Advanced Marketing

At UVU we use the Advanced Marketing Module in Capstone (not in the Rehearsal or CompXM) to allow you to have greater control over your company’s marketing budgets and outcomes in competition.

Access the Marketing Module through an arrow that appears to the right of Marketing in the Decisions menu. A submenu expands when the cursor passes over the arrow. Selling Prices and Sales Forecasts for each product are entered on the Pricing & Forecasting spreadsheet. Selecting Promotion & Sales in the Marketing submenu opens the Marketing Budget Detail spreadsheet (alternatively, click the gray Promo Budget or Sales Budget buttons from the Pricing & Forecasting screen).

Promo(tion) Budget

The Marketing Budget Detail screen allows you to allocate your Promo Budget among five different media channels. Forecasts 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 to different media types differently. 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.

Target Segment

The list boxes beneath the product names on the Marketing Budget Detail spreadsheet indicate the primary segment at which the product promotions will be targeted.
This segment should conform to the product’s coordinates on the Perceptual Map. There is no point in promoting a Traditional product (which, for example, might be marketed to automobile manufacturers) in High End product media channels (which might go to aircraft manufacturers).

If a company anticipates moving a product from one segment to another, it can begin to build awareness in the destination segment prior to repositioning by changing the Target Segment.

**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. See Table 1 (at the end of this report) for a recap of the potential reach for each type of media.

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 which select for your customers.

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.

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
to click a hyperlink to your website.

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:

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.

**Sales Budget**

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

**Outside Sales**

Enter the number of salespeople 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 salesperson costs $125,000, which includes salary, commission, travel and support.

Diminishing returns in a segment is reached at 12 salespeople. For example, if your company is in all five segments, you would reach diminishing returns at 12 salespeople in each segment, for a total of 12*5 = 60 salespeople, and a total outside sales budget of 60 x $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 salespeople.

**Inside Sales**

For each segment, enter the number of inside salespeople. Each inside salesperson costs $50,000.

Diminishing returns in a segment is reached at 30 salespeople. For example, if your company is in all five segments, you would reach diminishing returns at 30 salespeople in each segment, for a total of 150 salespeople, and a total inside sales budget of 150 x $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 salespeople.

**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 Channel Effectiveness**

For each segment, some channels work better than others. For example, the one on one interaction of an outside salesperson is very effective when meeting High End customers; however those same customers are not likely to visit a distributor's salesroom. Traditional and Low End customers are most likely to visit a distributor. See Table 2 (Sales Channel Effectiveness by Type and Segment) at the end of this report for a summary.

**Competitive Intelligence Reports**

Companies have the option of purchasing a Competitive Intelligence Report for each segment. As the name implies, the reports detail the marketing activities for all companies in that segment. Each report costs $150,000. Purchased reports can be viewed from the Marketing submenu or the Courier menu. Reports can be printed from the Courier menu (select Print All Marketing Reports).

**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. 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 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.

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.

**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.
### Table 1 Potential Reach in Segment by Type of Media

<table>
<thead>
<tr>
<th>Potential Reach of each type of communication media varies by segment</th>
<th>Print Media</th>
<th>Direct Mail</th>
<th>Web Media</th>
<th>Email</th>
<th>Trade Shows</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional</strong> — Good</td>
<td>• Traditional — Good</td>
<td>• Traditional — Good</td>
<td>• Traditional — Poor</td>
<td>• Traditional — Poor</td>
<td>• Traditional — Fair</td>
</tr>
<tr>
<td><strong>Low End</strong> — Good</td>
<td>• Low End — Good</td>
<td>• Low End — Good</td>
<td>• Low End — Poor</td>
<td>• Low End — Poor</td>
<td>• Low End — Fair</td>
</tr>
<tr>
<td><strong>High End</strong> — Poor</td>
<td>• High End — Poor</td>
<td>• High End — Fair</td>
<td>• High End — Fair</td>
<td>• High End — Fair</td>
<td>• <strong>High End</strong> — Good</td>
</tr>
<tr>
<td><strong>Performance</strong> — Poor</td>
<td>• Performance — Poor</td>
<td>• Performance — Poor</td>
<td>• Performance — Good</td>
<td>• Performance — Good</td>
<td>• Performance — Good</td>
</tr>
<tr>
<td><strong>Size</strong> — Fair</td>
<td>• Size — Poor</td>
<td>• Size — Good</td>
<td>• Size — Good</td>
<td>• Size — Good</td>
<td>• Size — Poor</td>
</tr>
</tbody>
</table>

### Table 2 Sales Channel Effectiveness by Type and Segment

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Low End</th>
<th>High End</th>
<th>Performance</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inside Sales</strong></td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Outside Sales</strong></td>
<td>Low</td>
<td>Medium</td>
<td><strong>High</strong></td>
<td>Medium</td>
<td><strong>High</strong></td>
</tr>
<tr>
<td><strong>Distributors</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>