?
- What is your value proposition and brand strategy, and how can you make sure this company upholds those tenets?

Download the Excel workbook that supports this task: 3.7-Distribution-Channels

You can use 3.7.c to help you track the companies that you find in your initial research. You can store your key criteria in the workbook for easy reference.

If you're approaching a handful of distributors, you'll use a different approach than if you're contacting hundreds or thousands of potential VARs, consultants, resellers, etc. In the latter case, you'll probably create a full-scale marketing campaign to generate interest and start a dialog with various companies. [Marketing Campaigns can help. Access these subjects in our marketing planning and management app. Create your free account here.]

IDEAL CHANNEL PARTNER DESCRIPTION:

PARTNER SALES PITCH

As with any sales pitch or marketing campaign, focus on the needs of the company you're pitching.

- Describe the value you can provide to this type of company.
- What's your message to the potential partner? What are the key benefits of working with you?
- What are the benefits to the partner's end-customers?
- What kind of marketing support will you provide? (This is relevant to B2B and select B2C marketers. This question is an important one. Outline Channel Support delivers suggestions about how to create marketing programs and support your channel partners.)

Be sure you have a solid presentation prepared, including a product presentation, a slide demo and any relevant facts about your market and your product. You have only one chance to make an impression!

PITCHING BIG CONSUMER RETAILERS

If you're B2C looking to pitch a top-tier retailer, be sure you have "all your ducks in a row" before getting a meeting. More succinctly, be prepared, as you will probably have only one chance to impress the buyer and get another meeting.

If you've never pitched a huge retail distributor like a Walmart, Costco, Home Depot, Macy's, etc., make sure you research your potential partner's supplier application process, so you understand exactly what you'll need to do to meet their qualifications.

Since each retailer may have a different process, it's best to research them online and contact them if necessary. However, here's a general outline for preparation for a meeting with a big retail supplier:

- **Familiarize yourself with the retail outlet.** Visit a few different locations and make sure it's a good fit for your product.
- **Research the retailer's vendor evaluation process.** You can probably find it online, or contact them directly.
- If the retailer uses buyers, **identify the buyer for your product.** You might be able to ask a local manager for the buyer's contact information.
- **Prepare for a meeting.** Get your product samples ready, along with your presentation. Think about any objections the retailer might present, and prepare your responses.
- **Arrange a meeting.** You may need to ship product beforehand. Don't be over-anxious! It's common for some buyers to wait 2 to 4 weeks to have a meeting.
- **Complete a new vendor application.** You may need to provide financial information and production capabilities, so be prepared ahead of time.
- **Be prepared to be able to fulfill future orders** if things go well, and you're selected. If you can't fulfill their orders, you'll lose out on a great opportunity.

TARGET COMPANY AND SALES PITCH:

PREPARATION REQUIRED:

COMMENTARY:

PARTNER ON-BOARDING PLAN

If you're B2C getting into a big retailer, the retailer will drive the on-boarding process. If you're B2B, or B2C with a smaller partner, think about the steps you will follow in your sales and implementation processes. They can vary by industry, but here is a basic outline:

- Develop support materials and/or campaigns as needed
- Approach potential channel partner or launch a campaign
- Sell the value of the partnership
- Negotiate partnership terms and execute a partnership agreement
- Establish mutual goals for the partnership
- Identify how the partner will handle service requests
- Define the reports you'll need to measure progress
- Determine what kind of marketing support you'll provide
- Determine how marketing data will flow (for example, if you run campaigns to generate leads for a VAR, how will you transmit that data and ensure that it's followed up?)
- Develop & deliver any sales/support materials they might need
- Deliver inventory (if necessary)
- Train the partner
- Begin selling through the partner
- Manage and improve performance

IMPLEMENTATION STEPS AND COMMENTARY:

CREATE CHANNEL PARTNER MANAGEMENT PLAN

It's important to understand the commitment that a channel structure demands, especially if you're creating a channel that will have a large number of partners. Carefully design your channel management plan, and allocate resources to manage it long-term.

Start by determining your channel manager and outlining the risks.

- Who will manage your channel?
- What are the main risks that could prevent the channel from being successful?
- How will you manage against those risks?

CHANNEL MANAGER:

CHANNEL RISKS:

Now, address each area requiring management. Outline your requirements, as well as the person responsible for each and the projected time commitment. Below are some suggestions:

CHANNEL MANAGEMENT AREAS

- Channel Support
- Inventory
- Credit Management
- Order Placement and Processing
- Sales Support
- Marketing Support
- Marketing Planning
- Marketing Tools and Collateral
- Tradeshows and Event Management
- Training
- Distributor On-boarding
- Conflict Resolution
- Distribution Contracting

Now, list your requirements for each channel management area.

CHANNEL MANAGEMENT AREA AND REQUIREMENTS:

COMMENTARY:

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CREATE OUR CHANNEL PRICING STRATEGY

CHANNEL PRICING STRATEGY

CHANNEL PRICING CAN BE TRICKY, ESPECIALLY FOR COMPANIES WHO ALSO SELL DIRECT.

The main focus of our pricing strategy is to minimize pricing conflicts. We'll ensure that we've carefully mapped out the price for each step in our channel, and included a fair profit for each type of partner.

Comparing the end-customer pricing from all of our channels will help reduce the potential for pricing conflict, which can jeopardize our entire distribution strategy.

TASKS TO COMPLETE:

1. Minimize Channel Pricing Conflict
2. Determine Channel Markups
3. Set Channel Pricing

MINIMIZE CHANNEL PRICING CONFLICT

Channel pricing can be challenging, especially if you also sell direct. You have a number of major goals that can directly conflict with each other.

A main focus of your pricing strategy, when using multiple channels, is to minimize pricing conflicts. With multiple channels, it's a good idea to carefully map out the price for each step in your channel and include a fair profit for each type of partner. Then compare the price that the end-user will pay; if a customer can buy from one channel at a lower price than from another, your partners will rightfully have concerns. Pricing conflict is common, and it can jeopardize your entire distribution strategy, so do your best to map out the price at each step and develop the best solution possible.

Your other channels (direct and indirect) will affect how you approach your channel pricing strategy. How are you approaching the market?

MARKET PENETRATION METHOD	TYPE OF CHANNELS
TARGETING SAME CUSTOMER GROUP SELLING DIRECT, AS WELL AS WITH A CHANNEL	You are 1) selling directly to customers and 2) using a channel that's selling the same product to the same group of customers.
KEEPING DIRECT AND INDIRECT CHANNELS TARGETING SEPARATE CUSTOMER GROUPS	You are using an indirect channel (i.e., distributor, VAR, consultant, etc.), in addition to, or instead of, your own direct channel.

CHANNEL MARKET PENETRATION METHOD:

Each company in your channel needs to earn an acceptable profit margin in order to continue participating in the channel. You sell to another company and they need to mark up your price; the more steps in the process, the more the product is marked up, and the more the end-user will pay.

Remember, your channel partners are investing valuable time and energy into offering your product. If the channel is an important revenue stream for you, do your best to make it work for all parties.

Consider the following market penetration methods and the inherent challenges:

MARKET PENETRATION METHOD	CHALLENGE	POTENTIAL SOLUTIONS
TARGETING SAME CUSTOMER GROUP SELLING DIRECT, AS WELL AS WITH A CHANNEL	If you sell the same product to the same end-users at a lower price than that of your channel partners, you're putting your entire channel strategy at risk. It might work in the short term, but this scenario rarely works for the long term. Your partners will: • Mistrust you for undercutting their price • Lose revenue as their customers eventually learn that they can get a better price from you • Probably fight you on the issue, and then defect	Stop competing with your channel for that product and customer segment; focus your efforts elsewhere. If you sell directly, sell at the same price. If the channel offers substantially more value, you may be able to offer the product at a slight discount on their end price. However, it's wise to talk about that strategy with your partners – if the channel is worth having, then it's worth avoiding this issue. If the channel's price is simply too high, look at the profit margins and markups that each company in the chain is earning. Each company deserves a fair profit for the value they provide; it's possible that too many middlemen are forcing the price too high. Consider lowering the price at which you sell to your channel. It may be worth it to lower your profit margins for that revenue stream, in order to keep the revenue flowing. You may need to try to use fewer steps in your channel. You may need to more forcefully establish a "recommended retail price" and promote it heavily to your entire channel. The pressure to meet that price could help you convince them to lower their prices throughout the chain. However, you'll need to make a strong case that, by doing so, they will sell more volume and increase their total revenue.

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MARKET PENETRATION METHOD	CHALLENGE	POTENTIAL SOLUTIONS
KEEPING DIRECT AND INDIRECT CHANNELS TARGETING SEPARATE CUSTOMER GROUPS	When you create a channel instead of selling directly to the end-user, you lose control over the final price of your product / service. For example, if you're a manufacturer and sell at a wholesale price to a wholesaler, who then sells to a distributor, who then sells to a value-added reseller (VAR), that VAR will typically set the end-user price. The problem arises when the seller at the end of your channel uses a pricing strategy that's inconsistent with your value proposition and brand promise. In a quest for short-term revenue, they may offer discounts and promotions that undermine your long-term strategy.	You may need to more forcefully establish a "recommended retail price" and promote it heavily to your entire channel. The pressure to meet that price could help you convince them to lower their prices throughout the chain. However, you'll need to make a strong case that, by doing so, they will sell more volume and increase their total revenue. Work with your channel – provide training, marketing materials, campaigns and justification to ensure that they understand your value proposition and why your recommended pricing is best for the long term. They may be using these tactics because they're not selling enough volume at the price you recommend. You may need to take a hard look at your pricing strategy. [Pricing can help]

Now, outline potential challenges and solutions to your distribution channel.

POTENTIAL CHALLENGES:

POTENTIAL SOLUTIONS:

COMMENTARY:

DETERMINE CHANNEL MARKUPS

Here you will determine how you'll markup your prices at each step in your distribution channels until your product/service reaches the end-user.

Download the Excel workbook that supports this task: 3.7-Distribution-Channels

You can use 3.7.d to review prices and markups at each step, to see what happens to the price for the end-user. Remember to tie your price to your value proposition, evaluate the market and your competitors' prices, and determine your price floor. [Pricing can help]

CHANNEL DESCRIPTION:

CHANNEL STEP AND MARKUP:

SET CHANNEL PRICING

Now, determine your final pricing. You may wish to use 3.7.e to finalize your inputs, to determine your channel pricing structure.

Download the Excel workbook that supports this task: 3.7-Distribution-Channels

Data you'll need:

COST OF GOODS:

DESIRED PROFIT MARGIN:

If you also sell direct, enter different suggested retail prices to see if you're undercutting any of your suggested channel prices.

What is the result?

SUGGESTED CHANNEL PRICE:

COMMENTARY:

DRIVE REVENUE THROUGH THE CHANNEL

CHANNEL MARKETING CAMPAIGNS AND SUPPORT

It's important to support our channel partners and treat them as customers – so they support our brand and promote our offering. After all, our channel partners may also be selling other products and services.

A good way to support our channel partners is with marketing campaigns – by running campaigns to generate leads for our partners, by providing training or sales tools and literature, or by providing partners with marketing funds or special materials to promote our offerings.

TASKS TO COMPLETE:

1. Outline Channel Support
2. Design Channel Marketing Campaigns

OUTLINE CHANNEL SUPPORT

Though your channel partners have relationships in place and are selling your product, they're also selling other products. Instead of marketing just your product, they're marketing their own services or company. Your mission is to help them generate interest and close deals for your specific product, and that takes solid marketing and relationships to work properly.

Service your channel partners as you'd service your best customers, and work with them to drive revenue. For example, provide them with marketing funds or materials to promote your products; run campaigns to generate leads, and forward them to your partners.

As you're thinking about the support to provide your channel, don't just think about the company that you're selling to directly; think about the companies at every step, and most importantly, the end-user.

DISTRIBUTION CHANNEL:

Now, for each customer segment, think about the steps involved to reach your end-user. For example, if you sell to a VAR, who sells to an end-customer, it's a two-step process.

EXAMPLES

CHANNEL EXAMPLE	STEP 1: YOU SELL TO:	STEP 2: THEY SELL TO	STEP 3: THEY SELL TO
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TIPS

1 The fewer channel partners you have, the less training and management you'll need to do; think about ways to reach the largest market in the fewest possible steps.

2 The closer you are to the end-user, the better, unless your product is truly a commodity—then sheer volume is your goal.

3 You'll probably want to provide marketing support to your channel partners; the farther you are from the end-user, the more difficult that becomes.

DISTRIBUTION CHANNEL STRUCTURE:

PARTNER TRAINING

There are two types of training you might need to develop:

- Sales training to help the partner sell your product
- End-user training to help the customer use your product

Sales Training

Look at all of your channel partners—not just the Step 1 partners, but everyone in the channel. What kind of training could you develop to help them convey your messaging, understand the users' needs, and successfully position and sell your product?

You have a variety of options for delivering training. Think creatively—don't limit yourself to written guidebooks or materials, which usually are not very interesting or effective. Instead, think about better ways to capture their attention and get your message across.

Think about each channel partner and their current ability to support your offering. Are there common needs across your entire partner base?

Training Ideas

- Develop a monthly webinar with follow-up emails
- Create a section on your website with interactive Q&A
- Create video presentations so they can watch and listen, rather than read
- Host live events at trade shows
- Create a compelling marketing campaign that tickles them with new information at each delivery
- Use a blog, social media or RSS feed to send out information to your entire channel
- Reference guidebook (make it short and reader-friendly!)

Training Subjects

Here are a few potential training subjects. Help your channel to understand how to do the following:

- Convey your value proposition and brand strategy
- Understand and use your written and verbal messages
- Understand the specific wants and needs of the end-user and how your product can solve their problems
- Successfully position your product against those of your competitors
- Use your sales literature and tools to close deals
- Create feedback processes to ensure that your programs and materials are working

Training Materials

Think creatively—your channel partners are busy and probably won't read lengthy materials. How can you deliver training that's effective, interesting and ongoing?

CHANNEL TRAINING SUBJECTS:

CHANNEL TRAINING MATERIALS TO CREATE:

TRAINING COMMENTARY:

Make sure any materials or events you create are compelling, interesting, and as short as possible. Your partners should be selling, not poring over your materials. Be succinct!

END-USER TRAINING

Your channel partners may also be responsible for training your end-users, especially if you're B2B. If you already have training materials for those customers, great! If not, you'll need to create them. You'll also need to help your channel partners deliver that training.

Once again, think creatively—don't limit yourself to written guidebooks or materials, which usually are not very interesting or effective. Instead, think about better ways to capture their attention and get your message across.

Training Ideas

- Develop a webinar for end-users
- Create a customer section on your website with training materials, Q&A, and archived webinars
- Create video presentations so they can watch and listen, rather than read
- Host live events at trade shows to meet with current customers, share trends, and answer questions
- Use a blog, social media or RSS feed to send out information
- Create a reference guidebook (make it short and user-friendly!)

Now for each customer group, identify what training you need to develop and how you can help the channel partner deliver it.

END-USER TRAINING SUBJECTS:

END-USER TRAINING MATERIALS TO CREATE:

SALES LITERATURE & TOOLS

In addition to training your channel partners, you'll need to create literature & tools to help them in the sales process.

Make sure you have created a sales process that your channel partners can use to sell to potential customers. [Sales Process can help] It's an important exercise—it helps you break down the sales cycle into distinct steps. When you break it down, it's easier to develop tools and literature that will be effective because each piece will have a distinct sales purpose.

For example, you'll address:

- What are the steps the prospect must undergo before buying the product/service?
- At each step, what does the prospect need to know, feel and receive in order to get to the next step?
- How long does the prospect typically spend on each step?

You should also ask for detailed and honest feedback from your channel partners. Is the literature working? What else can you provide?

If you already have literature and tools in place, how good are they? Do they convey your brand and message succinctly and credibly? Could they be better?

If a piece doesn't move the prospect at least one step closer to purchase, then it's either unnecessary or ineffective.

To answer these questions, ask your team for feedback:

- Goal of the piece
- How effective is the piece in reaching the goal?
- What is the key message of the piece?
- Does it meet your branding requirements?
- Is it simple to use?
- Is it credible?
- Are your reps trained to use it properly?
- What are some ideas for improvement?

SALES TOOLS AND LITERATURE TO CREATE:

Now, list any other ideas for channel support.

OTHER CHANNEL SUPPORT IDEAS:

DESIGN CHANNEL MARKETING CAMPAIGNS

Marketing campaigns should be an important part of your channel marketing strategy. You may want to research your competitors and/or get feedback from your partners about what other companies have done, what has worked well, and what recommendations they have. Ask for their ideas and use them; you'll build a much stronger program and partnership in the process.

Potential questions:

- What's the best marketing support campaign you've used in the past and why did it work so well?
- What other types of programs work for you?
- What doesn't work and why?
- What can we do to make your job easier and help sell more product?

With this feedback, you can start honing in on the types of programs you'll offer. Here are a few examples:

- Lead generation campaigns
- Lead qualification processes
- Lead nurturing
- Special events

DISTRIBUTION CHANNEL:

MARKETING CAMPAIGN TO DESIGN:

COMMENTARY:

After you've outlined the campaigns you want to deliver, continue with the exercises in the Marketing Campaigns subject in our marketing planning and management app. Create your account here to plan your metrics and execution.

www.marketingmo.com

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