The Global Entrepreneurial Marketing (GEM) Toolkit

Created By Tom Kosnik
Fenwick and West Consulting Professor
Stanford Technology Ventures Program

For

Grupo Guayacan Inc.

August 14, 2011
Real Time Application of the GEM Marketing Toolkit:

- Let’s apply the Marketing Tools to one of your company’s products or services.

- We will use “product” to refer to both products and services.

- What you learn on one product you can teach your employees to apply to others in the months ahead.
Marketing’s Mission: Discover Valuable Prospects & Help Sales Convert them to Valuable Customers

**Marketing Activities**

- **Awareness Programs to Condition Market**
  AR, PR, Web/SEM, Social Media

- **DG Programs to Expand Funnel**
  Corp, Bus, & Regional Programs, Response Nurturing, Tele-qual

- **Sales Enablement to Speed Deal Cycle**
  Sales Prospecting Support, Customer References, Case Studies, Collateral, PPT, RFP Support, AR

- **Closing Programs to Enhance Conversion**
  Competitive Intel, Objection Handling Materials, QMI Support, Closing Events, Exec. Presentations

**Marketing Funnel**

- Impressions
- Inquiries
- Marketing Qualified Leads
- Sales Accepted Leads
- Sales Qualified Leads
- Proposal
- Pre-Contract
- Agreement to Purchase

**Sales Funnel**

- Deal Sourcing & Qualification
- Proposal Creation
- Deal Closure

**Marketing Involvement**

**Sales Involvement**

**Sales Activities**

- Sales Prospecting, Tactical Campaigns
- Lead Qualification, Opportunity Mngmt, Solutioning
- Objection Handling, Contract Negotiation, Closing
Organize Your Marketing Activities with GEM’s DE-DART Architecture

**DIAGNOSIS** – Where on the TALC? What market opportunity?

**EXPERIENCE** – Why might customers/channels resist?

**DECISIONS** - What is your product/marketing plan?

**ANALYSIS** - Why is your plan the best alternative?

**REALITY**

**TEST** - How to validate our assumptions by with customers? What are the risks? How to manage them?

### The Global Entrepreneurial Marketing (GEM) Toolkit

**DIAGNOSIS**
- Technology Adoption Life Cycle (TALC)
  - TAM, SAM, Target Market

**EXPERIENCE**
- Customer Personas
- Customer Development
- 1-to-1 Diagnosis

**DECISIONS**
- Whole product & Positioning statement
- Pricing
- Distribution
- Marketing Communications Mix & Web Media

**ANALYSIS**
- Stakeholder Analysis
- Competitive SWOT
- Give-Get Partner Analysis
- Economic Analyses
- Environmental Analyses

**REALITY TEST**
- Reality Test
Technology Adoption Life Cycle (TALC)

Types of Adopters

• Each adoption type describes individuals…
• With different risk orientations toward technological innovation…
• Who are make decisions about whether and when to adopt the innovation…
• On behalf of:
  – Themselves
  – The organization where they work
  – Their family
  – Their community

Source: High-Tech Marketing © 2005, TCG Advisors LLC
Innovators - Technology Enthusiasts

• Primary Motivation
  – Learn about new technologies for their own sake

• Key Characteristics
  – Strong aptitude for technical information
  – Like to alpha test new products
  – Can ignore the missing elements
  – Do whatever they can to help

• Challenges
  – Want unrestricted access to top technical people
  – Want no-profit pricing (preferably free)
Early Adopters - The Visionaries

- **Primary Motivation**
  - Gain dramatic competitive advantage via *revolutionary* breakthrough

- **Key Characteristics**
  - Great imaginations for strategic applications
  - Attracted by high-risk, high-reward propositions
  - Will commit to supply the missing elements
  - Focused on gains — so not price-sensitive

- **Challenges**
  - Want rapid time-to-market
  - Demand high degree of customization and support
Early Majority - Pragmatists

- **Primary Motivation**
  - Gain productivity improvements via *evolutionary* change

- **Key Characteristics**
  - Astute managers of mission-critical applications
  - Understand real-world issues & tradeoffs
  - Focus on proven applications
  - Like to go with the market leader

- **Challenges**
  - Insist on good references from trusted colleagues
  - Want to see the solution in production at the reference site
Late Majority - Conservatives

- **Primary Motivation**
  - Just stay even with the competition

- **Key Characteristics**
  - Better with people than technology
  - Risk averse
  - Price-sensitive
  - Reliant on a single, trusted advisor

- **Challenges**
  - Need pre-assembled solutions
  - Would benefit from value-added services. Do not want to pay for them
Laggards - Skeptics

• Primary Motivation
  – Maintain status quo
• Key Characteristics
  – Good at debunking marketing hype
  – Disbelieve productivity-improvement arguments
  – Believe in *the law of unintended consequences*
  – Seek to block purchases of new technology
• Challenges
  – Not a customer
  – Can be formidable opposition to early adoption
People adopt for different reasons at each phase of the technology adoption life cycle (TALC)

The Chasm occurs because pragmatists refuse to follow visionaries in the case of Discontinuous Innovations.

<table>
<thead>
<tr>
<th>Visionaries</th>
<th>Pragmatists</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adventurous</td>
<td>• Prudent</td>
</tr>
<tr>
<td>• Early buy-in attitude</td>
<td>• Wait-and-see</td>
</tr>
<tr>
<td>• Think Big</td>
<td>• Manage expectations</td>
</tr>
<tr>
<td>• Go it alone</td>
<td>• Maintain relationships</td>
</tr>
<tr>
<td>• Spend big</td>
<td>• Spend to budget</td>
</tr>
<tr>
<td>• First strike capability</td>
<td>• Staying power</td>
</tr>
<tr>
<td>• Think Pragmatists are pedestrian</td>
<td>• Think Visionaries are dangerous</td>
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Pragmatists don't trust visionaries as references.
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Market Diagnosis: Total Available Market, Served Available Market, Target Market

TAM = how big is the universe?

SAM = how many can I reach with my sales channel?

Target Market = Who are the buyers we will target for the next 12 months?

Adapted from Blank, Steven B. (2009) “How Big Is It?” High Tech Entrepreneurship Class at Stanford
Team Exercise

• Meet with your workshop team mates
• Where is the product category for each of your products on the Technology Adoption Life Cycle (TALC) in 2011?
• What is your estimate of the Total Available Market, (TAM), Served Addressable Market (SAM) and Target Market *for each of your products*?
Diagnosis: Where are your products on the TALC?

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Create “Personas” of your target customers

Attorney
Son
Brother
Single parent
Golfer
Baseball Fan
Catholic
Dog lover

Commercial Banker
Daughter
Wife
Soccer Mom
Marathon Runner
Board Member of Art Museum
Buddhist
Cat lover
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Reality Test
Customer Development
How will *you* do customer development?

How will you “get out of the building” to discover and validate the needs of:
• Your “end customers”?
• Your channel partners?
• Your suppliers?
• Other stakeholders?

How should you adapt this process for different countries?

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1-to-1 Diagnosis: What are top 3 reasons your customers might **not** buy your products?

**Communication Problems:**
- I didn’t know!

**Professional Silos:**
- I don’t understand you.

**Motivation Factors:**
- What’s in it for me?

**Skill Gaps:**
- I don’t know how.

**Principles & Values Clash:**
- It’s against my principles and values!

**Personality Differences:**
- That’s the way I am. It’s hard to change.

**External Constraints:**
- I don’t have the time, money or authority.


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1-to-1 Diagnosis: What are top 3 reasons channel partners might **not** support you?

Team Exercise

- Work in teams
- Continue with the product from each of your companies
- Create two personas of different target customers who both have a compelling reason to buy your product.
- Use 1-to-1 Diagnosis to identify top 3 reasons those customers may not buy.
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What is a “Whole Product?”

For a given target customer with a compelling reason to buy

The whole product is: the complete set of products and services needed to fulfill that reason to buy

Motorcycle Example
- The Motorcycle
- The leathers
- The customization
- Warranty
- Service
- Replacement Parts
- The license
- The insurance
- Gasoline & Oil
- An open road
- What else?
Whole Product to Deliver the Compelling Reason to Buy. Also known as “minimum viable product” (MVP).

Software Example

The whole product is the minimum set of products and services needed to fulfill the target customer's compelling reason to buy.

Source: High-Tech Marketing © 2005, TCG Advisors LLC
Positioning Statement
(that you will Validate with your Customers)

- For (target customer)
- Who (statement of the need or opportunity)
- The (product name)
- Is a (product category)

- That (statement of key benefit – the compelling reason to buy)
- Unlike (primary competitive advantage)
- Our product (statement of primary differentiation)
Positioning Example: Apple iPhone

For anyone who wants to travel in style who loves to have fun at work and at play the Apple iPhone is a smart phone AND an iPod that offers Apple’s legendary ease-of-use, elegance, & cool factor. Unlike Blackberries & other smart-phones our product offers clearer phone calls, faster browsing, and photos, music and movies that come to life in the palm of your hand.

Adapted from: Moore (2002), *Crossing the Chasm*. 
Team Exercise

• Continue with one of your company’s products
• Make a diagram of the whole product that enables your company and your partners to deliver the “compelling reason to buy” to your target customers.
• The whole product is also known as the “minimum viable product” (MVP)
• Draft a Positioning Statement for your product that you can later validate with visits to your customers and Channel Partners.
Exercise: What is the whole product/MVP for your target customer?
Exercise: Create a Positioning Statement that you will Validate with your Customers

- For (target customer)______________________________________________
- Who (need )____________________________________________________
- ______________________________________________________________
- The (product name)______________________________________________
- Is a (product category)__________________________________________
- That (compelling reason to buy)____________________________________
- ______________________________________________________________
- Unlike (primary competitors)_______________________________________
- Our product (statement of primary differentiation)__________________
- ______________________________________________________________
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The Value-Pricing “Thermometer”

Objective Value

Perceived Value

Product Price

Cost of Goods Sold

Price of Substitutes

Marketing Efforts

The Ceiling

Consumer’s Incentive to Purchase
= [Perceived Value - Price]

Firm’s Incentive to Sell
= [Price - COGS]

The Floor

Business Goals And Pricing

**Skim Pricing when...**
- You can show value to justify a premium
- You think new entrants/substitutes are unlikely
- You need high channel margins for “push”
  - You need funds for R&D/Marketing
    - You want to signal high quality

**Penetration Pricing when...**
- You want to stimulate rapid trial
- You want market share & long term “annuities”
  - You want to deter new entrants
- You must displace low-priced substitutes
Team Exercise

• Continue with one of your company’s products.
• Using the pricing thermometer, what do you think is the ceiling and the “floor” for the price of this product?
  – Where is your current price on the thermometer?
  – What could you do to raise the price?
• Are you currently doing “Skim” or “Penetration” pricing?
  – Is that the right approach to meet your business objectives?
• Do you know your customer’s perceived value for your product?
  – If not, how can you find out?
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How to Design a Distribution Channel
Channel Decision 1: Channel breadth (* of outlets)

# of Outlets

Exclusive
Selective
Intensive

Rolls-Royce Phantom @ $380,000
Mercedes 550 SL @ $85,000
Honda Civic @ $15,665
Channel Decision 2: *Channel Mix*

*What is the most effective combination of brick and mortar and internet channels to “go to market?”*

Source: Tom Kosnik and Christina Ellwood
Channel Decision 3: Channel Margins

How much does each channel member earn?

Channel Margins Tool

Tool Screen

Please choose to enter a unit cost for the Manufacturer or unit price for the Customer below. You can then enter margins to compute unit costs for the remaining channels in the chain.

<table>
<thead>
<tr>
<th>Channels</th>
<th>Unit Cost</th>
<th>% Margin</th>
<th>Selling Price</th>
<th>$ Margin</th>
<th>% Mark-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer</td>
<td>$1.00</td>
<td>40 %</td>
<td>$1.67</td>
<td>$0.67</td>
<td>67 %</td>
</tr>
<tr>
<td>Distributor</td>
<td>$1.67</td>
<td>20 %</td>
<td>$2.08</td>
<td>$0.42</td>
<td>25 %</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>$2.08</td>
<td>15 %</td>
<td>$2.45</td>
<td>$0.37</td>
<td>18 %</td>
</tr>
<tr>
<td>Retailer</td>
<td>$2.45</td>
<td>20 %</td>
<td>$3.06</td>
<td>$0.61</td>
<td>25 %</td>
</tr>
<tr>
<td>Customer</td>
<td>$3.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

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6/8/2012

Channel Decision 4: Channel Functions

What functions will each channel member perform?

**Selling Activities**
- Personal selling
- Education
- Inquiry handling
- Needs assessment
- Market intelligence

**Service & Support**
- Training
- Technical support
- Returns & exchanges
- Spare parts
- Maintenance/repair

**Logistics**
- Order processing
- Warehousing
- Breaking bulk
- Shipping
- Assortment building

**Financing & Terms**
- Quantity discounts
- Credit
- Leasing options
- Insurance
- Taking title

The Value Of the Channel
Team Exercise

• Continue with one of your company’s products/
• Does the product need exclusive, selective or intensive distribution?
• Which mix of channels are you currently using to reach customers?
  – What other channels should you consider adding to reach new customers?
• What are the profit margins for each channel member?
  – Can you change those margins to increase your profits?
• What functions does each channel member perform?
  – Should you consider changing who does what?
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Marketing Communications Mix

Make sure you make explicit decisions for the “Six M’s.”

**Market**  Who is our target audience?

**Motives**  What is the objective of the communications?

**Message**  What is the point we want them to learn?

**Media**  What media will best get the message across?

**Money**  How much should we invest?

**Metrics**  When & how will we measure impact?

Adapted from: Dolan, Robert J. (1999), *Integrated Marketing Communications, HBS Note # 9-599-087*
Marketing Communications Mix: The Internet Expands the Marketing Communications Toolkit

Figure 9 Social Computing Requires A New Marketing Tool Kit

The marketing tool kit today
- Channels
  - TV/cable
  - Radio
  - Magazine
  - Newspaper
  - Outdoor
  - Direct Mail
- Tactics
  - Coupons
  - Customer promos
  - Trade promos
  - Sales force
- Metrics
  - Reach
  - Frequency

The marketing tool kit in the age of Social Computing
- Technology
  - Personalization
  - Search
  - Site merchandising
  - Customer database
  - Web analytics
  - Brand monitoring
  - Content syndication
- New channels
  - Web site
  - Online ads
  - Email
  - Blogs
  - Interactive TV
  - Podcasting
  - Kiosks
  - Mobile ads
  - Viral/WOM
- Metrics
  - Conversion rates
  - Cost per sale

Source: Forrester Research, Inc.
Web-Based Media Channels to Communicate with Customers and other Stakeholders

- To bring customers to your website based on search marketing, SEO, & targeted ads

- For info on customer preferences, viral marketing, targeted ads.

- To find groups with common interests, do search marketing & targeted display ads

- For info about and access to potential enterprise customers

- For viral marketing & sentiment analysis

- Communities where customers gather, to discover needs, improve products/services, create buzz
Team Exercise

• Continue with one of your company’s products
• Discuss how you can use the “6 Ms” to make decisions about the marketing communications mix for your product in the next year.
• Look at the new Web-based marketing tools and media channels on previous slides.
• Which of these tools and media channels are you using to market your company and products?
• Which you could try out in the next year?
• What experiments you could run to test the effectiveness of a web-based tool or media channel?
Exercise: “Six M’s for your Product

Market

Motives

Message

Media

Money

Metrics

Adapted from: Dolan, Robert J. (1999), Integrated Marketing Communications, HBS Note # 9-599-087
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Stakeholder Analysis to assess positions of customers or other stakeholders

Current (C) and Desired (D)
Position - RE: Whatever you are selling

<table>
<thead>
<tr>
<th>Stakeholder Name</th>
<th>Block</th>
<th>Let</th>
<th>Help</th>
<th>Make</th>
<th>1 to 1 Diagnosis</th>
<th>Action Rx.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dan Summers</td>
<td></td>
<td></td>
<td>C/D</td>
<td></td>
<td>External factor - budget constraint</td>
<td>Ask for help w/ M. Gonzales.</td>
</tr>
<tr>
<td>Alice Fong</td>
<td>C</td>
<td>D</td>
<td></td>
<td></td>
<td>Cross-Cultural misunderstanding</td>
<td>Apologise</td>
</tr>
<tr>
<td>Jitendra Singh</td>
<td>C</td>
<td>D</td>
<td></td>
<td></td>
<td>Communication</td>
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</tr>
<tr>
<td>Maria Gonzales</td>
<td></td>
<td></td>
<td>D</td>
<td></td>
<td>Motivation</td>
<td>Show how I can help bottom line</td>
</tr>
</tbody>
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Adapted from: Nader, Fred, (1990), “Stakeholder Analysis Tool,”
National Training Lab.
Team Exercise

• Work in teams
• Pick a customer or channel partner who you are currently trying to sell a product.
• Identify at least three stakeholders who will affect the sale.
• What is their current position regarding your product?
• What is their desired position?
• How will you get them to the desired position?
Try Stakeholder Analysis for one of your company’s customers or channel partners

Current (C) and Desired (D)
Position - RE: Whatever you are selling

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The Global Entrepreneurial Marketing (GEM) Toolkit

**DIAGNOSIS**
- Technology Adoption Life Cycle (TALC)
- TAM, SAM, Target Market

**EXPERIENCE**
- Customer Personas
- Customer Development
- 1-to-1 Diagnosis

**DECISIONS**
- Whole product & Positioning statement
- Pricing
- Distribution
- Marketing Communications Mix & Web Media

**ANALYSIS**
- Stakeholder Analysis
- Competitive SWOT
- Give-Get Partner Analysis
- Economic Analyses
- Environmental Analyses

**REALITY TEST**
- Reality Test
## SWOT: Competitors Strengths & Weaknesses
Can Create Opportunities & Threats for Us!

<table>
<thead>
<tr>
<th>Strengths (of competitors)</th>
<th>Weaknesses (of competitors)</th>
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<tbody>
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<table>
<thead>
<tr>
<th>Opportunities (for us)</th>
<th>Threats (to us)</th>
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</tbody>
</table>
Team Exercise

• Continue with one of your company’s products
• Pick one leading competitor and do SWOT analysis
<table>
<thead>
<tr>
<th>Category</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIAGNOSIS</strong></td>
<td>Technology Adoption Life Cycle (TALC)</td>
</tr>
<tr>
<td></td>
<td>TAM, SAM, Target Market</td>
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<tr>
<td><strong>EXPERIENCE</strong></td>
<td>Customer Personas</td>
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<td></td>
<td>1-to-1 Diagnosis</td>
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<tr>
<td><strong>DECISIONS</strong></td>
<td>Whole product &amp; Positioning statement</td>
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<td>Pricing</td>
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<td>Distribution</td>
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<td>Marketing Communications Mix &amp; Web Media</td>
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<td></td>
<td>Environmental Analyses</td>
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<tr>
<td><strong>REALITY TEST</strong></td>
<td>Reality Test</td>
</tr>
</tbody>
</table>
## Give-Get Partner Analysis

<table>
<thead>
<tr>
<th>Potential Stakes to bet on the Partnership</th>
<th>Partner can give:</th>
<th>Partner can get:</th>
</tr>
</thead>
<tbody>
<tr>
<td>What assets will be put at risk in the partnership?</td>
<td></td>
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<tr>
<td>Technology (<em>product, platform, and process technologies</em>)</td>
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<tr>
<td>Resources (<em>money, time, talent, and knowledge</em>)</td>
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<tr>
<td>Relationships (<em>with customers, channels, investors, government</em>)</td>
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<tr>
<td>Reputation (<em>visibility, credibility, brand equity</em>)</td>
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<tr>
<td>Core Competencies (<em>critical capabilities for execution</em>)</td>
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<tr>
<td>Chemistry of Key People (<em>culture, character, personalities, values</em>)</td>
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<tr>
<td>Company Vision (<em>purpose, mission, values</em>) and strategy</td>
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</tbody>
</table>
Team Exercise

- Continue with one of your company’s products
- Pick one Channel Partner and use the Give-Get partner analysis to discuss what the partner can give to and get from the partnership
## The Global Entrepreneurial Marketing (GEM) Toolkit

### Diagnosis
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### Experience
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### Decisions
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### Analysis
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### Reality Test
- Reality Test
Use Economic Metrics to Create A Closed-Loop System for Value Creation

Economic Analysis/Metrics

• Customer
  • Customer Acquisition Cost, Lifetime Value of a Customer, Net Promoter Score (AKA “Reference-ability”, Customer Loyalty

• Market
  • TAM (total available market), SAM (served addressable market), growth forecast

• Financials
  • P&L, revenue forecast, gross margins, breakeven analysis, cash burn rate, price per share, market capitalization

• Pricing
  • Margins, profits, elasticity, ROI

• Competition
  • Market share, your performance vs. competitors on metrics above

• Budgets
  • Allocate marketing budget across media

Do sensitivity analysis on key assumptions in forecasts
Eight Critical Metrics for your Web Site

• **Visits**: # of visits to your web site per time period (day, week, month)

• **Unique Visitors**: # of unique visitors per time period

• **Time on Page**: # of minutes spent on a web page

• **Time on Site**: # of minutes spent on your web site

• **Bounce Rate**: % of visits with only one page view before leaving

• **Exit Rate**: % of visits that left website from a specific page

• **Conversion Rate**: % of unique visitors who buy, etc.

• **Engagement**:
  – **Degree of Engagement**: from low to high
  – **Kind of Engagement**: from negative to positive

Adapted from: Kaushik, Avinash (2010), *Web Analytics 2.0*, Sybex, Chapter 3
Team Exercise

• Which of the Economic Metrics on the last two slides does your company use to measure its performance in marketing to your customers?
• What common metrics could focus all of your employees on creating loyal, profitable customers?
• Does your company have a dashboard where you can monitor performance on all the key metrics on a daily or weekly basis, and track trends over time?
• Without the right metrics, a company is driving in the dark without headlights!
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**REALITY TEST**
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Environmental Analysis: The Triple Bottom Line

*Measuring Impact Beyond Profits & Shareholder Value*

**Economic Capital:** Profits for Investors

**Social Capital:** benefits for the communities where we operate

**Natural Capital:** Benefits for our planet
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Risk Assessment and Management: Do this exercise for your product!

<table>
<thead>
<tr>
<th>Major Risks</th>
<th>Mitigation Strategy</th>
<th>Contingency Plan</th>
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Team Exercise

- Work in teams.
- Do a “Reality Test” on at least two of the products that you have been working with today.
- What are the major risks?
- What can you do to prevent them?
- What is your contingency plan if they happen?
Marketing Toolkit Summary

- These marketing tools can help improve your performance in any market
- These are not the only tools! Discover & use others.
- Adapt the tools to fit your company’s situation.
- Share them with others
Thank You!
1-650-450-3330
Skype: thomas.j.kosnik
kosnik@stanford.edu