

# Is Your Marketing Mindset Aligned With The Market?

**MARKETING MINDSET is the collective role of marketing in delivering sustainable growth for a firm. It includes leadership in shaping the business agenda, in how marketing is used to deliver growth and in the competencies required to do the job of marketing.**

## OVERVIEW

The marketing mindset of organizations and marketers varies considerably across industries, categories and companies. Consumer packaged goods marketers have expertise in creating enduring emotional connections with their consumers. Pharmaceutical marketers know how to position “compounds” to consumers and customers and to manage the transition from patent-protected to OTC availability. Retail marketers are particularly adept at developing value propositions that drive daily traffic and purchase incidence. Successful industrial firms have recognized the importance of understanding their customer’s customer. All are gross simplifications, but reflective of how the business model, type of product, competitive dynamics, consumer motivations, etc. create differences in a firm’s marketing mindset.

The purpose of this paper is to demonstrate how and why the telecommunications industry, broadly defined, requires a unique marketing mindset given the rapidly changing competitive environment and the exponential rate of consumer adoption of technology.

## TELECOMMUNICATIONS—THE MARKET

Telecommunications is arguably one of the most unique and rapidly evolving industries found today. It is a category in which highly leverageable business models, advances in technology, horizontal expansion and expandable consumption have converged to re-define the basis of competition, increase the role of *brand* as a marketing strategy and alter the consumer adoption model.

Over the past decade, many industries have undergone remarkable transformations. The blurring of traditional differences among supermarkets, convenience stores and fast food, for example, have revolutionized the nature of competition in those categories. Today, consumers are no longer satisfied with mere *convenience*. What they really want is *productivity*, and they’re willing to pay a premium for it.<sup>1</sup> The need for accessibility has given way to the need to be able to multi task—not just at the same location, but at the same time as well.

In the pharmaceutical sector, the historical divisions between sales and marketing is giving way to fully integrated go-to-market strategies that often bypass healthcare practitioners and go directly to the consumer. And models that once sought only to optimize the number of sales calls, length of call, type of contact and the importance of clinical trials, are now integrating the simultaneous contribution of advertising, promotions and other factors.

In the telecommunications space the changes are even more dramatic. Technology advancements have changed the definition of *communication* from “what I can say (or hear)” to “what I can get access to (and enjoy or learn from).” This broadening of the core benefit has in turn accelerated the way consumers adopt new products and services. We hypothesize an exponential relationship between the number of products used and the likelihood of adopting an additional one.

<sup>1</sup> Based on the results of a Zyman Group Flash Poll, 11/04.

In other words, the chance that someone will buy MaxFi has less to do with perceived need than simply having a proclivity to try the next new thing. Thus, for a growing segment of the population, the traditional awareness–consideration–trial–adoption model has evolved into what we call the momentum adoption model: of “I’m-getting-whatever-is-next.”

Some of these changes can be explained by the amount of interdependency among telecommunications products. For example, having a computer creates a need for a printer, which creates a need for a scanning device, which creates a need for home networking, which creates a desire for wireless connectivity and so on. However, we feel that the momentum adoption model is largely a function of faster awareness and greater willingness to consider and try out new technologies.

#### GETTING TO KNOW THE CONSUMER’S MINDSET

While our momentum adoption theory has a great deal of intuitive validity (as should every good hypotheses), it still needs to be validated.

Toward that end, Zyman Group’s Marketing Science and Insights practice is currently conducting research to explore the correlation among the number of new telecommunications products/ services acquired, the likelihood of acquiring additional products/services, the time frame over which that would happen and the types of products that would be acquired. We expect the relationship will be stronger between number and time frame than, say, overall interest or attitudes toward innovation.

At Zyman Group, we frequently conduct proprietary research, and did so recently in the wireless communications arena. In this case we tested a very different hypotheses: that consumers have an emotionally based relationship with their mobile phones. Because we assumed the relationship was not apparent to the consumer, we devised a unique approach to testing our hypothesis. We took away their mobile phones!

For two days, 12 brave souls in London went without their mobiles, all in the name of science (and £100). During this time we tracked their attitudes and behaviors via call-in reports and written diaries.

What we learned was fascinating. For mobile phone users, the emotional attachment—*how the phone lets you feel*—is far more important than the functional benefits—*what it allows you to do*. This was a common thread across nearly all participants of the study regardless of age, gender, primary use, income, etc. Specifically, we found that:

- Consumers think about their phones more often than they use them. Throughout the two-day study, participants reportedly missed their phones about 34 times, but on only about 25 of those occasions was it because the respondent actually wanted to communicate with someone.
- It was more important to know they *could* be reached than actually being reached.
- It was more important to know if they *had* messages rather than what the content of the messages was.
- It was more important to know they *weren’t missing* anything rather than knowing exactly what their friends were actually doing.
- It was more important to know they *could* know rather than actually knowing.

The insights we drew from this somewhat unconventional research convinced us that significant opportunities exist to increase mobile usage frequency by tapping into this emotional attachment. In addition, we identified an opportunity to grow usage frequency even further by converting these emotions into usage occasions. And given that consumers’ appetite for emotional benefits is insatiable, the opportunities for creating communications occasions are enormous.

#### MARKETING: NOT ONE SIZE FITS ALL

At the most basic level, the process of marketing is the same regardless of industry, category, competitive dynamics, etc. Specifically, marketing must identify and leverage the wants, needs and motivations of consumers as well as develop and execute the strategies and tactics to deliver growth and utilize knowledge obtained from the response to marketing initiatives to develop hypotheses for future opportunities, products and/or programs. Additionally, marketing must develop the capabilities required to do the job of marketing (while simultaneously doing the job of marketing mentioned above). Some very important factors that can determine how effective marketing is in generating growth include:

- The difference between *developing a brand* and *delivering multiple value propositions*.
- How a firm’s go-to-market strategy influences the need for and application of segmentation.
- Understanding the return from above-the-line marketing investments (e.g., advertising) as well as below-the-line or hidden costs (e.g., case discounts or subsidies).

#### BRAND VERSUS VALUE PROPOSITION

At Zyman Group we make a distinction between a brand and a value proposition. Defining and developing a brand is always essential for effective marketing. Brand has an intrinsic value that transcends the value of hard assets and is among every firm’s three most valuable intangible assets (the other two being intellectual property and customers). The brand is the sum total of a company’s or product’s core essence. Brand Coca-Cola, for example, stands for constancy and stability. And everything brand Coca-Cola says, does and delivers must be consistent with its core essence. Value

propositions, on the other hand, are tangible manifestations of the value a brand delivers. A 12-ounce can of Coke, for example, is a specific value proposition. It represents a unique bundling of features, attributes and benefits of the brand that the consumer can decide to purchase and consume, or not. Consumers relate to brands but buy value propositions.

Brands play a more important role in the marketing model for consumer package goods where emotional connections serve to create differentiation (in light of fewer product-based differences).

Conversely, value propositions play a more central role for brands that can configure discrete combinations of features or services and deliver them to unique consumer segments or occasions.

*In our experience, telecommunications has generally relied on value propositions to drive sales and has yet to leverage the power of its brands. At the same time, telecommunications appliances, such as hand sets, televisions and computers, have created differentiation and established relationships. We believe that brands and brand hierarchy strategies will be extremely important to service providers of telecommunications, particularly as they pursue growth via horizontal-line extensions.*

### SEGMENTATION AND THE GO-TO-MARKET STRATEGY

Segmentation is all about increasing sales by making your product more relevant to a specific audience and increasing profits by making your marketing more efficient. Unfortunately, segmentation is perhaps the most commonly misused form of marketing intelligence. It's extremely easy to group consumers (or customer, markets, occasions, etc.) by common characteristics, but

extremely hard to do so in a way that will enable growth.

At Zyman Group, we have seen how most attempts to segment a market fall far short of the intended goal because the firm's go-to-market strategy is not taken into consideration before the segmentation approach is determined.

As alluded to earlier, segmentation is a way to increase marketing effectiveness and efficiency. Instead of communicating the same message or delivering one product to everyone, segmentation allows a firm to tailor its message or product offering to a select group that will presumably be more receptive to it. Thus, segmented marketing is more effective and efficient than mass marketing. But what if a firm goes to market one customer at a time? What role does segmentation play then?

In a recent engagement with a manufacturer of medical devices (used by patients to monitor a condition) we faced this very question. The client's target market was hospitals. And, yes, there were in fact different types of hospitals within this particular (European) market including community, research, teaching hospitals, etc. In the early stages of the project the client had a strong belief that segmentation was needed to develop unique marketing strategies based on the different attitudes and usages of this type of medical device. In further discussions we determined they essentially marketed and sold to each hospital separately and uniquely. This client's go-to-market strategy was actually based on segmenting each customer, one at a time. Thus traditional segmentation that would group like hospitals together would have, in fact, *limited* this client's ability to tailor its message and product packages to the unique needs of each hospital. It would have imposed a grouping of customers that limited their ability to tailor each offering based on the unique needs of each hospital. In this case, segmenting the market would have

been inconsistent with *how the client goes to market*.

Based on this experience and others like it, we have learned to align the segmentation approach with how the firm goes to market. Brands that rely on marketing to move consumers through the entire decision-making process (i.e., awareness, consideration and purchase) typically leverage segmentation differently than brands that use marketing to set the stage for direct or a customized sales process.

*Effective use of segmentation in telecommunications will require alignment among the consumer adoption process, the go-to-market strategy and the segmentation scheme employed. Traditionally, people-based segmentation will be insufficient to identify growth opportunities via increased usage versus increased retention versus product expansion within existing customers, etc. Segments will need to be formed on the basis of the opportunities they represent. Return on investment per segmented opportunity should serve as the basis for prioritization.*

### RETURN ON ABOVE-THE-LINE VERSUS BELOW-THE-LINE MARKETING

Return on marketing investment is top of mind for most marketers (and chief executives). However, actually measuring the impact of marketing investments has grown increasingly difficult, in large part because of the exponential growth in the number of media channels, customer touch points and the expanding role of customer service.

In addition, a significant portion of marketing investments are hidden, which makes them even harder to track—hidden in that they are assumed to be a cost of doing business rather than an allocation of a resource that: (a) could be used elsewhere; or (b) could be used to build a relationship, sell additional services, extend a commitment, etc.

Customer service is a good example of a marketing investment that should receive the same scrutiny as any more traditional marketing investment, such as advertising. Doesn't a conversation between a customer service representative communicate the values and benefits of the brand? Does it not create an impression of what the brand stands for?

Can it deliver real and tangible benefits to the customer? Of course the answer is yes, but organizations that have used marketing mix analysis to quantify the return they get from \$1.00 of advertising have yet to gain the same understanding of the value of a \$1.00 spent on customer service.

*Quantifying the contribution of hidden marketing costs is particularly relevant for telecommunication providers, especially given increasingly common handset subsidies, the role of retail and the potential impact of customer service contacts.*

## IN CONCLUSION

In many respects, marketing suffers from a legacy of doing marketing for marketing's sake, (i.e., making ads, doing promotions, buying sponsorships, etc.). Marketing is too often perceived as an art, not a science; treated as an optional cost; generally misunderstood and misused; and rarely held accountable for producing sustainable and profitable growth.

For any company to succeed, this set of antiquated attitudes must change. And the need for change is particularly acute in the telecommunication industry, which will face even more challenges in the future. Consolidation will increase competition for volume/share. Knowing your customer's customer will be the basis for competition in the B2B space. Private label will enter the market.

When this happens, will your marketing mindset be ready? Is it aligned with the market today?

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