

7.4 Advanced Marketing

The Marketing Module allows companies to have greater control over their Marketing Budgets.

When the Marketing Module is activated an arrow appears to the right of Marketing in the Decisions menu in the Capstone Web Application. A submenu expands when the cursor passes over the arrow:

- Prices and Sales Forecasts for each product are entered in the Pricing & Forecasting area;
- Selecting Promo Sales in the Marketing submenu opens the Marketing Budget Detail area (alternatively, click the gray Promo Budget or Sales Budget buttons in the Pricing & Forecasting area).

Please Note: When the module is active the marketing dynamics change. For example, maintaining 100% awareness is extremely difficult.

After reviewing this section, test your knowledge by clicking the Marketing Quiz link to the left.

7.4.1 Promo Budget

The Marketing Budget Detail screen allows companies to allocate their Promo Budget among five different media channels. Projections of the upcoming round's awareness display in a bar chart at the bottom of the screen.

Reach and Frequency

From a strategic marketing perspective, it is important to recognize that each segment responds differently to each media type. Relative strength is driven by two factors:

- Reach — The potential number of customers who would see the message;
- Frequency — The number of times a message is repeated.

In theory, every customer could eventually see your message if it were repeated with enough frequency. However, it would be prohibitively expensive to try and reach every occasional magazine reader. Using Print Media for the Traditional Segment as an example, placing an ad one time will reach 25% of all Traditional customers. Running the ad a second time will reach a somewhat different group of Traditional customers (still totaling 25% of all Traditional customers). However, there is an overlap between the first and second groups. Some customers see the ad twice, some for the first time. Each repetition catches a group of new customers, and exposes a group of former readers to the ad. It becomes increasingly difficult to get every potential customer to see the ad (Reach), but on the other hand, each time a customer sees the ad (Frequency), the more likely it is that the message will be remembered.

An impression is created each time a customer sees your message.

Target Segment

The list boxes beneath the product names on the Marketing Budget Detail spreadsheet indicate the primary segment towards which promotions will be targeted.

Promo Budget Resources	Able	Acre	Adam	Aft	Agape
Target Segment	Traditional	Low End	High End	Performance	Size
Print Media	\$200	\$180	\$160	\$140	\$140
Direct Mail	\$200	\$180	\$160	\$140	\$140
Web Media	\$200	\$180	\$160	\$140	\$140
Email	\$200	\$180	\$160	\$140	\$140
Trade Shows	\$200	\$180	\$160	\$140	\$140
Budget (\$'000)	\$1,000	\$900	\$800	\$700	\$700

Promotion Entries

Print Media

For each product, enter the budget in thousands you wish to spend in Print Media — industry-related magazines and newspapers.

Your staff will optimize Reach and Frequency for whatever dollar amount you choose.

Potential Reach varies by segment:

- Traditional — Good
- Low End — Good
- High End — Poor
- Performance — Poor
- Size — Fair

Diminishing returns apply — as the number of ads increases, each ad produces smaller gains in message retention and leads. Beyond \$700 thousand per product, the cost to gain additional awareness becomes prohibitive.

Direct Mail

Enter your Direct Mail budget in thousands for each product. Campaigns send one piece of literature about your product to a purchased mailing list. Lists are selected on the basis of SIC code, job title, and similar factors.

Potential Reach varies by segment:

- Traditional — Good
- Low End — Good
- High End — Fair
- Performance — Poor
- Size — Poor

Diminishing returns apply — as the number of mailings increases, each mailing produces smaller gains in message retention and leads. Beyond \$800 thousand per product, the cost to gain additional awareness becomes prohibitive.

Web Media

For each product, enter the budget in thousands for industry-related websites and search engines. However, this method creates many wasted hits. In a search engine, you might produce hits on sensor, electronic, temperature, RPM, etc. Hits are usually a product of single-word matches, not of phrases (although some search engines will produce hits on phrases). Therefore, while your search engine ads are far more likely to reach customers than a generic banner ad, only a few of the hits are seen by relevant customers.

Potential Reach varies by segment:

- Traditional — Poor
- Low End — Poor
- High End — Fair
- Performance — Good
- Size — Good

Diminishing returns apply — as the number of ads increases, each ad produces smaller gains in message retention and leads. Beyond \$500 thousand per product, the cost to gain additional awareness becomes prohibitive.

Email

For each product, enter your budget in thousands for a Email campaign. An Email campaign is similar to Direct Mail. You purchase a list from a marketing company, and they send an email on your behalf to a targeted list (job title, SIC code, etc.) Readers are invited to respond directly or click a hyperlink to your website.

Potential Reach varies by segment:

- Traditional — Poor
- Low End — Poor
- High End — Fair
- Performance — Good
- Size — Good

Response rates vary with the caliber of the list and the frequency. Diminishing returns apply — as the number increases, each campaign produces smaller gains in message retention and leads. Beyond \$600 thousand per product, the cost to gain additional awareness becomes prohibitive.

Trade Shows

Trade Shows allow you to meet face to face with your customers in a convention-like setting. Enter your budget in thousands for trade shows. Potential Reach varies by segment:

- Traditional — Fair
- Low End — Fair
- High End — Good
- Performance — Fair
- Size — Poor

Diminishing returns apply. As the number of shows increases, each show produces smaller gains in message retention and leads. Beyond \$300 thousand per product, the cost to gain additional awareness becomes prohibitive.

7.4.2 Sales Budget

The Marketing Budget Detail screen allows companies to allocate their Sales Budget among three different sales channels. Projections of the upcoming round's accessibility display in bar a chart at the bottom of the screen.

Outside Sales

Enter the number of sales people and manufacturers reps in your outside sales force for each segment. The outside sales force meets the customer in face-to-face sales calls. Each sales person costs \$125,000, which includes salary, commission, travel and support .

Diminishing returns in a segment is reached at 12 sales people. For example, if your company is in all five segments, you would reach diminishing returns at 12 sales people in each segment, for a total of $12 \times 5 = 60$ sales people, and a total outside sales budget of $60 \times \$125,000 = \$7,500,000$. However, if your company only offered products in Traditional and Low End, you could only benefit from a total of 24 sales people.

Inside Sales

For each segment, enter the number of inside sales people. Each inside sales person costs \$50,000.

Diminishing returns in a segment is reached at 30 sales people. For example, if your company is in all five segments, you would reach diminishing returns at 30 sales people in each segment, for a total of 150 sales people, and a total inside sales budget of $150 \times \$50,000 = \$7,500,000$. However, if your company only offered products in High, Performance and Size, you could only benefit from a total of 90 sales people.

Distributors

For each segment, enter the number of distributors carrying your product. Distributors offer customers an opportunity to see your product, compare it with other products, and take delivery. Each distributor costs \$100,000 per year.

Diminishing returns in a segment is reached at 15 distributors. For example, if your company is in all five segments, you would reach diminishing returns at 15 distributors in each segment, for a total of 75 distributors, and a total budget of 75 x \$100,000 = \$7,500,000. However, if your company only offered products in High, Traditional and Low, you could only benefit from a total of 45 distributors.

Sales Budget	Resources	Trad	Low	High	Pfmn	Size	Budget
Outside Sales		12	12	12	12	12	\$7,500
Inside Sales		30	30	30	30	30	\$7,500
Distributors		15	15	15	15	15	\$7,500
Intell. Report		\$0	\$0	\$0	\$0	\$0	\$0
<i>Budget (\$000)</i>		\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$22,500

Sales Channel Effectiveness

For each segment, some channels work better than others. For example, the one on one interaction of an outside sales person is very effective when meeting High End customers, however those same customers are not likely to visit a distributor's sales room. Traditional and Low End customers are most likely to visit a distributor.

	Traditional	Low End	High End	Pfmn	Size
Outside Sales	Low	Medium	High	Medium	High
Inside Sales	Medium	Low	Medium	High	Medium
Distributors	High	High	Low	Low	Low

7.4.3 Time Allocations

The Time Allocations column gives companies an opportunity to fine-tune their sales efforts. Time Allocation entries determine what percentage of time the Sales staff and Distributors will devote to each product.

Time Allocations		
Able	24%	\$5,400
Acre	22%	\$4,950
Adam	20%	\$4,500
Aft	17%	\$3,825
Agape	17%	\$3,825
Na	0%	\$0
Na	0%	\$0
Na	0%	\$0
Total	100%	\$22,500

Time Allocations

In general, teams should make their Time Allocations consistent with their segment priorities. However, if a company wants to improve sales for one of its products, it can instruct the Sales department to increase the percentage of time spent selling that product. This will boost sales for that product during the current round. It will do nothing

for the product's Accessibility (Accessibility is defined at the segment level, not the product level).

Stated simply, higher Time Allocations mean greater sales efforts by your staff, and this translates into increased demand for that product. Your overall Sales Budget drives two factors, Accessibility and Salesmanship. Accessibility examines infrastructure, is subject to diminishing returns, and is partially remembered from round to round. Salesmanship Time Allocations applies only to this year. Increasing a Time Allocation for a product will increase that product's sales, however this would be at the expense of other products' Time Allocations.

Please Note: Time allocations must total 100%. If the allocations for products total less than 100%, the remainder will be assigned to the last NA (Not Applicable) cell. If this happens, reformulate your percentages for your products until they total 100%. If you have 8 products, adjust the numbers of the other 7 products until they total 100% minus the desired percentage for the 8th product.

In Excel, percentages can be entered one of two ways. For example, 15% can be entered with a decimal as 0.15 or as the number 15 followed by the percent sign. When using the decimal, be sure the percentage sign is deleted before pressing Enter. These cells are set for percentage, therefore entering only the number 10 (without a decimal or a percentage sign) will yield an entry of 1000%. It is very important to always use either the decimal point or percentage sign.

When the Marketing Module is activated an arrow appears to the right of Marketing in the Decisions menu in the Capstone Web Application. A submenu expands when the cursor passes over the arrow:

- Prices and Sales Forecasts for each product are entered in the Pricing & Forecasting area;
- Selecting Promo Sales in the Marketing submenu opens the Marketing Budget Detail area (alternatively, click the gray Promo Budget or Sales Budget buttons in the Pricing & Forecasting area).