understanding MARKETING

comparative perceived value

a 10-minute distillation

Many people are mystified by marketing. They find it challenging to predict what choices consumers will make. What they thought would be successful often turns out not to be. In many cases, they don't understand what caused the outcome.

Marketing is not Advertising nor is it Social Media. Both of these are communications vehicles through which your value is communicated to the marketplace. Their goal is to encourage consumers to choose the option you are offering. Marketing starts much earlier with product development, competitive insights, etc.

Understanding Marketing is not a book nor is it a research paper. It is my explanation of the fundamental concept of marketing... *comparative perceived value* (CPV). It has evolved from a career in marketing plus teaching, consulting and starting two businesses.

~ Gerry Gersovitz

PURPOSE OF MARKETING

Whether we are buying cereal, renting a car, purchasing furniture, choosing a bank, picking which navigation app to download, voting for a political candidate, deciding whether to shop online or at the store... everyone has options.

It is the role of marketing to develop the product or service and offer it to the market-place with the intent of being chosen by the targeted buyer.

To be the chosen one, the option you offer must represent the best comparative value perceived by the intended buyer.

ACTION OPTIONS

- choose between A, B or C

- staying with the status quo is an option

HOW CHOICES ARE MADE

- the option with the best
  Comparative Perceived Value (CPV)

VALUE

benefits ÷ cost

sometimes referred to as the
cost/benefit ratio or ROI

Benefits.... tangible + intangible

Costs.... price + purchasing costs + time
required to purchase/receive

VALUE

- assessed to each option

option A value

option B value

option C value

(value = benefits ÷ cost)

As an example, let's look at the Tesla automobile and the value it presents:

Benefits… tangible:

- *more energy efficient than hybrid or gas powered vehicles*
- *seats 5 comfortably*
- *safe*
- *latest technology*

Benefits… intangible:

- *environmentally responsible*
- *innovative*
- *stylish*

Costs… price

- *3 options/prices to choose from*
- *requires you to set an upper limit on miles driven between charges*
- *least expensive model has more limited warranty on battery*

Costs… purchasing costs

- *need to purchase/setup charging equipment where vehicle stored overnight*
- *no trade-in policy requires cost (and time) to sell your previous vehicle privately*

Costs… time required to purchase/receive

- *dealer showroom may not be conveniently located*
- *2 month wait after ordering*
- *time/effort to secure tax credits*

VALUE… the potential buyer would also list the benefits and costs associated with other options being considered… other electric, gas or hybrid vehicles and other premium, luxury sedans.

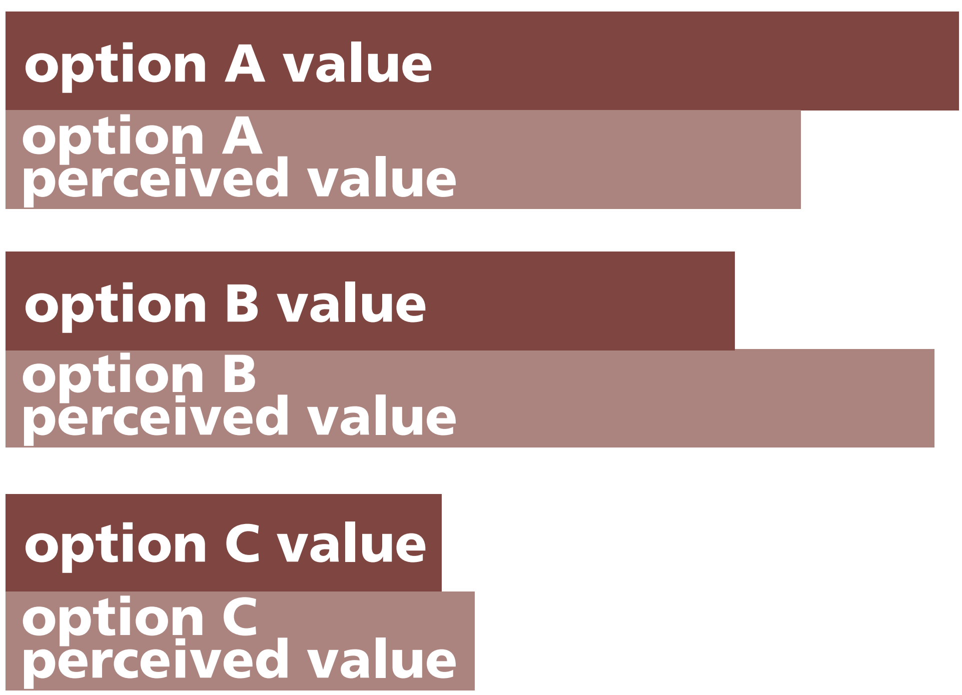
PERCEIVED

- assessed value is “filtered” by each individual’s perception

- many factors impact perception, including:
  ... credibility of seller
  ... clarity of communications about value
  ... risk (affected by consumption life)

PERCEIVED

- each option has a perceived value



The Tesla's value is impacted by perceptual factors such as the following:

Perception… credibility of seller

- *no prior experience in manufacturing or servicing automobiles*
- *has received positive reviews by independent 3rd parties/industry experts*

Perception… risk

- *no history on service/repair requirements and cost*
- *emergency breakdowns caused by battery failure probably require towing to dealer*
- *resale value uncertain but helped by buyback guarantee*
- *long distance travel may be problematic finding charging stations and/or service facilities*

Perception… clarity of communications about value

- *although test drives and the showroom experience are opportunities for discussing the value, there needs to be follow up, interactive communications between the sales representative and the potential buyer. Going the next step and “building” a potential car through a webinar type discussion will surface questions and concerns.*

COMPARATIVE

- people are rational

- decisions are made by comparing perceived values of options

With the magnitude of a decision as important as purchasing an automobile, it is likely the potential buyer will eliminate options (narrow down to 2 or 3 choices) and revisit the "contenders" to finalize perceived value for each.

WHERE DO WE GO FROM HERE

Product Development and Marketing are dynamic functions which simultaneously take into account all the elements of value and all the factors affecting perception. The goal is to deliver the best Comparative Perceived Value to the marketplace.

One time purchases where the buyer will not be back in the marketplace for a long period of time are approached differently by marketers than consumables where the purchase/consumption/repurchase cycle is short. In the latter case, buyers may share their purchases across different brands and the marketer's goal may be to maximize their share of that buyer's purchases.

Marketing is a continuous, ongoing process. Competitive changes in benefits or costs will trigger buyers' re-assessment of values. Also, factors affecting an individual's perception can change over time... whether it’s demographics (like age, income, household status) *or* changes in a brand’s reputation *or* new communications campaigns.

Understanding this process will determine how marketing should be organized within a company, and with outside agencies and consultants.

WE OFFER

- corporate seminars to ensure key employees all share the same understanding of marketing
- assessment of your current marketing strategy
- consultation on development of a value proposition guaranteed to be perceived as competitively superior
- guest lectures

comparative perceived value

MARKETING UNDERSTOOD!

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