

Part V

Implementing Your Strategy with a Marketing Plan

The 5th Wave

By Rich Tennant



In this part . . .

In this part's chapters, you embark on a journey through the implementation process. I begin by taking a look at marketing ethics and explaining what your responsibility is when it comes to upholding those ethics. Then you dive in, discovering how to get consumers' attention by effectively positioning your product or service to your target market. I help you create positioning strategies and draft your positioning statement so you get your message across to your consumers.

The second piece of the implementation process is understanding how to educate your consumers about your products and services. Your goal is to persuade your consumers to choose your product or service over others. You do this by drafting your marketing message and choosing the right marketing vehicles to reach your target market.

The third part of the process is new product adoption. I show you how to increase your chances of consumers adopting the new products that you introduce as well as any changes to your current offerings. You find out what holds consumers back and how you can drive them forward in adopting change. Last but not least, I show you how to encourage repeat buying and customer loyalty — not just customer satisfaction.

Chapter 15

Understanding Marketing Ethics

In This Chapter

- ▶ Getting a handle on ethics in marketing and consumer behavior
 - ▶ Understanding your ethical responsibilities as a marketer
 - ▶ Evaluating your own marketing ethics by creating a policy
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Marketing ethics impact both the consumer and your business. So you must build trust with your consumers in the marketing system. In other words, you need to market your products appropriately and for their intended and promoted uses. Ethically, your responsibility is to use advertising that isn't deceptive or misleading. You're expected to embrace, communicate, and practice ethical values that improve the confidence of your consumers.

In this chapter, I help you understand the importance of marketing ethics and explain how deceptive marketing practices affect consumer behavior. I also show you your ethical responsibilities and how to create your own code of ethics.

A Primer on the Role of Ethics in Marketing

Having a set of ethical standards in marketing helps you do the right thing regardless of your product or market sector. You use these standards to identify acceptable practices, foster internal control, and deal honestly and fairly with consumers. *Ethical marketing* is an approach to marketing in which businesses set high ethical standards and communicate those standards positively.



As a marketer or business owner, it's your responsibility to accept the consequences of your marketing activities and make sure that the decisions you make and actions you take in marketing satisfy the needs of your consumer and the needs of society.

Exploring the fluidity of marketing ethics

Ultimately, you must follow your own code of ethics and gut instincts on many issues. There's a list of issues marketers are legally responsible for abiding by (I discuss them in the "Recognizing a Marketer's Ethical Responsibilities" section, later in the chapter). Two of them, however, create the most criticism from the public and possible legal action: product harmfulness and consumer vulnerability. These two issues are often intertwined.

When it comes to ethics, most public criticism occurs when marketing strategies target vulnerable consumer groups with harmful products. For example, a brewery targeting segments that have a large proportion of consumers with alcohol addiction and problems might be considered unethical.

However, the definitions of "harmful" and "vulnerable" are up to the interpretation of the individual. For instance, one person may think that by marketing fast food, companies are simply increasing the obesity problem that we face in the United States. However, that school of thought is arguable. After all, other folks feel that fast food is less harmful when not consumed in large quantities and when individuals exercise regularly.

Similarly, most people would agree that children, undereducated consumers, and elderly consumers would be considered vulnerable. But at the same time, others would disagree with these categorizations. There are now laws that affect children and marketing, whereas with seniors that isn't the case. As you can see, it's difficult to come to a complete agreement on both product harmfulness and consumer vulnerability.

As if the explanation of what is and isn't ethical weren't fluid enough, it's important to also remember the importance of intent when settling on a verdict of "ethical" or "unethical" behavior. There's a difference between simple marketing mistakes and truly unethical behavior.



Unethical marketers *intend* to act negligent, manipulate consumers, and generally do harm to others. Average marketers, on the other hand, may simply make an innocent mistake that only appears unethical. For example, consider a company that produces children's toys. It releases a toy, markets it, and introduces it to consumers. The consumers love it and begin to purchase the toy. After two months of being on the market, however, a defect is noticed and

the company recalls the toy. In this case, the company didn't intentionally put this toy onto the market knowing it was defective and could cause harm to the consumer. Instead, it was an innocent mistake. But if this company knew that a defect was present in the product and it still introduced the product, it would have an unethical case against it.

In order for a business to cross the boundaries from ethical into unethical behavior, it must be aware that an action will be considered unethical. Then it must act with deviance to cover the true intent of the action. In other words, the business doing the marketing must know that the actions are considered inappropriate and carry through with them anyway. However, in order to prove that an action is unethical, it must be proved that there was intent to mislead the consumer. Proving intent isn't an easy thing to do.



There's a difference between marketing ethics and actual laws. Marketing ethics represent rules of conduct that have been put into place to protect the interests of consumers. However, if you market in a way that breaks actual laws, you're in for legal issues. These written laws have been approved and are enforced by the government in order to protect consumers. The labels of right and wrong are dependent on personal perspectives, morals, ideals, and cultures. It's a different story when a company breaks laws and violates the trust of the consumer, however.

Understanding how unethical marketing affects consumer behavior

Unethical marketing behavior affects the emotions, attitudes, and perceptions of consumers, whether it happens to them directly or they just hear about it. Consumers often feel the impact when they experience a lack of trust or a feeling of disbelief in regard to marketing. Then they're hesitant to purchase. You've probably heard the phrase "If it's too good to be true, it probably is." Well, it's just my guess, but you have to wonder whether a consumer who had experienced unethical marketing coined that phrase.

When businesses begin to take advantage of consumers, consumers lose, businesses lose, and society as whole eventually loses. Many people believe that the ethical treatment of consumers is the basis of a fair and just marketplace. After all, when trust is violated, value perceptions held by consumers are harmed, and they may stop making purchases. And when a business misrepresents a product, consumers are led to expect more than is actually delivered. At that point, an unfair exchange results. A fair value exchange, on the other hand, results when consumers, business owners, and marketers act with good faith, complete disclosure, and trust.

Consider an example where a business knowingly deceives a consumer. In this example, a water filtration company salesperson knowingly contaminates a water purity test by adding certain minerals to a water sample. The consumer is alarmed by the poor quality of his water and the harm it may cause to his family, so he decides to buy a filtration system from that company.

The act of this one salesperson could have a detrimental effect on consumers, other employees, the business's hometown, and even the employee herself. For example, consider what would happen if that consumer later discovered that the water test was knowingly tainted. He would complain not only to the company but also to the Better Business Bureau. If the word got out that the salesperson acted unethically, the company could go out of business. Employees would lose their jobs, storefronts would suddenly become vacant, and consumers would be left with unnecessary products.

Discovering how ethics affect the four Ps of the marketing mix

Because all areas of the marketing mix can be brought into question and construed as unethical by consumer groups, it's important that you use the tools in your marketing mix carefully. Marketing practices that potentially raise problems of ethics are associated with all four of the marketing mix variables: pricing, product management, promotion, and placement. (If you need a refresher, you can read more about the four Ps of marketing strategy in Chapter 3.) You can counteract the predisposed problems consumers may have by using these variables to identify and educate consumers, thereby building their trust and confidence in you. In this section, I examine each of these areas separately.

Pricing

Pricing is one of the most visible elements of the marketing mix, and so pricing policies are constantly questioned by consumers. And when a consumer believes that prices are unfair, she's likely to leave the business and spread negative information to other consumers regarding that business.

It's also common for consumers to complain about marketing efforts that lead to overall higher prices. For instance, a company that pays millions of dollars for a Super Bowl commercial will often face criticism from consumers and push back on price. Marketers use the "price" as a statement of value received from an offering that may or may not be monetary; it's important that consumers see that same value.



An unethical use of pricing is to state that a regular price is a sales price. This practice is actually prohibited by law as well.

Products

The largest ethical concern regarding the product portion of the marketing mix is whether the products are harmful to the consumer or to society as a whole. Products can often lead to short-term consumer satisfaction, but they also may lead to long-term problems for both the consumer and society.



The failure to disclose that a product won't function properly without necessary components is unethical.

Generally, products fall into four categories pertaining to social responsibility; these categories represent how long a consumer expects the benefits of the product to last:

- ✓ **Deficient products:** These products have little to no potential to create value of any type. An example might be a faulty appliance. Obviously you want to avoid offering products that are considered deficient.
- ✓ **Salutary product:** These products are good for both consumers and society in the long run. Salutary products offer practical value, but they don't provide pleasure value. For example, vehicle air bags have great value, but they don't necessarily provide pleasure or entertainment.
- ✓ **Pleasing products:** These products provide pleasure value to consumers, but they can be harmful in the long run. For example, consumers enjoy cigarettes and alcohol, but these products obviously can be harmful to your health and the health of others.

The pleasing products category is usually the one where ethical issues come up. But it's important to realize that individual responsibility and freedom are important factors when it comes to the consumer's decision to use these products.

- ✓ **Desirable products:** These products deliver high practical value along with pleasurable value. Plus they help consumers immediately and have long-running benefits. An example is weight-loss products, which give consumers immediate results by curbing their appetites. When used correctly, these products have the long-run benefit to consumers of losing weight.

Promotion

As marketers we use promotion to communicate a product's value through techniques such as advertising, sales promotion, and word-of-mouth marketing. Unfortunately, many times consumers believe that products are promoted in ways that are "too good to be true." This creates skepticism and a decline in trust toward the promotional message.



Promoting an item as being on sale and then informing the consumer that the product is out of stock and that a more expensive item should be bought is unethical. This practice, which is known as the *bait-and-switch* method, is prohibited by law.

Theodore Levitt's marketing contribution

In the 1960s, Theodore Levitt developed a marketing concept, called *marketing myopia*, that brought a new marketing perspective to businesses. Levitt believed that businesses should define themselves in terms of the consumer needs that they solved rather than the products that they made. In other words, businesses should stop thinking of themselves as producing products and services and instead start

doing things that would make consumers want to do business with them. This concept is still taught today and used by businesses. However, Levitt's marketing concept has raised a problem for companies that produce such products as fast food, tobacco, alcohol, and gambling supplies. Many people target these companies and criticize them for marketing products that some consider harmful.

Placement

Placement refers to how you distribute a product through the various channels of delivery. Placement becomes a concern to consumers when they're worried about how or where they'll get their product.



If you limit product availability in certain markets as a means of raising prices, you would be acting unethically.

Recognizing a Marketer's Ethical Responsibilities

Marketing ethics consist of societal and professional standards of right and fair practices. These standards are expected of marketing professionals as they develop and implement marketing strategies. The problem with ethics as it pertains to consumer behavior is that not everyone agrees on what behaviors should be considered unethical.

Some ethical marketing issues lend themselves to strict law and are now cut-and-dried legal obligations; other issues, however, aren't so clear-cut. The broad definition of marketing ethics leaves a lot of room for subjective interpretation. In fact, you can define marketing ethics as the determination of how much tolerance one has for actions that take advantage of others. Because this represents a gray line, it's important to adhere to sound ethical principles.



Some issues crop up time and time again in the marketing industry, so I recommend that you avoid those issues entirely — even if they aren't legislated and enforceable. Consumer perceptions of questionable incidents are important; bad events can mean disaster for a business in terms of lost business,

customer boycotts, and bad publicity. In this section, I fill you in on your legal liabilities as well as the gray areas I recommend you do everything in your power to avoid.

Examining the requirements

Many years ago, companies simply didn't listen to the voice of the consumer, especially in the early days of mass production. Instead, the focus was put on production efficiencies and cost per unit. In the 20th century, consumers began to see a change, however. The collective consumer voice grew steadily, and the adoption of the Consumer Bill of Rights helped this consumer movement even further. Various groups began to develop for the sole purpose of protecting basic consumer rights and focusing on consumerism.

The Consumer Bill of Rights, which dramatically changed how businesses viewed consumers, was introduced in 1962 by President John F. Kennedy and still stands today as the foundation of the consumerism movement. When President Kennedy introduced the consumer rights bill in a speech addressed to Congress, there were only four basic rights. In 1985, however, the United Nations endorsed Kennedy's Consumer Bill of Rights and expanded it to represent eight consumer rights.



Consumers are legally protected by the Consumer Bill of Rights, and if they feel they've been violated, they can sue the company that violated them. The Consumer Bill of Rights includes the following rights:

- ✔ **The Right to Satisfaction of Basic Needs:** Consumers have the right to have access to goods and services that satisfy their basic needs, including food, water, public utilities, shelter, clothing, health care, and education.
- ✔ **The Right to Be Informed:** Consumers have the right to information regarding your product. This information must be adequate enough for a consumer to make a knowledgeable and intelligent decision regarding the purchase and use of your product. Your product and service marketing communication must not be deceptive.
- ✔ **The Right to Redress and Be Heard:** Consumers expect to have the right to voice their opinions and complaints and be heard in order to have an issue resolved efficiently and in a responsive manner. So you need to have the appropriate process in place to address any complaints. You also must be able to redress any grievances your consumers may have about their purchases and receive a fair settlement. Your contracts should be written in good faith and should be honored.
- ✔ **The Right to Choice:** Consumers have the right to free choice, so they expect to have a variety of options available to them from different sources. They want to be able to select who they want to purchase from. This means you can't force a consumer to purchase from you; they have the right to look elsewhere and buy elsewhere without being harassed or harmed.

- ✔ **The Right to Education:** Consumers have the right to obtain knowledge and skills that helps them make better purchasing decisions. You can't withhold this important information from consumers.
- ✔ **The Right to Service:** Consumers have a right to expect that they'll be treated with respect and courtesy and that they'll be provided an appropriate response to any needs they have and any problems that they encounter from a product they've purchased from you. You can't refuse a service to a consumer who has purchased something from you.
- ✔ **The Right to Safety:** Consumers can expect to be protected from hazardous products or services that they purchase from you, particularly if they have used the products and services as they were intended to be used. You can't sell or distribute dangerous products and services.
- ✔ **The Right to Environmental Health:** Consumers should be protected from devastating and harmful effects, such as air and water pollutants, that may be a result of marketplace operations. They have the right to live and work in an environment that doesn't threaten their well-being. You must provide a safe environment for your customers to be in.



By fulfilling these rights and duties and using them as guidelines in your business practices, you ensure that your business doesn't engage in unintentional unethical practices. I suggest that you create a policy that represents these duties and rights, and then place this policy where it can be reviewed by consumers and staff. The section "Developing Your Marketing Code of Ethics: Some Simple Guidelines," later in this chapter, provides some guidelines to help.

Considering the gray areas

Many marketing practices are serious infractions and are legislated against in order to protect consumers (see the preceding section for more). Obviously these practices would be considered unethical. However, some issues aren't universally labeled as unethical or illegal, but they commonly draw a lot of public scrutiny. Some may consider this type of marketing unethical, but is it? It's a line that can become blurred very quickly. I explain some of these practices in the following sections.

Misleading with deceptive marketing

Deceptive marketing, also known as false or misleading marketing, tops the list of dishonest practices that aren't illegal. *Deceptive advertising* is advertising that either contains or omits information that's important in influencing consumers to purchase your product. If the advertisement is likely to mislead consumers, it's also considered deceptive advertising.



It's important to understand the difference between deceptive marketing and puffery. *Puffery* is the practice of making exaggerated claims about a product and its superiority in the marketplace. Puffery differs from deceptive marketing in that there's no overt attempt to deceive a consumer. Instead, it's an exaggeration about your product that's purely false and represents an outright misrepresentation of your product. Puffery isn't illegal, but it will diminish the trust consumers have in you. This loss of trust can haunt you in the future and affect the perception consumers have of you.

A popular tactic that marketers use is to advertise a product as being the "best" available. These claims are generally puffery. Are you concerned that you're engaged in puffery? This general guideline may help you decide: The more detailed a claim is regarding your product, the more it must be supported by practical evidence. For example if you claim that "consumers prefer your restaurant two-to-one over the competition" you would need to be able to support that claim with evidence. If you can provide the data to back up the claim, you're not engaged in puffery. If you can't and the statement is untrue, you're guilty of puffing up your product.

Marketing to children (and other vulnerable consumers)

Children are considered to be vulnerable consumers because they lack the knowledge to behave as responsible consumers. As a marketer or business owner, you need to consider two issues when marketing to children:

- ✓ Children generally don't understand that some marketing messages offer a less-than-literal interpretation of the world.
- ✓ The sheer quantity of marketing messages that children are exposed to can be called into question.

These are important issues to understand when it comes to how children are affected by marketing, because you can use them as guidelines when crafting an ethical marketing strategy directed toward children.

In October 1990, legislators passed the Children's Television Act of 1990 to limit the amount of advertising to which children are exposed. The act limits the amount of commercial airtime during children's programming to 10.5 minutes per hour on weekends and 12 minutes on weekdays.

Some people argue that children today are growing up in a society that's far too commercialized and that the messages children receive harm their psychological development and lead them to focus too heavily on material goods. Others, however, believe that advertising and marketing messages simply add to the socialization process in which children learn marketplace skills that enable them to function properly as consumers later.

What about social responsibility?

As a business owner, practicing social responsibility is one way you can attempt to gain respect from your consumers. Your *social responsibility* is defined as your organization's activities and status as it relates to societal obligations. In other words, your social responsibility is to make good decisions and do the right thing. You can use social responsibility to increase consumer awareness regarding not only your stance on ethics, but also your commitment to society. This leads to a positive perception on the behalf of consumers.

In recent years, businesses have experienced an increased pressure from consumer and media groups to be socially responsible in their activities. A few activities you can engage in to fulfill this obligation include:

- ✓ Supporting minority programs
- ✓ Ensuring responsible manufacturing processes to protect the environment
- ✓ Taking action quickly when product defects are detected
- ✓ Focusing on employee safety
- ✓ Encouraging employees to volunteer for local causes

What does social responsibility have to do with consumer behavior and ethics? Socially responsible marketing creates positive outcomes and is associated with more favorable consumer evaluations, increased consumer satisfaction, and the likelihood of more sales. This is especially true when a consumer identifies with the company and the causes it contributes to.

- ✓ Making donations to causes of interest

Expiring a product prematurely

Planned obsolescence is the intentional phasing out of a product before its usefulness truly wears out. The purpose behind planned obsolescence is to guarantee that consumers are forced to purchase the product multiple times. Obviously, this increases the demand for the product. Take, for example, video game consoles. The manufacturers of these products have been criticized for releasing new and improved systems even when older models haven't been on the market for very long. The same is true for cellular phones.

Critics believe that it's both wasteful and greedy for marketers to engage in planned obsolescence. By participating in this practice, you run the risk of irritating consumers and developing a bad reputation. Both can affect future sales of your product with consumers. Consumers often feel as if they've been burned if they're required to make multiple purchases they didn't plan for. In my opinion, participating in planned obsolescence isn't worth the risk of losing customers or developing a bad word-of-mouth reputation, because these damages often can't be undone.

Forcing artificial needs on consumers

It isn't uncommon for marketers to be criticized for imposing what are called *artificial needs* on consumers. These so-called needs are discussed in ways that make consumers feel that they must have a certain product in order to feel or look a certain way. In the end, however, the real issue is that businesses cause people to *want* a product, even if they don't truly *need* it.

In other words, many folks feel as if marketers and advertisements are responsible for leading consumers to confuse wants with needs. For example, does a consumer really *need* a 52-inch plasma, high-definition television? What about \$175 tennis shoes when she can purchase a pair for \$30?



The confusion between wants and needs is often brought on from marketing messages. Usually it's because marketing campaigns make consumers feel inadequate if they don't have a certain product. Instead of allowing the marketing message to focus on the benefits to sell the product, it works to manipulate the consumer into buying the product. Using these types of manipulative messages is unethical and causes the consumer to be confused and often regretful after making the purchase.

Developing Your Marketing Code of Ethics: Some Simple Guidelines

Finding the balance between consumer protection and market freedom can be difficult. So how can you put your marketing ethics to the test and ensure that you're doing what's best for the consumer as well as what's best for growing your company? It's tough, but it can be done by creating a marketing code of ethics, which is simply a list of explicitly stated rules and codes of conduct when it comes to the ethics of marketing. Many organizations have a code of ethics; one such organization is the American Marketing Association (AMA).



The following guidelines are standard marketing ethics that can be used to help you make socially responsible decisions as you market and grow your business:

- ✓ Put your consumers first and consider the effects of their actions on all involved when using your product and services.
- ✓ Base your marketing standards on actions and go beyond the required laws and regulations to uphold those standards.

- ✔ Be responsible for the means and marketing vehicles that you use to achieve your desired goal. It isn't enough to simply focus on profit and motivation alone.
- ✔ Invest the time to focus on training your employees in ethical decision making.
- ✔ Embrace and publicize a core set of ethical principles that you will uphold as a business.
- ✔ Adopt an orientation and training program that leads to an appreciation of how marketing decisions affect all appropriate parties.
- ✔ Specify the protocols for ethical decision making within your business.
- ✔ Determine your company's policy toward attack advertisements and confrontational marketing.
- ✔ Stay clear of state and federal pricing guidelines by limiting price guarantees in your advertisements.
- ✔ Consider attaching legal requirements for disclaimers to your business ethics policy as you develop marketing campaigns.
- ✔ Detail permissions of marketing material that targets vulnerable populations in your ethics policy.
- ✔ Submit every piece of marketing copy for an extensive editing process to avoid breaking your ethics policy.



For businesses that want to gain an edge on their competition, marketing ethics can be difficult to stick to. With that said, however, you need to protect your business and your products by developing a marketing ethics policy. The previous guidelines can help. This policy can help you avoid ethics issues and keep the business of loyal customers.

Chapter 16

Evoking Awareness through Positioning

In This Chapter

- ▶ Getting to know the basics of positioning
 - ▶ Putting together your positioning strategy
 - ▶ Creating a positioning statement
-

A challenge related to consumer behavior is the perceived value of your products and services to your customers. Consumers don't always accurately perceive the value that's being offered. And when a consumer doesn't believe that the product will deliver the value she desires or doesn't perceive the product in the way it's intended, she won't make the purchase. Your job, then, is to figure out what the consumers in your target market need and want and then determine what you have to offer, what benefits you provide, who your competitors are, and how you're different from those competitors. You use this information to create a positioning strategy and statement, which are tools you can use to reach out to your targeted consumers, identifying, communicating, and differentiating your company and products from your competition.

In this chapter, I show you how the concepts I cover in Parts II and III begin factoring into your marketing strategy. I begin by explaining what the process of positioning entails. Then I introduce you to some time-tested positioning strategies and guide you in figuring out which one is best for you. I cap off the chapter with guidance on putting your strategy into a concise statement that guides the rest of your marketing strategy.

A Primer on Positioning

Positioning is the act of creating a unique identity for whatever it is that you're selling and then targeting a segment of the broader market by fitting your product or service to that segment's wants and needs. Positioning works for anything you're promoting, whether it be a product, service, or company.



The act of positioning requires a two-part process: devising a positioning strategy and creating a positioning statement. The *positioning strategy* is a tool that guides all your marketing communication, ensuring that you're integrating your position in all the parts of your marketing strategy. Positioning allows you to create a market-focused statement of value, otherwise known as your *positioning statement* — a simple, clear statement of why your target market should buy your product.

Understanding the importance of positioning

Positioning represents the way you present your company and your products to your consumers. It works to create a perception within your consumers regarding who you are and what you offer. Positioning gives the consumer a unique statement of value that he can consider when it comes to making a purchase decision; without this statement of value a consumer can only judge what you offer by the price tag your product or service carries.



The goal of positioning, then, is to design products and services and present them to consumers in a way that occupies a meaningful and distinctive competitive position in your consumer's mind.

Knowing what you're positioning

Generally speaking, there are two things you can position: your product and your company. Here's a quick explanation of each:

- ✓ **Product positioning** is the straight comparison of the features of a product. When working to position your product, you need to base that positioning on what the product can actually do for the consumer. This type of positioning also goes for services.
- ✓ **Company positioning**, on the other hand, deals with the perception a consumer has in regard to the entire company. It's similar to product positioning, but the objective is to create and transfer an image of the entire company rather than of one product.

When positioning a company, you have less control over the outcome, because you can't provide immediate influence to your consumers like you can with your product and its benefits. Instead, you have to work harder to create the desired perception of your company and what your company stands for. If you position your product for the consumer — and you do it

correctly — your consumer likely will decide to purchase your product. In that case, you will have done all the company positioning that you need to do. For that reason, I recommend that most readers stick to product positioning and let the company positioning happen naturally.



Company positioning becomes extremely important when a company is trying to go public or position itself for acquisition. While the value of corporate marketing is perception, it's important to keep in mind that most companies are judged by their products, not necessarily by their name recognition.



You use different tools depending on whether you're positioning your company or a product. When positioning your product, you use marketing through various channels, including advertising, personal selling, and sales promotions; when you're focusing on positioning your company, you use publicity efforts and public relations. Just remember that positioning is really the same discipline either way. The difference is in "what" you're positioning rather than "how" you're positioning it.

Getting a glimpse of the positioning process

In order to successfully position your product or service to your target market, you must do two things:

- ✓ Identify your target consumer as precisely as possible.
- ✓ Understand how that target consumer makes her buying decisions. For example, are her decisions based on frustrations, attitudes, values, challenges, likes, or dislikes?

These two things help you guide consumers (through both your positioning strategy and statement) to relate the benefits of your product or service to their needs. After you have a handle on the preceding two concepts, you begin the positioning process. The positioning process involves these three steps:

1. Differentiate your product from its competition by crafting a unique selling proposition (USP).

Before you can position your product or service to your target market, you need to have a solid handle on what that product or service offers to the folks who buy it. Identifying your *unique selling proposition* means finding something meaningful and unique to say about your product offer that competitors either can't or won't say — and then presenting this difference to the consumer in the form of a proposition. Your USP



represents the very core of what it is that you're offering; it can be an actual fact or just a perceived difference or specialty. It focuses on the key benefits or attributes of your product, service, or company.

You can have different USPs for products, but you should only have one USP for your company.

2. Use your USP to address a common problem among consumers.

Consumers purchase solution-positioned products. So, determine how your product or service solves their problem, makes their life easier, and saves them money.

3. Articulate the solution and the value of your product to the consumers by creating your positioning statement.

When a consumer tries to derive meaning from your message, comprehension occurs. *Comprehension* is the process where meanings are assigned to the stimuli. Of course, you want consumers to comprehend and interpret the information in the way you intended, but this isn't always the case. A consumer can encounter the same stimuli, but yet comprehend it in different ways. So, articulation of your position is crucial — it's your job to help consumers understand what you're offering to them and why they should care.



A *positioning map*, or what some call a *perceptual map*, is a useful tool for planning your position relative to your competitor's position (see Figure 16-1). It helps you map key attributes of your and your competitor's product, service, or business. Start out with a basic positioning map containing a graph that has two points: one being high quality and the other on the opposite side of the graph representing low quality. Rank yourself and your competitors on the graph based on the perception of consumers. Doing so enables you to see where you stand with your competitors from a positioning standpoint. If you want to get more detailed, which I often suggest, list in the graph the benefits and features that your product contains. Then rank your competition by doing a comparison of how your competitors are viewed and how you're viewed by consumers.

As you can see in Figure 16-1, Competitor A provides a high-quality product, but at a high price. Competitor B offers a product that is of lower cost and of lower quality than Competitor A, and Competitor C ranks the lowest on all points. Compared to the competitors' products, yours is of high quality — not the highest, but it does rank above two of your competitors — and you're able to offer it at a lower price, giving your consumers a better value than the competitors. These factors enable you to position better quality above two competitors and a better price above your third competitor.



Developing a Unique Selling Proposition

As I mention in the preceding section, a USP is the one statement that singles you out from the competition — it identifies the benefits your product or service offers. Why is it important to know the benefits of your products and services? Consumers buy based on how the product or service benefits them. So if they aren't educated in the benefits you offer, they won't buy from you. As such, your USP should be emotional; it must link your consumer to a universal motivator whenever possible. You can do this by making an offer or a proposition to the consumer, stating what benefit he will obtain if he engages in some type of action with you, such as a trial or purchasing your product. Think of your USP as the philosophical foundation of your business — don't market without it!



You can incorporate your USP into your slogan, but the USP doesn't necessarily *serve* as your slogan. It's helpful to create your slogan by using your USP, because the USP solidifies your position in the marketplace. Remember, though, a slogan and a USP have slightly different goals: Your slogan simply needs to be memorable, but a USP must clearly differentiate you from your competition.

This USP development process takes time, but it also saves you time in the future and gives you a statement that you can build your business around. The fantastic news is that after you've written your USP, your advertising and marketing copy will practically write itself. Think of all the time you will save in the future!

Starting with the fundamentals: Features versus benefits

Before you create your USP, it's important to understand the difference between a feature and a benefit. A *feature* is a product or service characteristic; a *benefit* is an outcome or result associated with using the product.



The easiest way to identify the benefit of your product is to take a feature from your product and extract the benefit to the consumer. A great test is to ask yourself what the product means to the consumer. If you can't come up with an answer, it's a feature. If you do find an answer, you've just identified a benefit.

As you can see from the following list, the features attract consumers, but the benefits "sell" consumers and get them to purchase your product.

Product	Features	Benefits
Lotion	Moisturizes skin	Stops the itching and discomfort
Toothpaste	Tastes great	Stops cavities and whitens teeth
Internet service	Reliable	You're always connected with no downtime

The features of a product appeal to the logical side of the consumer; your benefits appeal to the emotional side of the consumer. And here's how they work together: Consumers make an emotional decision, and then they create a logical argument in order to justify that decision. However, with that being said, keep in mind that in a business-to-business relationship, consumers focus more on the features than the benefits. That's because the purchase is made more in response to logic than emotion. (Refer to Chapter 21 for more tips on business-to-business marketing.)



When creating your USP, remember that consumers are sold by the benefits of a product. If you sell them on benefits, you can worry less about the price.

Previewing the process

When creating your USP, you need to keep two things in mind. First, you must identify your consumers' *pain point* — their unfulfilled need — in order to create an emotional connection with them. Second, it's important to remind them that your product or service eases that pain for them. In this section, I walk you through both steps in order to help you create a USP that's effective and gets the consumer's attention.

Step 1: Touch the pain point

In touching a consumer's pain point, you're lending urgency to your marketing message. Consumers won't act unless they feel an urgent pain that they need to remedy. So, as bad as it sounds, you have to use your marketing message to rub salt into the wound before presenting your unique solution.

Suppose my target market wants to lose weight. The pain point in this situation is the feeling of frustration with their current state of being and the experience of failing to find a sufficient remedy to fix the problem once and for all. Individuals who have tried weight-loss programs without success feel like they have failed. Additionally, many people are embarrassed about starting a new program in public. In my USP, I address that need, and in my marketing efforts, I'll find a way to touch the pain point to awaken consumers' attention.

Some of you may be thinking, "I just sell lip balm. I can't make anything of all this pain talk." Think about this way: If you've ever had chapped lips, you know that it's a painful experience. You keep licking them, it's difficult to eat, and it feels like the skin on your lips is being stretched to capacity. Your consumers must feel the pain in order to make the purchase. It can be a physical pain, an emotional pain, or even a pain because they continually run out of time. You must look at your product from the perspective of your potential consumer. Why do they care about your product?

Step 2: Explain how your product or service eases the pain

If you identified your market's pain point or problem, but your product or service doesn't provide a solution to that problem, you may as well find a new business or target market. If your product or service *does* provide a solution, your task is to present that solution in simple but compelling terms.



You must identify the benefits of your solution, and determine how those benefits will improve your consumers' lives and situations. Reflect on how the benefits of your product relieve the pain and suffering they're experiencing. Consumers don't know your product like you do. So, you must tell them what your product will do for them and why they should buy it.

Say, for example, that your target market consists of folks who want to lose weight, and that you're offering an innovative online weight-loss program they can use in the privacy of their own homes. You even offer a money-back guarantee if consumers aren't satisfied. Your top three benefits in this situation are as follows:

- ✓ You're providing your target market with a weight-loss program that provides hope and diminishes the pain of being overweight.
- ✓ Your buyers can use the program within the privacy of their own homes, which diminishes the embarrassment pain point.
- ✓ Your buyers get a win-win incentive — they either achieve satisfaction or get their money back.



All the benefits that you claim regarding your product must be 100 percent true. You must be able to prove any statement you make about a product benefit to your consumer. If you can't, ditch the benefit, because it will only create future mistrust in consumers and risk of negative word-of-mouth marketing that will be difficult to recover from.

Making sure your USP is effective

In the previous section, I walk you through the steps of developing your own USP. Now I want to share with you a few examples of effective USPs:

- ✔ **Dominos Pizza:** “We deliver hot, fresh pizza in 30 minutes or less or it’s free.”
- ✔ **M&Ms:** “Melts in your mouth, not in your hands.”
- ✔ **Burger King:** “Have it your way.”

These USPs are concise, specific, descriptive, and easy to remember. Can you create a USP that’s just as effective? To create your own effective USP, follow these guidelines:

- ✔ **Be unique.** If your USP is unique, it will set you apart from your competitors.
- ✔ **Be specific.** You want your USP to be specific enough that consumers understand it and the benefits you’re offering. If your USP isn’t specific, you run the risk of consumers not being clear on what your proposition is.
- ✔ **Be succinct.** One of the biggest mistakes companies make when developing their USPs is that they’re too wordy. Your USP must be a concise, one-sentence statement. In fact, the best USPs are so perfectly written that you can’t change or move even a single word. Each word in your USP should sell your product or your service.
- ✔ **Make sure you can deliver on your promise.** If you can’t deliver on your promise, don’t risk your reputation on it — it isn’t worth it. Instead, develop a USP that you can deliver, and be sure to stand behind it.
- ✔ **Offer proof.** Your consumers are already skeptical of the claims that businesses make, so by providing them with proof to back your promise, you’re ahead of your competition. Proof can be testimonials, white papers, or success stories of past customers. (Refer to Chapter 17 for more information on using testimonials in your marketing message.) For example, it’s a great idea to offer a guarantee to your consumers to support your claims.

Using Your USP to Develop a Positioning Strategy

The key to positioning is understanding the factors that consumers use to compare you against your competitors and then make a purchase decision. After you have a handle on consumer perceptions, you need to select the best positioning based on the benefits that you offer consumers and then take steps to align the marketing program behind this positioning choice.

You can manage positioning by focusing your marketing activities on a positioning strategy. Pricing, promotion, channels of distribution, and advertising should all maximize the positioning strategy of your company and product.

Positioning is represented by what the consumer believes about your product's value, features, and benefits. The trick is to identify key attributes of your company, product, or service to show its value, features, and benefits. This section helps you do that.

Positioning your product or service relative to its competition

Positioning with differentiating characteristics of your product will help you to stand out from the crowd of products that are similar to yours. You can differentiate your product or service in three ways:

- ✔ **You can position directly against a competitor.** You do this by claiming that your product is better than your competitor's. In today's market an effective positioning strategy focuses on specific competitors. This approach is similar to positioning according to product benefit, but in this case the competition is within the same product category.
- ✔ **You can position yourself away from the competition.** This strategy is useful if you can't compete with the competition because it's a strong and well-established player. To position away from the competition, look for consumer needs or market niches that position you elsewhere. Doing so helps position you away from the competing noise.
- ✔ **You can position yourself according to type of benefit.** This strategy of positioning has to do with positioning your product against others. The product categories aren't exactly the same, but the products all provide the same class of benefits. An example would be the positioning of airlines, trains, and buses. They don't provide the same means of transportation, but they do provide the same service — transportation.

Different differentiation strategy options allow you to create a variety of approaches geared toward targeted consumers. These approaches can be based on specific characteristics of each targeted group. For example, you have different differentiation strategies for specific demographics, household structures, or cultures. The strategies you create could focus on what's important to each group instead of having a "one-size-fits-all" strategy.



The best way to determine how many strategies you need is to evaluate who you're targeting and what's most important to them. If you find that your consumers have different pain points or unfulfilled needs, it may be best to try different differentiation strategies. If your targeted consumers have the same needs, you can simply focus on one differentiation strategy.

In the following sections, I focus on the process of creating a differentiation strategy as well as on what factors you can use to differentiate your product or service.

The process

You need to do the following in order to make the development of your differentiating strategy go smoothly:

- ✔ **Define the criteria your consumers use to evaluate products that they buy.** This will help you in knowing what criteria are important to your consumers and how you can use those criteria to differentiate your product or service.
- ✔ **Identify your product's key benefits in customer terms.** Consumers make purchases based on benefits, so it's important that they can identify what your benefits are and that they have the information necessary to differentiate you from your competitors. Do you offer a better price, better customer service, or a better product? If so, you want to be clear about that with your consumers.
- ✔ **Identify your competitor's position.** You can't differentiate from your competitors if you don't have a clear understanding of their position in the marketplace. Evaluate where they stand on quality of product, price, and service and then determine where you're different.
- ✔ **Identify your competitive strengths.** It's important to have an understanding of your competitors' strengths so you can be aware of where they may stand out or fall behind in comparison to you. Doing so allows you to be prepared.
- ✔ **Select a position that gives you a unique and sustainable competitive edge.** You can use all the preceding information to determine the position you must create with your consumers and against your competitors. You must then take that information and create a statement that stands out to your consumers and gives you the competitive edge.

The factors you can differentiate with

Differentiate yourself by identifying what your product does that others can't or don't. You're looking for the most persuasive, meaningful, and unique difference that your competitors can't claim. You can differentiate yourself by using these four factors:

- ✔ **Price:** You want to evaluate what your price is compared to your competitors. Is it higher or lower? One risk you take when differentiating due to price is that price isn't difficult to change. Plus, while some consumers will purchase based on price, most spend more time evaluating other differentiating factors such as benefits or service.
- ✔ **Focus:** You can differentiate yourself by using your focus. For example, are you specialized in a particular area? Are you viewed as one of the experts in an industry? Consumers often purchase from companies that they feel are experts or specialized in an industry rather than companies that are more generalized.
- ✔ **Product/service:** You can differentiate by using your quality of product or the benefits that you offer. How do they stand out from among your competitors? What benefits do you offer that they don't? Why is your product of better quality? These are the things that a consumer pays attention to before they look at a price tag. Differentiating a product from its competition is a bit different from differentiating a service. For example, if you're differentiating a product, you may want to focus on these common factors:

- Design
- Durability
- Reliability
- Reparability
- Style

On the other hand, suppose you're marketing a service. You may want to focus on the following common factors:

- Customer consulting
- Customer training
- Delivery
- Installation
- Ordering ease

- ✔ **Customer service:** You can differentiate by the customer service that you provide. How does it compare to the competition? Do you promise service within a certain span of time? How do you follow up with consumers? Consumers take service very seriously and if you can show them how you stand out from among your competition, they will pay attention.



You can certainly differentiate yourself in more than one category, but you need to make sure that you focus on the one that contains the most compelling benefit for your targeted consumers. The best way to differentiate between you and your competition is to know your target and pick a blend of differentiation categories that truly sets you apart. And remember that your differentiation is about the consumer, so speak in terms that show the benefit to them.

Addressing the need your product fulfills

After you've differentiated yourself, you must use the information you gained in the differentiation process to address the concerns and needs of the consumer. Determine what problems your product or service addresses: Are you saving consumers money, time, or energy, for example? They don't care if you have the best packaging or if they can find you in every discount store. They want to know what you can do for them personally.



This step is truly all about the consumer. It's about first positioning your product by addressing a problem and then being the solution to that problem. You can focus on one of the following factors as a positioning strategy in this step:

- ✔ **Product attributes:** Attributes often include price, quality, features, style, and design of your product. The attributes are specific to consumers and are often the basis for making a purchase decision. Many times a product can be positioned in terms of two or more attributes simultaneously.
- ✔ **Usage occasion:** When using this strategy, you work to position your product with a specific use or application. For example, you might say something like "This stain stick can be used when trying to get a stain out of clothes."
- ✔ **Users:** With this strategy, you associate your product with a particular user or group of users. For example, "This hands-free headset is designed for users of cellular phones."

In order for your positioning strategy to be effective, you must bring an element of differentiation to the table when you're clarifying how your product or service meets consumers' needs. The following positioning strategy guidelines will help you address the needs of your consumers most effectively:

- ✔ **Important to the consumer:** It must deliver a high-valued benefit to a sufficient number of consumers.
- ✔ **Distinctive:** Ideally your product isn't offered by a competitor. If it already is, at least ensure that the product is offered in a way that's extremely distinctive so it stands out.

- ✔ **Superior:** Show what makes your product superior when compared to the competition. In other words, show consumers that you help them obtain not only the same benefits as the competition, but also even more.
- ✔ **Communicable:** The difference between your product and your competitor's must be communicated and visible to the consumers.
- ✔ **Preemptive:** The difference can't be easily copied by your competitors.
- ✔ **Affordable:** Your consumers must be able to afford your product and be able and willing to increase their cost if your product is more expensive than your competitor's.
- ✔ **Profitable:** You must be able to make a profit by introducing this difference.

In order to gain competitive advantage, you want to use the strategy that proves true with the majority of the preceding factors.

Avoiding common mistakes



You want to avoid the following common positioning errors, because they can cause consumer confusion and cause a negative perception of your company and the products that you offer:

- ✔ **Underpositioning:** You know that you haven't positioned enough when your target market only has a vague idea of the product you're promoting.
- ✔ **Overpositioning:** When you position too much, only a narrow group of consumers can identify with the product.
- ✔ **Confused positioning:** If you haven't been clear in your positioning, consumers can have a confused image of the product. It may claim too many benefits or the benefit claim may be changed too often.
- ✔ **Doubtful positioning:** Doubtful positioning occurs when consumers don't believe the product's claims in view of the product's features, price, or manufacturing company.

You can take the following measures in order to avoid the errors I just discussed:

- ✔ **Do** clearly communicate that the product attribute you're positioning is a benefit. Otherwise, it isn't a benefit.
- ✔ **Do** make sure that the benefit you're highlighting is important to the consumer. Otherwise, it isn't important.

- ✓ **Do** help your consumers perceive that your company and your product deliver the benefit. Otherwise, it isn't delivered.
- ✓ **Do** precisely define your target consumers. Otherwise, you could miss them completely and they won't know that the message is meant for them.
- ✓ **Do** include the reason that consumers should believe the benefit promise. Otherwise, it may not be clear to them what benefit you're promising them.
- ✓ **Don't** attack the leaders of competing companies. This only distracts from your message and the value that you bring to the consumer.
- ✓ **Don't** fall into the "everything" trap. In other words, don't try to be all things to all people. Doing so only waters down your message and diminishes its strength.
- ✓ **Don't** forget what has made you successful. Consumers love to hear success stories and endorsements that they can depend on.
- ✓ **Don't** position by using attributes that lack work or are unimportant. This will only take away from those important attributes that you want to be known for.
- ✓ **Don't** position by mimicking equality with your competitors. You must stand out in order to be remembered and to make consumers want to purchase from you. Equality isn't enough; you must offer them more to gain their interest and appeal directly to them.
- ✓ **Don't** list multiple differentiators and benefits. You want your benefit statement to be singular. Otherwise, it may confuse your consumers.
- ✓ **Don't** develop benefits that aren't unique or sustainable. It's the benefits that sell a consumer. If you don't offer them anything unique or sustainable, they'll see no reason to purchase your product.

Crafting a Strong Positioning Statement

After you develop a positioning strategy and determine the problem that needs to be addressed, you have to take all that information and create your positioning statement. This is simply a no-nonsense statement of how you want your products to be perceived in the minds of your target market. Your positioning statement provides direction, and it focuses on your products and their position in the marketplace.



Your positioning statement is a great tool that can be used when you need a short description of who your company is or what products you offer. I like to think of it as a "fingerprint" that creates a perception in consumers, because it informs them of your company and products. It informs consumers of who you are, what you do, and why you're different and beneficial to them.

Using a simple but effective formula

The key to creating an effective positioning statement is to remember that it isn't about what you do, but rather it's about the benefit you offer to your target market and the difference between you and your competitors.

When it comes to positioning statements, I like to use a special formula. It looks like this:

(Product, company, service, person) is the one (category of your product) that provides (the target customer) with (product's key benefit) because (reason they should believe that your company can deliver the benefit).

Here's a positioning statement that's created from the previous formula:

Dazzling Toothpaste is the only toothpaste that provides kids with a fruity flavor that protects them from cavities because it was specifically formulated by the #1 rated pediatric dentist.



Do you feel that creating this statement is difficult? It's okay. The truth is that positioning statements are rarely correct the first time. You must create and then rework them to ensure their effectiveness. You may also want to solicit the help of others to brainstorm your positioning statement. These sessions are especially helpful if you're feeling stuck.

Paying attention to word choice and focus

Because your success depends on your positioning statement, you shouldn't take lightly the task of creating one. Your statement should

- ✓ **Be short and to the point:** By short, I mean your statement should be 12 words or less. However, you don't have to count the product name. Using concise words helps keep your word count down.
- ✓ **Use simple and clear language:** You want to use simple and clear language so that your statement is understood by consumers with no chance of misunderstanding. It's especially important to avoid jargon.
- ✓ **Be adaptable to various media types:** You must be able to use your statement in different forms of media, such as Web, radio, television, or print, in order maintain consistency.
- ✓ **Be a compelling statement of one important benefit that your product presents:** Benefits sell consumers, so your positioning statement is more powerful when it represents an important benefit that your product offers to consumers when they use it.

- ✔ **Serve as a conceptual statement, not necessarily a copy from a competitor that didn't put in much consideration or thought:** Your positioning statement must be powerful. If you create one without much thought, you won't receive the perception you desire.
- ✔ **Satisfy four evaluation criteria:** It should be unique, believable, important, and useable. Why? Because these are the things consumers use to evaluate and create perceptions of companies and products.

Testing your positioning statement

After you create a positioning statement, you need to put it to the test. You test the statements to ensure that they make sense to your target market and will create the desired perception within your consumers. You also want to make sure that they will ultimately help in selling your product.



I like to test positioning statements by reading them out loud and then asking myself the following questions:

- ✔ Does my positioning statement contain a promise of an important consumer buying advantage?
- ✔ Does my statement give a clear differentiation between my product and my competitor's product?
- ✔ Is my company name or the name of my product ingrained in my positioning statement?
- ✔ Is there an inherent understanding of what my statement is saying to my consumer?

How did you do? If you answered “no” to any of the previous questions, you need to go back and rework the statement. If you answered “yes” to all of them, your statement is all set to be put in motion — you can now use it in your marketing message. It is also a great tool that you can use when creating your marketing collateral and campaigns in order to ensure that all marketing messages are consistent and effective. You will also want to share it with others within your company so that everyone understands it and is able to share it with potential customers.

Chapter 17

Leading Customers from Attention to Action

In This Chapter

- ▶ Stimulating a consumer's attention
 - ▶ Creating and distributing your marketing message
 - ▶ Exploring different marketing methods
 - ▶ Selecting a marketing method that works for you
-

Before you can persuade a person to purchase whatever you're selling, you have to get that person's attention. You attract attention to your product or service just like you attract attention to anything else — by engaging any one or more of your target consumer's five senses: sight, smell, taste, touch, or sound. When you place a stimulus along your target's path, you engage a sensation that requires the consumer's immediate response to the information he has just encountered.

After you grab the consumer's attention, you then have to educate him about your product by sharing with him information and advice on how your product or service can help him save money, find more time, and improve his daily life. You educate consumers by using brochures, pamphlets, seminars, or other publicity events. Any time you can provide consumers with information on how your product fulfills their needs can be seen as an educating opportunity.

You must understand your consumers in order to reach and educate them effectively. So in this chapter, I show you how to present your products to consumers and educate them at the same time. I also help you decide where to put your message so it reaches your target market. I have found that if you look at marketing as a tool to educate your consumers, you can actually end up answering their objections as well as increasing their chances of purchasing.

Getting Consumers' Attention with Compelling Stimuli

Consumers can be motivated by marketing stimuli, such as product, price, place, or promotion. However, sometimes your stimuli may need to go a little deeper to gain a response, such as psychological, personal, social, or cultural stimuli.



Just because a consumer is exposed to any old stimulus doesn't guarantee that she'll pay attention — after all, a consumer can't pay attention to all the stimuli she's exposed to! For this reason, positioning (see Chapter 16) is key when it comes to consumer perception. You have to use the stimuli that consumers in your target market will notice and respond to. The stimuli that will work depend on what your consumers need and what they want. (Chapter 5 talks all about perception and stimuli you can use.)

To determine which stimuli to use and how to get your desired response, you really have to dig into the makeup of your targeted consumer and her individual behavior. The consumer you're targeting in one culture may not have the same needs as another consumer in another culture. The same goes for consumers in different household structures.

Marketing research can show you what motivates your consumer and can assist you in deciding what stimuli to use. To find out what it is that triggers a response from the consumers that you're targeting, you have to take the time to do the following:

- ✓ Ask your consumers questions to elicit the information you need.
- ✓ Study your competitors to determine what they're doing.
- ✓ Delve into the consumption patterns of the consumers you're targeting.

Delivering an Action-Inspiring Message

The stimulus that you use grabs the attention of potential customers, but your marketing message educates them on your product. Your message allows you to present your unique selling proposition, or USP, and any additional benefits in a way that consumers can understand. In fact, your marketing message is critical to all your marketing efforts. An effective message combined with promotion draws in new customers. (Check out Chapter 16 for more information on creating a USP.)

When drafting a marketing message, I think of it as a note on a piece of scrap paper. You must grab a customer's attention quick — and hold it long enough to educate him with your message — or he's likely to wad it up and toss it

in the trash can. Your marketing message should speak to that prospective customer personally. You have to appeal to his hot buttons by understanding his wants and needs. His hot buttons trigger an emotional decision. And after a consumer makes an emotional decision, he justifies it by logic.



You need to create urgency in your marketing message. A consumer won't act unless he feels an urgent pain that he needs to remedy. You have to use your marketing message to emphasize the pain and then present the solution. That solution must be backed not just by you but by former or current customers.

You also need to use your message to reverse any perceived risk that your potential consumer may feel regarding your solution. You must also position your solution as something that's easily implemented and that will provide immediate relief. Creating and delivering an effective marketing message is a crucial step — so really spend some time on it.

Educating consumers with a marketing message

Education is seen as a value-add by most consumers. Taking the time and initiative to objectively educate your consumers about the products or services that you offer builds trust and confidence. Consumers want to make informed buying decisions, so they need guidance on how to purchase your product or service.

You educate consumers by providing them with information about not only who your company is and how your products benefit them, but also by sharing with them useful and easy-to-understand news about your industry. So be sure to stay informed and stay on top of trends. The key is to inform consumers about why they need your product and how it benefits them. Then you can guide your consumers into the action they need to take to obtain your product or service.



Consumers want and have a need for information that helps them. If you can give them this information, you'll create customers for life. The more information you can provide consumers — without selling to them — the deeper the emotional connection you will make with them. They'll feel that you genuinely care about their needs and that you want what's best for them. They'll believe that you aren't just interested in making a sale.

You're faced with opportunities to educate consumers on a daily basis. But don't worry; educating them is easy. You can create informative articles and how-to brochures, conduct seminars, send out informative newsletters, or simply have a conversation with a consumer. I suggest that you create an education piece by answering the one question you're always asked. Write about that question, providing information and guidance in an article, a brochure, or any other medium that educates your consumers in a way that builds the trust and rapport that eventually "sells" them.



When creating your educational marketing piece, it's important to refer to your USP and your positioning statement as a guideline for the message. Even though you're educating your consumers, it's important to still share why you're different from your competitors and why they need your products to fill their unmet needs. (Refer to Chapter 16 for more information on the creation of your USP and positioning statement.)

Providing proof customers trust

Consumers expect companies to be able to support and prove their claims. After all, providing proof creates a level of credibility. When a company can't or doesn't provide proof, a consumer may become mistrustful of the claim and the company, often causing the consumer not to purchase from that company. In order to avoid this situation, it's important to have an arsenal of proof that supports your claims. This arsenal can include reviews, testimonials, and case studies. I explain each in the following sections. Evaluate the information to decide which works best for you and your consumers.

Reviews by a third party

Reviews can be very useful in proving your claims, because third parties are the ones evaluating and reviewing your product or service. If your product or service stands up to the review process with raving results, you can show consumers that you have an outside party recommending it. A positive product review can increase sales and build consumer trust. Reviews are often published on the Internet or TV or in newspapers or magazines.



Here's the downside of reviews: If the product doesn't stand up to your claims, you'll have to activate immediate damage control in order to minimize negative publicity. Negative product reviews can diminish sales and create mistrust.

Reviews work well for products or services that provide immediate results that are visible to the consumer eye, because that's what reviewers are looking for.

Testimonials

Great components to your marketing message are accolades or testimonials from current or past customers you've helped in similar situations. Telling potential customers that you have a solution simply isn't enough; you have to prove to them that your solution works. And the best way to do that is to use the voice of other customers who have achieved positive results by using your product. Consumers believe people who are similar to themselves.

The best testimonial is one that paints a before and after picture. A great product testimony follows this order:

1. Introduction of the problem
2. Presentation of the solution (your product)
3. Explanation of the result

A testimony following the previous formula may look like this:

While skiing in Colorado on vacation, I was hit with a severe case of chapped lips. It was difficult to eat or drink, and when the wind would hit my lips while skiing down the slopes the pain was excruciating. I purchased the L2 Lip Balm and experienced immediate relief. The pain disappeared immediately, and I was able to enjoy the rest of my vacation.

Case studies

A case study can demonstrate your benefits as well as illustrate proof of your claims. It does this by showing a detailed account of how your product or service solved a problem for a customer. Your case study should go into detail about your company, the industry you're involved in, the key people within the company, and an account of a project over time that benefits from the product or service that you offer. Case studies are great for service-oriented businesses or products that are used over time.

In order to use a case study to provide proof to a consumer, you need to thoroughly cover the project by discussing the objective of the project, the strategy you used, the challenges you faced, and the results you achieved. You also need to include in the study any recommendations you had during the project.



The problem with case studies is that they require a lot of upfront work. And while they can be beneficial, it's often difficult to get consumers to take the time to read through them. Usually only very analytical thinkers who need to view a product or service from a methodological approach read case studies.

Perusing Your Options for Marketing Message Placement

After you have your marketing message drafted, you must decide what marketing media you should use. The marketing option that's best for you will depend on the target market you're trying to reach. After all, successful

marketing is all about the needs of the consumer. For example, younger generations are generally more likely to appreciate marketing messages that are delivered via the Internet, radio, or television, while older generations may rely more on the telephone book and local newspaper.

Because you have many options to consider, the following sections give you a look at the pros and cons of each type: traditional and interactive. This way you have a greater understanding of which options may work best for you.

Traditional marketing options

Marketers consider the options in this category to be traditional because they use traditional forms of media, such as television, radio, and print advertisements. New ways of marketing have been discovered, but many companies swear that the traditional ways still produce the best results. In the following sections, I explore the pros and cons of the different traditional marketing methods.

Television

Television has been a popular method of advertising for large retailers since the TV set began appearing in living rooms. Because television allows businesses to reach smaller and more targeted markets, it has become a viable option for small and mid-size businesses as well the larger ones. Table 17-1 shows the pros and cons you can expect from television advertising.

Table 17-1 The Pros and Cons of Television Advertising

<i>Pros</i>	<i>Cons</i>
Reaches a larger audience in a shorter period of time than newspapers and radio.	Producing and airing television marketing can be expensive and eats up your marketing budget quickly.
Reaches viewers when they're most attentive.	Quick changes are difficult; updating requires changing scripts and reshooting.
Allows you to use the benefits of sound, sight, and motion, giving your business a personality and instant credibility.	New technology allows consumers to fast-forward through advertisements, causing target consumers to miss your commercial.

Phone book

There was a day when everyone went to the phone book — specifically the Yellow Pages — to find vendors and service providers. Some consumer markets still go that route, but the number is diminishing. Many folks in today's

society are trying to be more environmentally friendly, and just about everyone else likes instant access, so most people tend to use the Internet more often than the phone book. Check out Table 17-2 for the pros and cons of using the Yellow Pages of the phone book to advertise.

<i>Pros</i>	<i>Cons</i>
Considered to be the complete sourcebook for business listings with telephone numbers.	Ads are listed among competitors, so prospective consumers may be distracted by other companies in the same category.
Depending on the efficiency of your ad, consumers can learn a lot about your company.	Changing your ad is impossible; if it doesn't work, you're still stuck paying for the next 12 months.
Ads are generally listed by seniority in each category, so you can work your way up to a forward position.	Seniority can be trumped by bigger ads, so you may end up at the end of the line even if your company has been around a while.

Radio

Come on, who doesn't love radio? Many people still listen to the radio on their way to and from work or errands even though cars are equipped with other audio devices. Radio advertising won't be going by the wayside anytime soon, but it still has some cons. Refer to Table 17-3 to discover both the pros and cons of taking advantage of radio advertising.

<i>Pros</i>	<i>Cons</i>
Quickly reaches a large number of people and allows you to narrowly define segments of your market.	Limits you to audio because visuals are obviously impossible.
Ads are easy to develop and relatively inexpensive (compared to television).	Listeners tend to scan stations in order to avoid commercials.
Enables you to reach additional audience segments and test new target markets rather quickly.	Requires multiple exposure spots in order to gain retention and exposure; consumers must hear a message 2 to 6 times to remember it.
Can make you look bigger than you are when you consistently run ads during a concentrated period of time.	The clutter of advertisements on the radio can be high and your message may get lost.

(continued)

<i>Pros</i>	<i>Cons</i>
Because station personalities have great rapport with their audiences, they can give you an implied endorsement by announcing your commercial.	Exposure is short; you have 30 seconds to grab a consumer's attention.
Can support your printed advertisements, making them twice as effective; for example, you may say something like "Find our coupon in the Wednesday edition of the newspaper."	Can't be rewound or paused if message is missed.
Allows the use of music and sound effects, which create a personality behind the message; this personality helps make your company memorable.	Radio stations typically cater to a much more selective audience than other mediums, such as television, because they exhibit a much more unique and tailored personality.

Billboards

Billboards and other outdoor advertising are viable for businesses looking to send a simple visual message that can be read in a matter of seconds. Because most billboards are concentrated in heavily populated areas with high traffic flows, your company or product is sure to be seen. Take a look at Table 17-4 to find out the pros and cons of advertising with billboards.

<i>Pros</i>	<i>Cons</i>
Achieves extensive coverage of the market with high frequency.	Makes conveying your message difficult; it must be brief and simple enough to fit in large letters on a billboard.
Offers the largest print ad available and generates attention-getting power.	Prime outdoor locations are often controlled by long-time advertisers.
Provides around-the-clock exposure.	Becomes background "noise" to consumers after they see the ad several times; they essentially become blind to it until a new ad is placed.
Allows you to target specific areas with your message by using different forms of outdoor advertising.	Creates great exposure but isn't generally very memorable.

Interactive methods

Interactive methods of marketing involve the Internet. These methods allow you to interact with your potential consumer in real time, which supports the “right-now” mentality that has been created in our society. Consumers no longer like to wait; they want what they want when they want it. These methods also allow you to change a marketing method on the fly within a matter of minutes. You can track your potential consumer with greater detail than when using traditional methods of marketing. In the following sections, I explain each of the interactive methods you have to choose from.

Internet

If you ask me, I think all businesses need to have some type of online presence. After all, the Internet is becoming the Yellow Pages of today. Consumers use the Internet every day. So if you don’t have an online presence, potential consumers may be turned off by your absence and will find your competitor instead. Internet marketing has pros and cons just as any other method. See Table 17-5 for a list.



An Internet presence or Web site paired side by side with more traditional means of marketing can show consumers that you’re “with the times” and not stuck in the Dark Ages.

Table 17-5 **Pros and Cons of Internet Marketing**

<i>Pros</i>	<i>Cons</i>
Acts as a low-cost promotional strategy.	Doesn’t build trust instantly; consumers have to rely on your message rather than physical evidence of your business.
Offers the ability to market globally because you aren’t limited to a particular location.	Puts you in tough competition with businesses and prices worldwide; you won’t be competing with your neighbor.
Reaches your target market quickly and easily (much faster than traditional marketing).	
Allows you to use audio and visual tools to create an unlimited amount of information regarding your product or service.	

Search engine marketing

If you want to be found online, you must participate in search engine marketing. *Search engine marketing*, also known as SEM, is a form of marketing that uses the Internet to promote Web sites and increase visibility in search engine results so that online users can find you when searching for specific services or products. *Search engine marketing* is the process of getting your potential consumers to see your marketing message by driving them to your Web site or advertisement. If your services or your products aren't found in the search engine results, online users won't find you. It's really that simple.

You can choose from two types of search engine marketing, including organic search engine marketing and pay-per-click search engine marketing.

Organic search engine marketing

Organic search engine marketing is natural visibility in search engine results; in other words, it doesn't require you to pay per click to be listed. This type of search engine marketing makes your site popular with search engines like Google. When focusing on organic search engine marketing, you work your Web site in such a way that consumers find it on the first pages of search results rather than in the later pages.

In order to boost your ranking in the results, you have to pay attention to *search engine optimization*, which is a set of guidelines that helps you create the best chance of your Web site being found in the search engine results. You can find many books and Web sites to help you with this task.



Organic search engine marketing is theoretically free, and it sounds easy, right? Well, not exactly. If you aren't familiar with search engine marketing from an organic perspective, you're better off hiring a company that can take on the task for you. (But, of course, that costs money!) Organic search engine optimization takes a lot of skill and talent in order to get the results you desire. And unfortunately, search engine optimization can't be guaranteed.

Check out Table 17-6 to see the pros and cons of organic search engine marketing.

Table 17-6 Pros and Cons of Organic Search Engine Marketing

<i>Pros</i>	<i>Cons</i>
Delivers free traffic; because you aren't paying a bounty for each click, visitors cost you nothing.	Takes time (at least 3 months) to start seeing results that are even close to the first page.
Provides long-lasting results; after achieving a certain ranking, it isn't difficult to keep it (as long as you follow search engine optimization guidelines ethically).	Requires professional skill and technological expertise, and therefore costs money to get top rankings.

Pay-per-click search engine marketing

When you market using *pay-per-click search engine marketing*, you pay when a consumer clicks on your advertisements. This payment could be anywhere from \$0.05 to \$25, depending on the audience you're marketing to and how strong the competition for that market is. This method is targeted and focused, but as you can see, it will cost you money — and possibly lots of it. Table 17-7 shows the pros and cons of this marketing method.

Table 17-7		Pros and Cons of Pay-Per-Click Search Engine Marketing	
<i>Pros</i>		<i>Cons</i>	
Provides fast results — sometimes within an hour — for those who are in a hurry to be found in the search results.		Competition is tough, and as people catch on to this method, prices will go up.	
Allows you to change things on the fly to cater your message to your target market; even though this method is labor intensive, you get up-to-the-second results of how your ad is doing.		Requires a steep learning curve, so you must gain as much knowledge as possible before starting out; or you may need to hire an agency that can help you or train you in the basics.	
Makes creating a marketing campaign that gives you every chance at success easy; no guessing is required because you can use online tools to estimate your traffic and calculate how much you want to spend.			

Affiliate / strategic marketing partnerships

Affiliate marketing partnerships and *strategic marketing partnerships* help you align yourself with businesses or individuals that serve the same target market that you do. These partnerships are popular online. To take advantage of this method, you find a business that has a Web site that serves your target market, and then you pay that company a flat rate or a percentage of revenue that's produced by a sale initiated by the business. Check out Table 17-8 to see the pros and cons of these partnerships.

<i>Pros</i>	<i>Cons</i>
Offers you a wider place to sell your products and services; the more Web sites that promote your product, the more sales you'll create.	Makes protecting your brand difficult; partners may not represent your brand correctly or in the way you'd like it to be represented.
Works as a low-risk, cost-effective method; if sales aren't made, you don't pay for the advertisement or marketing.	Causes you to lose control of your marketing message and sometimes brand; you can monitor your affiliates and partners, but doing so takes time that companies often don't have.

Social media

Social media marketing is a fairly new method of interactive marketing, but it's doing wonders for many companies. Social media marketing is the use of low-cost tools — typically Internet or mobile based — that are used to combine technology and interaction with the use of words and/or video to promote your products or services.

Social media is a great way to get to know your consumers; and even better, it enables them to get to know you. A few examples of these tools include Twitter, Facebook, YouTube, and Digg. There are new social media marketing tools being introduced daily. The best thing is that the majority of them cost little to nothing to use. Table 17-9 shows the pros and cons of using social media as a marketing method.



Social media can serve as a product marketing channel, but it must be done properly. It's all about the interaction — not only sharing but also listening. If your only interest is to market your product and not to interact with others involved in the social media marketing circle, I wouldn't suggest that you use this method, because you may actually lose consumers rather than gain them. The effectiveness of social media marketing is based on your involvement and interaction.

<i>Pros</i>	<i>Cons</i>
Provides you with great (uncensored) insight into what consumers really feel about your product or service.	Requires you to participate every day (and sometimes more depending on the topic of the day).
Builds your brand and visibility and allows you to provide information to potential consumers.	Results aren't immediate because you have to build relationships first.

<i>Pros</i>	<i>Cons</i>
Requires no specialized technical skill, so it's easy to use.	Brand control is lax; you can't always control what is said about your brand, product, or service.
Costs you nothing but the time it takes to participate.	

Choosing the Best Media Outlets for You

In today's world of marketing, you have many media outlets to choose from. I always suggest choosing two forms of marketing: one traditional method and one interactive (or online) method. (You can read all about the many methods in the earlier section "Perusing Your Options for Marketing Message Placement.") Mix it up and find what works for you in reaching your target market. If you drafted your message and know where to find your target market, you'll see success. Benefit from trial and error, and then stick with what works for you.

Before you try an outlet, you need to determine which of your options meet your objectives. To know which outlets meet your objectives, you obviously have to know what your objectives are. For example, do you want to create awareness, gain new customers, or promote an event? You first need to determine your objective and then make a decision as to whether the marketing option you're considering can achieve that objective. Choose only the marketing outlets that can meet your objectives. Doing so helps you narrow down your best marketing options. (Refer to Chapter 3 for more information on determining your marketing objectives.)

When selecting a marketing outlet, you want to evaluate how easy it will be for you to measure the results from that option. After all, it's your return on investment that will be crucial when determining and spending your marketing budget. You never want to select a marketing outlet that doesn't provide you with the capabilities to precisely track and calculate your results.



After you've rolled out your marketing campaign, you'll know whether the outlet you have chosen is successful by the response that you receive from consumers. If consumers aren't responding to your chosen media outlet, it may be time to revise your strategy or try a different outlet. Evaluate your message and make sure that the consumers you've targeted can relate to the message you're sending them. Tweak the message if necessary to see whether you can get an increase in responses; if that doesn't work, it may just be the wrong outlet. In that case, it may be time to try a new one.



After you determine which marketing options work best for you and give you the best return on your marketing investment, you can increase your investment and maximize your returns.

Chapter 18

Convincing Consumers to Adopt New Products or Changes in Terms

In This Chapter

- ▶ Exploring the reasons consumers avoid change
 - ▶ Understanding the product life cycle
 - ▶ Helping consumers adopt new products or changes to products
-

When you introduce new products or ideas to the marketplace, they're initially only adopted by a small group of people. Only later are those innovations spread to other people — and even then not all of them survive. Some cultures tend to adopt new products more quickly than others. If consumers don't adopt your new products or the changes you make to existing ones, your sales will diminish and eventually you'll no longer be in business. Growth only comes from consumer adoption. So in this chapter, I provide you with a deeper understanding of the adoption process and the product life cycle.

Realizing the Challenge: Aversion to Change

As you may know, 80 to 90 percent of new products fail. But why is that? The lack of new product adoption by consumers always has been blamed on price, but the truth is that consumers reject new products for many other reasons as well. New products often fail because of

- ✓ Failure to meet customer needs
- ✓ Poor timing

- ✓ Market conditions
- ✓ Ineffectiveness or inconsistent branding
- ✓ Technical or design problems
- ✓ Overestimation of market size
- ✓ Poor promotion
- ✓ Insufficient distribution



If the new product or service you're selling offers significant improvement over its competition, or if a product or service you've changed (either in form or in terms) is an improvement over what's been on the market until now, your task is to understand why consumers often reject new offerings that clearly provide them greater benefits than they're currently enjoying. I help you understand the relationship between consumers and change in the following sections.

How change affects consumers and their behavior

New products — or even just changes to a current product you're selling — force consumers to change the way they do things, whether the change be an actual external behavior modification or an internal adjustment in attitude, intention, or motivation. (These internal changes are at times more difficult than a simple change of procedure.) Changes on the seller's part often represent more than just changes in cost; they also include gains and losses for the consumer. If a new product has any chance at success, it must offer gains to the consumers; these gains include new benefits to be obtained or existing costs that can be avoided.

However, the problem with most new products is that while they may offer gains to the consumer, they also come with losses, which represent opportunity costs of switching. The losses are often viewed by customers as existing benefits that they must give up or new costs that must be incurred.



These gains and losses represent a significant psychological switching cost for the consumer, and the majority of consumers are opposed to undertaking that type of switch. (Refer to the later section “Addressing issues consumers face during the adoption process” for more information on handling opposition.)

What affects a consumer's acceptance of change

Why are consumers hesitant to give up old benefits and often resistant to incur new costs when they're either retaining the benefits they currently enjoy or gaining new benefits? The answer, like all things related to psychology, is fluid. However, the influences that lead to resistance generally boil down to the following few fundamental truths:

- ✔ **Humans are sensitive creatures.** Chalk it up to the law of survival — people are poignantly aware of the concept of give-and-take. You can see this sensitivity clearly in almost any toddler; even though adults aren't so uninhibited, the sensitivity remains — humans don't like to lose things, and they sure do like to gain things. As a result, the greater the required changes, the greater the potential of resistance.
- ✔ **What people perceive in the world is a response to individual reference points they hold.** These reference points often come from culture influence or social groups that people surround themselves with.
- ✔ **The bad outweighs the good.** As individuals, people often focus more on the negatives of change than they do on the benefits that come with that change. It's easier to remain the same than it is to modify behavior.

When you look at these three components you can see that the adoption of a new product is more about the adjustment a consumer has to make in the gains and losses of abandoning the current product that she's using.

Say, for example, that I have a company called Grocery-Overnight, which sells groceries online. Leslie, who has been a consumer of mine for years, loves the convenience of shopping online and has enjoyed my company's service. Unfortunately due to the higher cost of shipping, I must increase my shipping charge from \$2.95 per order to \$10.95. In order to absorb these costs for my consumers, I expedite shipping. Most consumers find this benefit worth the extra cost, but Leslie is a single businesswoman who doesn't need the expedited shipping because she plans her weekly menus in advance. The expedited shipping is intended to be a benefit, but Leslie views it as a loss, and so I may lose her as a customer. She simply can't justify the extra \$8 to place her grocery order online — it doesn't make economic sense to her. Going to the grocery store will be an inconvenience for her, but paying the \$8 is an inconvenience that she sees as a bigger loss. So, Leslie won't adopt my new enhanced product.

In the following sections, I expand on the three factors that lead to consumers' aversion to change.

The human sensitivity to gains and losses

When you provide a consumer with a new benefit, it will be perceived as a gain; take away an existing benefit, and it will be viewed as a painful loss. The same is true for cost. If you reduce a current cost, it will be perceived as a gain; and if you impose a higher cost, it will be treated as a loss.

Suppose, for example, that a consumer finds a new dry cleaning service near his home. Not only is the service convenient, but it costs less than it did previously, when he had to drive 15 minutes to reach the nearest dry cleaner. He experiences a great deal of happiness, because the costs he's used to paying for have decreased — therefore, he considers the change as gain.

Another man, however, has received notice that his television cable company will be increasing his cable rate and raising his monthly bill. His costs for the very thing he's been purchasing for years have increased, so he counts the change a loss and experiences displeasure.



Regardless of the degree of change, the simple factor of whether a person perceives the change as a gain or as a loss plays a big role in how he'll respond to that change. The perception that a consumer has concerning a change in the product or service that you offer determines whether he will adapt to that change and often whether he will continue paying for your product or service. When you present your consumers with what they can view as a potential loss, you must balance it with something that they can see as a gain; otherwise you run the risk of losing their business, because the feeling of loss wins out.

One change, many interpretations: The role of reference points

The gains and losses a consumer experiences are evaluated with respect to a relevant reference point. Typically that reference point is represented by the individual's status quo or current state of being. Additions to that individual's status quo are seen as gains, and subtractions from that state are viewed as losses.

Here's an example: If status quo is represented by a consumer's current state, and she goes out one Saturday to purchase a new car that's an upgrade from her current vehicle, she'll have a sense of gain. However, say that on the same Saturday, the consumer doesn't purchase a new car. Instead she's involved in an accident that destroys her current car. In this case she'll feel a loss that she didn't earlier that day before the accident.



It's important to realize, however, that status quo isn't the same across all individuals. Status quo comes from individual situations and perceptions. This is important to recognize because what one consumer may see as a gain another consumer may see as a loss.

For example, take a look at the price of gasoline around the world. In France, I may pay \$4 per gallon, and in the United States I may pay \$2 per gallon. If the price of gasoline were to change to a universal \$3 around the world, the French people would be ecstatic, while those located in the U.S. would see the change as a huge loss. People use the prices that they're currently used to paying for their gasoline as reference points to determine whether the price of gasoline is a gain or loss to their status quos as a consumer.

The scales are tipped: Loss is heavier than gain

Consumers don't treat comparable size gains and losses the same. Instead, losses seem to loom larger than gains. At times, losses outweigh the gains when it comes to adopting a new product. In other words, when a consumer is forced to give up a specific benefit, the loss creates significantly more pain than the pleasure that's gained from a new benefit.



Research shows that losses are two to three times more painful than comparably sized pleasurable gains. Why the imbalance? The reason boils down to an issue of value: Consumers value items that are in their possession more than they value items that aren't in their possession. Behavior economist Richard Thaler labeled this theory as the *endowment effect*.

The idea behind Thaler's theory is that when a person has possession of something (meaning he owns it), he tends to value it more. In fact, he may value it so much that if he were required to sell it, he would want to ask the buyer to pay more than it's worth. For example, consider the vehicle that you own, and then ask yourself the following questions:

- ✓ How much would you sell it for?
- ✓ How much do you think people would pay for it?
- ✓ How much would you pay for it if you saw it for sale at a car lot?

If the endowment theory is true, you would see your vehicle as being more valuable to you than it is to other people — that is, the amount you would want to sell it for is higher than the amount you would be willing to pay for it.

Tracing the Typical Life Cycle of a New Product

All new products — whether they're original products, product improvements, or product modifications — go through the product life cycle. You can apply the product life cycle to analyze product class, product form, and brands of product.



Fads, style, and fashion are three product areas that don't necessarily follow the product life cycle. The reason they don't follow this cycle is because they start off with a great deal of momentum, but then the interest of the consumer often diminishes just as quickly.

The product life cycle consists of the following four stages; however, remember that not all products go through each stage:

- 1. Introduction:** During this stage of the product life cycle, a business seeks to build product awareness and develop a market for the product by using promotion. The need for immediate profit isn't of concern in this stage.
- 2. Growth:** The focus in this stage is on building a brand preference and increasing and stabilizing the market share. Competitors are attracted to the market, and they begin to offer similar products. At this point, products become more profitable because of the growth in sales and because companies form alliances and strategic partnerships to take each other over. Advertising and marketing spending is high during this stage.
- 3. Maturity:** The growth in sales begins to diminish during this stage. A product that survived the first stages tends to spend the longest time in this stage. Sales are still growing, but at a much slower rate. Because more competition begins to appear in this stage, it's extremely important to differentiate your product. You may begin to notice that the market is saturated and that price wars and intense competition begin to occur. It's common to begin to see businesses leave the market due to poor margins.
- 4. Decline:** In this stage, you often see a decline in the market of the product. This decline is often caused by the introduction of more innovative products. It also can be due to the changing tastes of consumers. You often see intense price cutting in this stage, and even more products are withdrawn from the market.

The product life cycle represents not only the life of a product, but it also can offer guidance in the way that you market, affecting sometimes differences in strategy and the method of marketing that you use. Sometimes a new marketing approach can breathe new life into your product life cycle. For instance, you may notice a breath of fresh air when you begin to evaluate your target market and consider entering a different segment with your marketing. Or, your marketing may be reenergized after implementing a new method, perhaps going from television commercials to radio spots or going from a more traditional method to a more nontraditional method, such as interactive marketing or social media marketing. These are all things to evaluate throughout the life cycle of your product. (Refer to Chapter 16 for more information on marketing methods that you can use.)

Encouraging Consumer Adoption throughout a Product's Life Cycle

As a business owner, it's important for you to understand the adoption process that consumers go through when purchasing new products and services. The adoption process is the psychological process that a consumer goes through to make a determination on whether to adopt a product. After you understand this process, you can help the consumer work through each phase, moving her closer to the final phase — adoption of your product. There are things you can do in each phase to increase the chances of consumers adopting your products.

Consumers don't adopt change at the same rate, so you use the five adopter categories to understand how and why consumers adopt innovations at different rates. In the last half of this section, I introduce the five categories as well as help you explore the characteristics of each category.



When a consumer evaluates a product, she's confronted with an overabundance of product attributes and choices. Her decision of whether to adopt a new product or a change in terms is based on the following:

- ✓ **Level of prior use:** This involves how much a consumer has used the product before the changes and how much she'll use a new product after. The consumer evaluates the usability of the product that meets her needs. For example, if she's evaluating a new shampoo, she would realize that she'd use this product daily. If the product is new or has changed, she'll determine how that will affect her use and satisfaction with it.
- ✓ **Involvement with the product:** With this factor, consumers evaluate their involvement with the product. Their involvement either serves as a motivator or it acts as a deterrent in their adoption of the new or changed product.
- ✓ **Understanding of the product offering:** A consumer purchases products based on the benefits they offer. So, when evaluating a new or changed product, she must understand what benefits that product offers her.

Addressing issues consumers face during the adoption process

For consumers, deciding whether to adopt a new product is a process. A series of factors prompt them to consider their current condition and the

alternatives that will improve it. You can use these factors to guide your consumers to adopt your product by simply alleviating the roadblocks that may stop them from moving through the process.

You also have to provide information that meets their needs. The more helpful information they receive, the more inclined they are to adopt a new product. Lack of information, on the other hand, will detour adoption. Just remember that successful adoption of your new product depends on your ability to help consumers move through the process.



The rate of adoption can differ significantly among products. The rate often depends on five characteristic factors of the product. These factors determine how quickly a product is accepted by consumers:

- ✔ **Communicability:** One characteristic of quickly adopted products is a high rate of communicability. In other words, their benefits are easily communicated and understood by consumers. The best way to create communicability with your product is to make sure that its benefits are well known and easy to see. This communicability helps consumers understand why they need your product and makes them want to purchase it.
- ✔ **Compatibility:** In order to get consumers to adopt a product, you first have to find out how well your innovation fits with existing traditions, cultures, values, needs, and past experiences. A product that's compatible with existing values of consumers will be adopted more quickly than one that isn't. Take Quaker Oats, for example. When the company first introduced oatmeal, consumers were skeptical because they thought oats were for horses. (Refer to Chapter 13 for more information on segmenting your target market and identifying its needs and values.)
- ✔ **Complexity:** If a product is perceived as being complicated, consumer acceptance will be delayed. Consider computers, for example. When they were first introduced, they were perceived as complex and consumers didn't adopt them quickly. So, be sure to take the time to simplify your product in terms that consumers can understand. And remember that the more difficult a consumer thinks a product is, the slower the adoption rate will be. (Refer to Chapter 16 for more information on product positioning.)
- ✔ **Divisibility:** Consumers prefer to try things on a smaller scale when they're new. They want to be able to purchase a trial product before purchasing the full product. So, if at all possible, ensure that your potential consumers can try your products before buying. For instance, consider the car dealer who allows consumers to test-drive cars over the weekend before making a decision to purchase.
- ✔ **Relative advantage:** Products that offer a significant advantage over the products they replace are often adopted more readily. A digital camera, for example, has a significant advantage over a disposable camera.



All these characteristic factors play a part in whether your product is ever adopted and how quickly it is adopted. The more characteristics you can include in your product, the better your chance of success. Compare your product against each characteristic and evaluate how well it fulfills that characteristic. If it's missing the mark, it's worth taking the time to evaluate how you can fulfill that characteristic better. After all, it really means success or failure when it comes to adoption.

Reaching the right consumers within your target market

Consumers generally fall into five categories according to how quickly they adopt new products and other changes. These categories are largely based on the personalities of consumers. You can use the adopter categories to understand that the customers who buy first are likely to be significantly different from those who buy the product much later. You can then use this information when working to develop your marketing mix.

Table 18-1 shows the five categories, along with a description of each and the percentage of the target market that they typically comprise.

<i>Category</i>	<i>Percent of Target Market</i>	<i>Characteristics</i>
Innovators	2.5	First users of a product. Want to be first to own new products, even if those products don't make it through early stages of product life cycle. Aren't always taken seriously by peers. Venturesome; able to cope with high levels of uncertainty; sociable.
Early adopters	13.5	Quick to buy new products; key opinion leaders for peers. Enjoy leadership and prestige. Integrated into the local social system; are looked at for advice from potential adopters; respected for use of ideas.
Early majority	34	First consumers in the mass market to purchase. Rarely leaders, though they usually adopt new ideas before the average person. Look to innovators to see if new product or idea works and begins to stand the test of time. May deliberate for some time before adopting.

(continued)

Table 18-1 (continued)

<i>Category</i>	<i>Percent of Target Market</i>	<i>Characteristics</i>
Late majority	34	Usually skeptical of change and will adopt innovation only after a majority has tried it. Slower to catch on to the popularity of new products, services, ideas, or solutions. Skeptical; affected by peer pressure; adoption may be more of an economic necessity rather than a choice
Laggards	16	Last to purchase; some never adopt the products at all. Usually price conscious; traditional; conservative by nature; suspicious of change and new innovations; must be certain that a new innovation won't fail



The key point in how to use this information is this: You must know which category you're targeting so you can understand that category's needs. Even though you can't cause a consumer to switch from one category to another (you certainly have the power to *influence* consumers, but you simply don't have the power to *change* their personalities!), you *can* market to the specific needs of consumers in each category. You'll find that you benefit the most by viewing each category as a static category that doesn't change; however, what does change is their needs and how you can market to them.



People in each of these categories have different personality characteristics, and each personality is comprised of the attitude that the person holds toward the adoption of a specific innovation. This attitude is what you want to use to gauge how to market to each category specifically. Here are some general guidelines:

- ✔ **Invite a select few innovators to participate in the development of your product, perhaps as a focus group.** The reasoning behind this is twofold: First you develop a relationship with the innovators, and then as a result they will endorse your product.
- ✔ **Involve early adopters by recruiting a few of them as trial partners.** It's important that in doing so you pay attention to the adopters' feedback; be sure to evaluate and implement their suggestions. You also need to take time to reward these early adopters. Promote them as leaders and provide them with ego strokes; you can do so with media coverage or publicity. It's important that throughout this process you maintain your relationship with these adopters, both by listening and providing feedback.

- ✔ **Attract members of the early majority with giveaways, lower costs, or performance guarantees.** To do so, use only mainstream marketing and media publicity, because consumers in this group tend to associate those marketing methods with credibility. Also, keep in mind that you must keep things simple for these consumers. The benefits of your product must be clearly communicated in order for them to purchase.
- ✔ **To gain adoption from the late majority, focus your marketing message on social norms rather than benefits.** That is, show them how adoption of your offering enables them to identify with whatever group they're in or desire to be in — their motivator for purchasing is a fear that they won't fit in and that they'll be left behind if they don't purchase. (See Chapter 16 for lots of group-specific guidance.)
- ✔ **Give laggards a high level of control when it comes to the adoption process, meaning that they control when, where, how, and why they adopt your product.** For this group, you must use your marketing message to create a familiarity with the new product. It helps if they can see other laggards adopting your product.



Turn your attention to the laggards only after you have hit the late majority category. The reason being that the consumers in the late majority category share many of their fears and often listen and respond to the criticism of the laggards when it comes to product adoption.

Working to create a marketing strategy that reaches out to each of these categories creates stability in the adoption of your product. Your product will mature just as your consumers and their behaviors will. For this reason, you must understand what category of consumers you're marketing to in order to understand their needs and create a marketing message that appeals to them and causes them to adopt your product.

Offering strategic incentives according to the life-cycle stage at hand

The product life cycle provides a great timeline that you can go through when evaluating the growth of your products; your marketing efforts will be much more effective if you adapt them to the needs particular to the life-cycle stage that your offering is in. For example, if your product or service is new, you need to consider what ways you can advertise or promote your product in order to gain awareness, which is the first stage. If your consumers have an interest in a trial or desire to sample your product, how will you facilitate that?

If you're changing a product or service you currently sell or are changing the terms associated with it (such as shipping costs), you need to consider how your customers will view that change. Then you use that information to create marketing strategies that address the concerns and challenges your customers may have with the changes. Your goal is to use these marketing strategies to help consumers with the gain or loss trade-off they may be feeling.

Figure 18-1 shows you a general representation of the merger of the product life cycle and the five adopter categories. The percentages shown in this figure reflect the approximate market size of each adopter group. Remember, though, that the product life cycle is just a *guideline*, not an absolute depiction of every product's popularity path. Not only can the length of each stage vary dramatically, but also the marketing actions you take can change the stage at hand. For example, you may go from the growth stage to the decline stage by hiking the price of your product when the market isn't ready. So be sure to use the product life cycle in combination with your own market knowledge and intuition. (You can read more about the product life cycle in the earlier section "Tracing the Typical Life Cycle of a New Product.")

Stage 1: Introduction

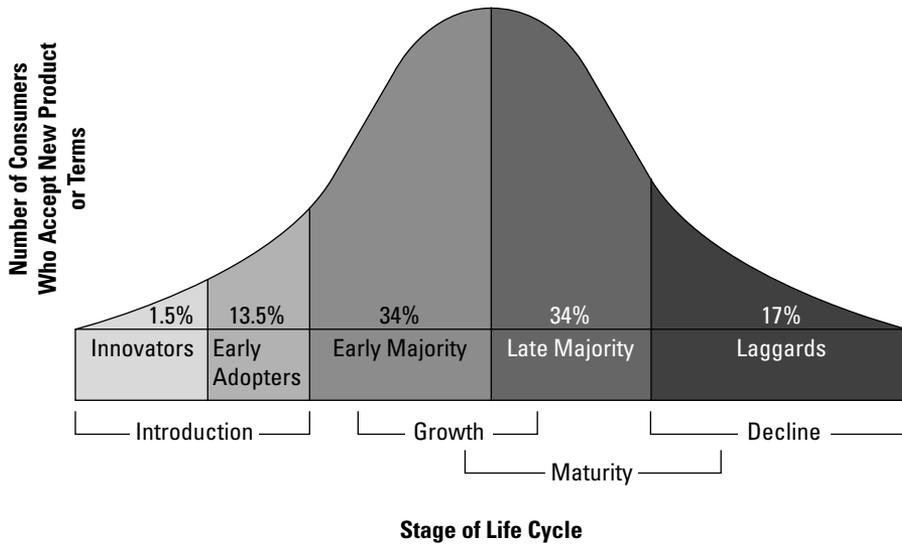
Your goal in the introduction stage is to establish your market and create a demand for your product. If you're introducing a product in this stage that has no or few competitors, you'll likely implement a *price skimming strategy*. With this strategy, a marketer sets a relatively high price for a product or service at first, and then lowers the price over time. If your product does have competitors, you need to ensure that consumers can understand what differentiates you from your competitor. You can adjust your marketing mix so that consumers are clear on the differentiation.

Consider the impact on the marketing mix during this stage:

- ✔ **Product:** Branding and quality level is established during this stage. Intellectual property protection, such as patents and trademarks, should be obtained now.
- ✔ **Pricing:** In this stage, you may use a low penetration price in order to build market share rapidly. Then you might use high skimming pricing to recover any development costs.
- ✔ **Distribution:** The product is only distributed selectively, which allows you to measure the acceptance of the product from consumers.
- ✔ **Promotion:** In this stage, promotion is aimed toward innovators and early adopters. (See the earlier section "Reaching the right consumers within your target market" for more on these consumers.) Marketing is used to communicate and build product awareness and to educate potential consumers about your product.

Innovation Diffusion Curve: The Five Adopter Categories and the Product Life Cycle

Figure 18-1: This graph shows the overlap of the product life cycle and the adopter categories.



Stage 2: Growth

Your goal in the growth stage is to increase product sales and become the first choice of your customers. This is the stage where you'll more than likely see a period of rapid growth. Consumers become more aware of your product and as a result your sales increase. You want to make changes to your marketing mix to accommodate this growth.

Here are the impacts on the marketing mix during this stage:

- ✓ **Product:** The quality from the previous stage is maintained, though additional features and support service may be added.
- ✓ **Pricing:** The pricing strategy from Stage 1 is maintained during this stage because typically the demand is increasing and competition is low.
- ✓ **Distribution:** Distribution channels are added in this stage as demand increases and more and more consumers begin to accept the product.
- ✓ **Promotion:** Promotion and marketing are now focused on a broader audience.

Stage 3: Maturity

The primary objective during the maturity stage is to defend your market share, extend the product life cycle, and maximize your profit. To do so,

your promotion becomes more widespread and you begin to use a variety of media in order to get your message out.

Consider the impacts on the marketing mix during this stage:

- ✔ **Product:** During this stage, you'll likely enhance features to differentiate your product from the competition.
- ✔ **Pricing:** Pricing may be lowered because of new competition.
- ✔ **Distribution:** Distribution becomes more intensive, and you may offer incentives to encourage preference for your product over competing products.
- ✔ **Promotion:** Promotion during this phase emphasizes differentiation among competitors.

Stage 4: Decline

The primary objective of the decline stage is survival or coasting until you run out of revenue. This is a tough stage to be in because you'll have to make some tough decisions. Make a decision on how you'll proceed with your product and then create a plan to act on.

Profit can often be saved or improved by reducing marketing and by cutting costs in other ways, such as reducing overhead costs that come from the development of the product. Your marketing mix is less important in this stage because your goal is to cut costs to survive. Your marketing mix would only apply if you had found new features or new uses for your product. And if that is the case, you would actually find yourself back in Stage 1 of the product life cycle.

Your action item during this stage is to make a decision. You have three main options, and in order for a company to stay on top, it must choose one and act on it:

- ✔ **Maintain and revitalize the product:** With this option, you keep the product going as is. You may enhance the product by adding new features or finding new uses.
- ✔ **Harvest the product:** You harvest a product by reducing costs and continuing to offer it, but you generally focus on loyal niche segments only.
- ✔ **Discontinue the product:** If you discontinue a product, you liquidate the remaining inventory or sell it to a company that's willing to continue the product.

Chapter 19

Cultivating Customer Loyalty

In This Chapter

- ▶ Understanding consumer-business relationships
 - ▶ Evaluating the different loyalty types
 - ▶ Encouraging customer loyalty with a few strategies and methods
-

Consumers have to make choices every day; if you want to be the business they're loyal to, you must give them a reason to choose you. An enjoyable experience and exceptional service set the stage for customer loyalty, and an emotional connection and authentic relationship will seal the deal every time.

Creating loyalty within your customers isn't difficult, but it does take effort on your part. You must be able to provide your consumers with what they feel is that emotional connection; that connection comes from providing them with the best value, having the ability to satisfy their needs and desires, and taking the time to make them feel good about who they are. When you've done these things, you've laid the groundwork and cultivated the relationship that leads to the committed consumer loyalty that you're looking for.

In this chapter, I discuss consumer-business relationships as well as customer loyalty. Specifically, I show you how to recognize and foster loyalty from your customers.

Waxing Romantic: A Primer on Consumer-Business Relationships

As a marketing manager, your goal is twofold: attracting new customers and retaining your existing ones. Getting business from current customers is easier and much less expensive than gaining a new customer. A regular consumer that's committed to your products doesn't have to be resold, so you save time, money, and effort. Marketing is a great tool that can be used to develop, nurture, retain, and maintain relationships with your customers. Marketers call this *customer relationship management*.

Business is based on relationships, and relationships are based on qualities such as trust, respect, appreciation, understanding, generosity, and open and honest communication. True customer loyalty is a continuing series of interactions and feelings of attachment between you and the customer. I provide the basics on customer loyalty in the followings sections.

The difference between repeat buying and customer loyalty

There's a difference between a satisfied customer and a loyal customer. A satisfied customer is simply happy with the service and products that a company offers at the moment. If something better comes along, however, that customer could be lured away. Loyalty, on the other hand, develops when consumers get involved with the company beyond the normal transaction. Customer loyalty usually develops when a customer has a problem and the company solves that problem by going out of its way to take care of the customer. This individual care causes the customer to feel an emotional connection to the company.



It's important to understand the differences between satisfied customers and loyal customers because then you can use that information to be proactive in switching satisfied customers to loyal customers. Table 19-1 shows you the characteristics of both loyal customers and satisfied customers.

<i>Satisfied Customers</i>	<i>Loyal Customers</i>
Continue doing business with you until something better comes along (location, price, variety)	Understand and forgive minor problems they encounter with your company
Have not developed a relationship with you	Are not price sensitive and become repeat buyers of your product
Have no personal interactions with you	Help sell your business with word-of-mouth marketing — without you offering incentives
View business as impersonal; they do business with your company rather than with you as a person	Don't jump to competitors because they offer perks or products that may be seen as "better"

Here's a personal example that will give you a clear picture of how customer loyalty works. One hot summer day, I accidentally locked myself out of my home. I had recently become a patron of a wine bar that's located not far from my house, so I decided to go there to see if I could use the phone to call a locksmith. When I walked in, the owner immediately knew that I was stressed. I explained the situation, and she let me use her laptop to locate a locksmith. The locksmith couldn't be at my house for 45 minutes, so the owner of the wine bar poured me a glass of white wine and invited me to wait it out there.

When it was time to leave the bar, I asked for my tab. The owner hadn't charged me for the glass of wine. As you can imagine, I have become a loyal customer of that bar. Even though a variety of wine bars are in my area and new ones are opening frequently, that one wine bar has become my "home." I not only visit there, but I also recommend the bar to others. When I have lunch meetings, I often take my guests there so they can experience the atmosphere and extraordinary care that the owners of this wine bar give their customers.

Why loyalty is important for business

When a relationship between a business and a consumer is of high quality, the chance for ongoing business is increased, because both see value and mutual benefits in the exchanges. In other words, a high-quality relationship benefits both your business and the customer. Customers, for instance, have an easier time making decisions and their perception of practical value is enhanced. Your company benefits by not having to resell the customer. The pleasant nature of the exchanges between you and the customer are agreeable to both parties. You'll know when the relationship between you and your customer is strong, because you'll act as partners. Additionally, relationship building and staying in touch with your customers serves as a reminder of why they should buy from you and not your competitor.

Before you spend your time and money going after new customers that you aren't currently in a relationship with, consider the following statistics:

- ✔ Loyal customers spend 33 percent more than new customers.
- ✔ Referrals among loyal customers are 107 percent greater than among non-customers.
- ✔ It costs six times more to sell something to a prospect than to sell that same item to a loyal customer.



As you can see, your marketing dollars go farther when you use them to build, nurture, and develop your customer relationships and develop the loyalty of your customers.

Customer loyalty provides you with many benefits. For instance, loyal customers do the following:

- ✓ Purchase your products over and over again throughout time.
- ✓ Increase the volume of their purchases with you.
- ✓ Buy across product lines.
- ✓ Refer others to you with word-of-mouth marketing.
- ✓ Avoid being lured by your competition.
- ✓ Give your company the benefit of the doubt when something goes wrong.

Digging Up the Roots of Loyalty

You may be surprised to find that there are different types of customer loyalty. General customer loyalty can create a certain level of stability, but committed loyalty is what creates business success — it's the type that doesn't build false hope in success but instead builds a strong commitment from your customers.



Consumers become loyal to businesses that meet their needs, both internal and external, but they become committed in loyalty when businesses meet their psychological needs. In this section, I discuss the different types of loyalty so you can gain an understanding of the type of loyalty that you desire. I also show you how to attract that loyalty by being able to recognize and meet the psychological needs of your customer.

Why consumers are loyal: Five very different reasons

By understanding the following five types of loyalty, you can easily identify your customers accordingly:

- ✓ **Committed loyalty:** This is the type of loyalty that you want to achieve. Consumers in this category have a positive commitment to your business and are devoted to purchasing from you. No matter how strong the pull is, they won't be swayed by your competition. That's because these consumers have a deliberate, emotionally based commitment to you, your product, your brand, or whatever it is that they're loyal to. This committed loyalty has been created by the service they've received and the

extraordinary experience they get every time they visit your business. These consumers know they don't get this from every business they patronize, but they can always count on getting it from yours. Your goal is to strive to achieve this level of loyalty from *all* of your consumers.

An example is a customer who goes to a restaurant every week, not because it's close to his house but because the service is phenomenal, the food is excellent, and he feels like part of the restaurant family.

- ✔ **Cost of change loyalty:** In some situations, the cost, difficulty, or hassle involved in changing companies is so great that consumers change only as a last resort — even when other solid competitors are available. An example would be a customer who has a mortgage but isn't happy with the service of his current mortgage company. He won't switch companies because the cost would be high and the hassle would be great.
- ✔ **Habitual loyalty:** This repeat business is the most common. As time becomes scarce for consumers, familiar routines that can be quickly accomplished with minimal thought become part of their lifestyle. Businesses with high levels of consumers who have the habitual type of loyalty may feel a misleading sense of security. The commitment consumers feel to these businesses can be quite low. An example is a consumer who uses a dry cleaning service that's a block from his house. He isn't happy with the prices and the service in his opinion isn't the best, but he'll continue to use the service because it's convenient and fits into his daily routine and habits.
- ✔ **Incentivized loyalty:** This type of loyalty represents customers who are incentivized for their loyalty to a business through points programs, percentages off, or cash-back options. They see the loyalty program as something that's important, and because of this perk they continue to shop at the store that offers the program. An example would be a customer who has a credit card that offers him points for every dollar he spends at a certain store. Even though the store's service is subpar, the customer won't switch because the incentive to stay is too great.
- ✔ **Monopoly loyalty:** This is the type of loyalty where customers have little or no choice in where they shop. Their "loyalty" is far from devoted. Instead, it's often resentful. Unfortunately, customers who have little or no choice and have monopoly loyalty are often dissatisfied. An example of monopoly loyalty would be a utility company that has gained government legislation to be the only one who provides service in a specific area. The customer has no choice but to use them.

Understanding what committed loyalty — the one you want — is based on

Consumer loyalty is strengthened when a company makes an emotional connection with its customers. Recent research indicates that when a consumer

connects emotionally with a product, a segment of her brain lights up — and that’s a good thing. After those emotional connections are made, consumers become loyal and go from being just a “customer” to being a “repeat buyer.”



The main reason that customers leave companies that they’ve been doing business with is because they perceive that the companies don’t care about them or their needs. When customers are asked why they remain loyal to a particular company, the top answer is “because the company cared about me.” This perception of being cared for is the emotional bridge between customer satisfaction and customer loyalty. In other words, loyalty is an emotional attachment that a consumer has with a company based on the consumer’s subjective perception that the company is delivering the value she desires or needs at the right time and in the right form.

Creating the kind of loyalty that you desire from consumers takes meeting their psychological needs. It’s about service and creating extraordinary experiences, but it’s also about providing consumers with the interaction that they need to solidify the relationship — and that starts with the first purchase they make from you. I explain all this in the following sections.

Starting with the psychology behind the initial purchase

In today’s world, consumers want choices. But they also want those choices to be relevant to what they need to accomplish. Even though the reasons consumers buy vary from one consumer to another, they’re all derived from four psychological needs. This is true for all businesses and industries.

As you know, in Step 1 of the decision-making process, the consumers identify a need (see Chapter 2 for more on this process). When it comes to developing the committed loyalty that you want from consumers, it’s about meeting those internal psychological needs that really creates the emotional connection that consumers are looking for. Meeting a need is one thing; meeting an emotional need at the same time is what creates loyalty. (Refer to Chapter 4 for more information on meeting the emotional needs of consumers.) When you meet one of the following needs, it causes the consumer to make the initial purchase:

- ✓ The need to be understood
- ✓ The need to feel welcome
- ✓ The need to feel important
- ✓ The need for comfort



Even after the initial purchase has been made, true loyalty to you requires commitment from the consumer, because that consumer must make a conscious decision and effort to purchase from you. Customers who feel a true commitment to you are an asset to the company, because as long as you always take care of them, they will always be your customer.

Moving from psychology to relationship (in effect, loyalty)

A consumer's initial purchase is his first interaction with you. This interaction determines whether he'll return. Even though he may not become a committed loyal customer on the first visit, it definitely sets the stage for whether he'll ever become a committed loyal customer of yours in the future. A committed relationship with consumers is based on the following building blocks:

- ✔ **Communication:** You and the consumers “speak the same language” and are able to understand one another. Communication is key; if consumers feel that you don't understand them or that you aren't listening to them, it could detour them from ever coming back.
- ✔ **Competence:** Consumers view your company as knowledgeable and capable. They want to be able to trust your expertise and know that what you're telling them is true.
- ✔ **Customer orientation:** The strong relationships with your customers have filtered down to other staff members. You can be the owner of the company and treat every customer with respect and great service, but if your staff members don't, they can do damage to the work that you've done. Their lack of respect can even sever the relationship. You can't be the only one in your company who understands the importance of customer loyalty, so hire carefully and provide training.
- ✔ **Equity:** You and the consumers both see equity in your exchanges, and you're also able to equitably resolve conflicts. Consumers want to know that you value them as much as they value you. They also want to feel as if you have the same interest in resolving their problems as they do.
- ✔ **Personalization:** You treat the customers as individuals. You may even know their names. Even if you don't know their names, they want to feel as if they're important to you. They don't want to just be another sale. Consumers enter businesses daily where no one pays attention to them. It's out of the norm for someone to give them the attention they're looking for, so if you can do that, you'll make them want to be loyal to you.
- ✔ **Trust:** You and the consumers both depend on each other. Consumers love to purchase from people that they can trust. If they can trust you, they will feel safe in taking your advice and getting your feedback.

Creating a Committed Loyal Customer

Encouraging customer loyalty is a complex task. But with a few methods, you can successfully build loyalty among your customers. Success in customer loyalty is usually achieved with a combination of marketing initiatives and excellent customer service. The success formula varies from one business to another, however.

The foundations of customer loyalty are universal, so in this section, I begin with the basic relationship-building blocks you should start with as well as offer a macro perspective on the ins and outs of loyalty programs. I then discuss ways to customize your tactics to your particular target market, which you can do to make your efforts resonate even more deeply with your customers.



If you build customer loyalty that's based on your company, you'll find it easier to gain loyalty for your products. If you only build loyalty with a certain product, you risk losing business when you decide to discontinue that product. Loyalty to the company creates a forever customer; loyalty to a product creates a customer for the life of the product. So I always suggest creating loyalty from the bottom up.

Establishing a relationship: The basics

Building relationships with your customers isn't as difficult as you may think. You simply have to treat your customers as if they truly are your strategic partners. You also need to show them that you truly care about them. You can do both of these things by focusing your efforts on developing and exemplifying the following qualities:

- ✓ **Expertise:** Be able to answer the questions that your customers have. Consumers don't want to buy from just anyone — they want to know that they can count on you to give them good solid advice and feedback.
- ✓ **Attention:** Pay attention to your customers; listen to what they want and what they have to say. By listening to what they say, you can identify their needs and hopefully provide a solution for those needs.
- ✓ **Friendliness:** Reflect a great attitude. Customers are attracted to businesses that contain happy and helpful people. Be sure to hire those staff members who can exude friendliness to your customers.
- ✓ **Flexibility:** Be flexible in order to fulfill the needs of your customers. If customers think that doing business with you is a risk, they'll reach out to your competitors.
- ✓ **Patience:** Customers don't like being pressured to purchase, so show them options and educate them, but then be patient while they make a decision.
- ✓ **Superiority:** Offer products that are of excellent quality. Do what you do, and do it well. Be superior in both products and service. Customers hate to feel like they were scammed or taken advantage of. When purchasing from you, they want to be confident that you will provide them with quality products and will back those products with superior service.



Don't just satisfy your customers. Instead, blow them away with your service. Do whatever it takes to make them happy. The out-of-the-way service may cost you in the short term, but it will pay off in the long run. Also, be aggressive but not intrusive. Be friendly, go out of your way, and put an emphasis on forming a relationship with each customer. Whatever you do, don't simply focus on sales. Sales always follow relationships.

Adding loyalty programs to the repertoire (but not as a solo act!)

Many businesses have experimented with loyalty cards and programs as a way of increasing customer loyalty. A loyalty card or program keeps track of the purchases that a customer has made with your business. These programs differ somewhat, depending on the business that offers them. Most of the time, however, these programs offer on-the-spot discounts on selected items. The business also may offer the customer with the loyalty card a lesser price than the customer who doesn't have a loyalty card.

Here are a few of the pros of loyalty programs:

- ✔ They keep your name in front of the customer.
- ✔ They encourage increased sales and return business.
- ✔ They can provide you with valuable customer demographic information if you collect the data on purchases.



But, of course, there are cons as well. Here they are:

- ✔ Unless the reward is significant, your program may not stand out among other programs.
- ✔ Unique offers can backfire. For example, some business owners may avoid punch cards and club cards altogether and instead opt for special sales and offers for their most loyal customers. This can be a great approach, but there's always the unfortunate risk of offending customers if your special sale or offer doesn't apply to them.
- ✔ Loyalty cards and programs can seem invasive to some customers, especially if you're tracking purchasing habits.
- ✔ Loyalty programs create a loyalty that's based on your financial commitment to the consumer. This type of loyalty lasts for a very brief time when compared to consumer loyalty that's based on your product. Product-based loyalty is a much deeper commitment on the consumer's behalf.

The results of these programs are mixed. In fact, these programs can sometimes backfire by appealing too strongly to the bargain-hunting consumer. Consumers who are economically conscious often show a lower interest in incentivized programs because they prefer to purchase from the business that gives them the best offer instead of just being incentivized for the purchase. So when using these programs, you must evaluate whether you've created a reward for the loyalty of the customer or have attracted the bargain shopper instead.



If you're going to develop a program that incentivizes customers, it's a mistake to make that the only thing you do to capture customer loyalty. Incentivizing to gain customer loyalty can work in your favor, but it can also work against you by creating customers who are only loyal to you because of the incentives you give them. However, you can create an incentive program that you pair with other loyalty development initiatives, such as superior service and relationship building, and it will be a success.

Accounting for behavioral predispositions

Consumers are all different, but they carry around many of the same predispositions. So, in order to create the customer loyalty that you desire, you must create an emotional connection with them. An emotional connection develops when the consumer becomes more involved with your business in a way that's over and beyond the normal daily transaction.

You create customer loyalty by understanding what's important to your consumers and by going out of your way to use that understanding to provide them with an extraordinary experience every time they encounter your business — whether they're purchasing a product at the time or not.