



# Seeds...

Issue Number 4

Welcome to Issue 4 of Seeds... The Allegheny Marketing Group's observations on marketing subjects. Our goal is to plant a few seeds that you may find useful in your marketing efforts.

We now begin a series of articles concerning Marketing and Sales Quality. So little has been written on a subject so important to the success of a business. We are interested in your comments and examples of Marketing Quality activities. Please send them to the Editor at the address listed on the bottom of Page 4.

## Pricing

The Allegheny Marketing Group includes questions on pricing in nearly all market research studies. Several key pricing questions are asked in the following way:

1. How important is the price relative to product quality, product availability, service, and supplier responsiveness?
2. How frequently does the buying decision come down to price difference?
3. At what price difference do you consider a supplier non-competitive?

The answers have surprised many of our clients!

### Answer to Question #1:

Based on well over 30 studies in the past two years, price never appeared as the most important factor and rarely appeared in the top third of a large number of decision factors that included other supplier attributes such as quality, service, responsiveness, etc.

### Answer to Question #2:

While price was not considered nearly as important as other supplier attributes, over 60% of the final decisions were made as a result of prices.

### Answer to Question #3:

Depending on the type of industry, responses ranged from an average of 3% to 14%. In a majority of studies, customers would fall into 2 distinct classes – *very price sensitive* with a 2% or less price differential causing suppliers to be considered non-competitive, and *very non-price sensitive* with up to 20% and 30% price differentials being considered normal.

The responses to the last two questions just don't seem to click with the response to the first question. However, on further analysis of the research data, we found some possible rationale. Our research analysis showed:

- In 21 of the 30 cases, there was little or no supplier differentiation on quality, delivery, service, technology or responsiveness.

- In the 9 cases that displayed supplier differentiation, there was a wide gap between sales representative competency and availability. Suppliers with highly regarded sales representatives also had a high perception of their products and service levels.

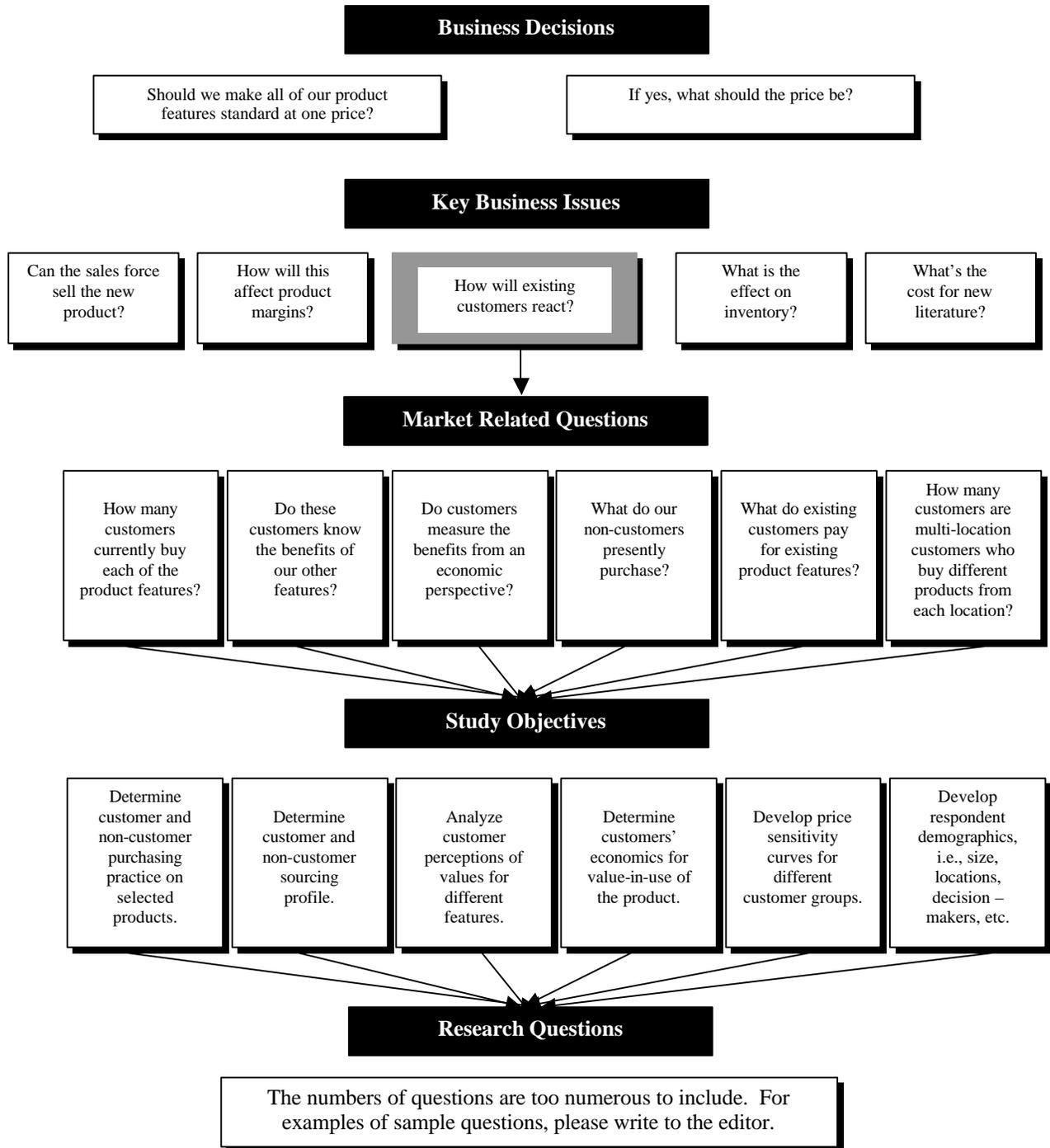
- In the 9 cases with supplier differentiation, the top suppliers in product performance had the lowest ratings in offering low price products.

Our conclusion (later verified) was that a company's sales representatives play a major role in the successful pricing of the product. Good salespeople usually sell value and quality and relate the price to customer benefits. This is not news to many of you, but certainly verifies that a poor sales force can hurt price appreciation efforts while a good sales force is a major factor in achieving better price levels.

# Marketing Research

How do you know your market research project will achieve your desired objectives?

In Issue 3 of *Seeds...*, we discussed a market research project that helps ensure objectives will be achieved. The following is a short example to illustrate:



Using this process generates a long list of study questions. While long, it is better to ask too many questions than to finish and complain, "I wish I had asked that question."

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# Marketing Quality

In an earlier *Seeds...* issue, we raised the subject of measuring Marketing Quality in the Marketing processes and functions. Since then, there have been a surprising number of articles written about failures or disappointing results of TQM efforts. The authors offer a variety of reasons ranging from lack of real commitment to poor implementation to poor focus on customers.

While the focus on customers is obviously a critical element, it is an elusive activity to get your hands around. Attempting to directly measure customer focus levels has proven to be difficult. However, a thorough assessment of key Marketing processes and functions uncovers areas that lead to poor customer focus. And these processes and functions are rarely addressed in TQM efforts.

The Allegheny Marketing Group would suggest that companies interested in leveraging their TQM efforts for increased market penetration and ROI include a review process that includes more marketing activities. There are 3 key elements that a marketing review process would address:

1. The process used to establish marketing strategies.
2. The communications chain between the customer and different business functions internal to the company.
3. The quality of information provided to customers prior to a sale.

A typical review process for Marketing would include 10 major areas which, if done well, would benchmark a high quality marketing organization. These 10 areas are:

- Knowing, understanding, and listening to your customers.
- Focusing the activities of the entire organization on customers.
- Knowing which target markets offer the best opportunities to compete in.
- Selecting marketing strategies that maximize income over the long term.
- Correctly positioning your products and services relative to competitive offerings.
- Developing new products that are highly valued by your target markets.
- Pricing your products and services for the value perceived by customers.
- Developing and using marketing “products” (people, literature, promotion, events) that help customers make decisions in your and their best interest.
- Managing the channels to your target markets to maximize effectiveness and efficiency.
- Preparing plans that are understandable, achievable, and able to be implemented.

In the next issue of *Seeds...* we will expand our suggested review process with sub-areas under the 10 major areas and key measurements to consider.

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# Marketing Thoughts

Additional thoughts about Marketing and Sales.

- The worth of a thing is what it will bring.
- The future is for he who plans.
- If volume falls, lead prices down; if volume rises, follow prices up.
- A customer will not compromise his position for your benefit.

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## Afterthought

We thought you might enjoy two articles we recently saw in the Competitive Advantage Newsletter.

### **Six Reasons Buyers Don't Buy**

*Sales & Marketing Management  
offers these tips:*

1. Wrong seller
2. Wrong product
3. Wrong price
4. Wrong time
5. Wrong sales technique
6. They were never asked.

### **If We Don't Know It We Can't Show It**

*Paul "Bear" Bryant, the legendary football coach  
at the University of Alabama, said there are five  
things that winning team members need to know:*

1. Tell me what you expect of me
2. Give me an opportunity to perform
3. Let me know how I'm getting along
4. Give me guidance where I need it
5. Reward me according to my contribution.

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Please send any comments or suggestions to:

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