

Selecting a Market

After we have done our market analysis, the next step is deciding how, when, and where to attack the competition. This chapter discusses the rules for selecting a market for a new campaign.

A marketing campaign is a thrust into a new market. A campaign means that we are trying to win new customers over to our product or existing customers to a new product. Before we can undertake a marketing campaign, we must first select a market.

Before we select a market, Sun Tzu wants us to understand the consequences of our decision. What is important about picking a market? What are the risks? How can we minimize those risks? What kind of marketing campaigns should we avoid?

When we go after a new market, what should we do first? What is the primary characteristic of a successful campaign? If we lose the initiative, what should we do? If the market doesn't generate sales as quickly as we had hoped, what then? What happens when we select the wrong market?

Sun Tzu answers these questions and many more. He lays out the risks and dangers of selecting a market. He shows us how to minimize those risks. He also shows us the connection between the risks and the rewards of marketing. In the end, our success depends upon understanding exactly what we are getting into.

Question One:

When starting a new marketing campaign, what should you first consider?

- A. Your target market.**
- B. The costs of marketing.**
- C. Building an image.**
- D. Getting customer visibility.**

Everything depends on your marketing philosophy. Promoting a company and its products is expensive. Building market awareness takes thousands of dollars.

From The Art of Marketing

Answer:

B, The costs of marketing.

Marketing is easy if we have all the money in the world and don't care whether or not our marketing pays for itself. The challenge of marketing is getting the most results from the least investment. Our goal is making our marketing campaign profitable.

When planning a competitive campaign, Sun Tzu wants us to consider the cost. Marketing is expensive. Will this campaign pay?

Cost is the basis of selecting what type of market we target. One of the reasons that small companies should pick small targets is because they can't afford to target larger ones. Nothing is less rewarding than interesting buyers and then having no way to sell them.

Two of the goals of any marketing program are building an image and creating visibility. Nevertheless, both of these goals are constrained by the costs involved. The problem is that we don't know beforehand how much a given image or level of visibility is worth in terms of sales. Most marketing overestimate the sales value of both image and visibility. The only thing that we won't likely overestimate is the cost. We must plan for the extensive costs of marketing. We must see how the campaign can return that investment tenfold.

Question Two:

How can you plan a simple, straightforward marketing campaign with predictable results?

- A. You limit your marketing to a narrow segment.**
- B. You limit your marketing to less expensive media.**
- C. You limit your marketing in geography.**
- D. Marketing resists limits and predictable results.**

You must invent many different approaches.
You need a wealth of resources.

From The Art of Marketing

Answer:

- D. Marketing resists limits and predictable results.

Once we are committed to them, our marketing campaigns require experimentation to discover what really works. We can plan a simple marketing campaign, but the marketplace is dynamic. Marketing is creative. These features work against simplicity and predictability.

Narrowing our segment focus is always a good idea. However, we don't really learn about a segment until we begin to focus on it. From Sun Tzu's perspective, any competition is an exercise in learning. The learning takes place after we focus, not before.

All media is expensive, but its cost isn't measured in the price per exposure. A television commercial that gets good results is much less expensive than a mailing program that gets nothing. How can we know the response rates and therefore the cost before our campaign before hand? We can't. We can only make assumptions. This is always risky so we must be aware of the chance that we are taking.

Geography is also a good way to focus a campaign but the Internet is changing the old definition of geography. In every business ten years ago, we had to make a decision to market nationally. In today's market, we are global--like it or not--once we establish a web presence. How does this affect our cost of marketing?

Question Three:

What chief affect does marketing have on other parts of an organization?

- A. It competes with other departments for resources.**
- B. It compliments both sales and product development.**
- C. It compliments sales but not product development.**
- D. It compliments product development but not sales.**

This demands a large investment from your company.
This drains resources from your other operations.
Marketing uses up time and energy.

Others complain about how marketing consumes cash.

From The Art of Marketing

Answer:

- A. It competes with other departments for resources.

This answer flies in the face of traditional marketing thinking. Marketing people see often themselves as complementing the other parts of the organization, especially product development and sales. Sometimes this might be the case, but certainly product development and sales would prefer their budget to be increased rather than get more “help” from marketing.

Company politics aside, this competition between activities is easy to see in a one-man company. If we spend our time marketing, we are not selling and we are not producing products. Time and resources are limited and marketing directly competes with all other activities.

The problem with marketing is that, unlike sales and production, marketing spending is difficult to evaluate. Certainly, marketing activities are important to both product development and sales. The information gathered in marketing can be valuable in developing products. Marketing can generate prospects for sales. The problem is connecting the costs of marketing to the value produced. In sales, dollars measure success. In production, we have inventory. In marketing, we have hope

Question Four:

What other factors add major unplanned costs to marketing?

- A. Hiring people from the competition.**
- B. Public relations and publicity.**
- C. Building media relationships and networking.**
- D. Defending existing markets and building distribution.**

It demands that you defend your position.

It takes time to build up the distribution channels that you require.

From The Art of Marketing

Answer:

D. Defending existing markets and building distribution.

Hiring from competitors, public relations, and media relationships are all among the least costly marketing activities. Because of this, they should all be a planned part of any marketing campaign.

What we cannot predict are the costs of defending our own market or building a distribution channel. Because of this, these are two of the areas more frequently overlooked by those starting a marketing campaign.

We never know when new competition is going to come into our existing markets. We may be thinking about conquering new markets, but someone else may well be thinking about going after our existing customers. The first goal of any marketing program must be maintaining our existing customer base and revenue stream.

One of the hardest tasks in marketing is synchronizing product promotion with product distribution. The only point of marketing is creating sales. Promoting products without the sales resources to sell them is pure waste. If we build sales resources without building market awareness or customer demand, we are also wasting our resources. Awareness and distribution must be linked. .

Question Five:

Given the high cost of marketing, what type of campaigns should you most avoid?

- A. Those that cost a lot of money.**
- B. Those that require a lot of resources.**
- C. Those that will last a long time.**
- D. Those that don't build product awareness.**

Winning a large market is expensive and time consuming. Delay fatigues your channels and costs you sales. Attacking entrenched markets drains your resources. Long marketing campaigns that deplete your company's resources will fail.

From The Art of Marketing

Answer:

- C. Those that will last a long time.

In Sun Tzu's system, a competitive battle must start working quickly. If it doesn't then it won't work at all. The problem is the cost of competition, in this case, marketing. If a competitive battle isn't won quickly, the high costs of competition will bankrupt the contestants, even if the campaign is eventually "successful."

For marketing purposes, a "time" is measured in the amount of time it takes for the marketing campaign to start paying for itself. A costly campaign is not ideal, but a costly campaign that quickly begins paying for itself is much better than any campaign that fails to produce quick results.

Marketing must produce quick results. Those results are not theoretical measures of "brand awareness" The only results that count are sales. Only sales income can start paying for the marketing campaign.

We should never trust vague measures such as brand recognition or market awareness. They may turn into sales but when? Marketing is only a momentary act of faith. It must payoff.

Question Six:

As a marketing campaign continues without sales results, what are the potential results?

- A. You lose the investment you've made in the campaign.**
- B. You delay the initiation of a better campaign.**
- C. You decrease your market momentum.**
- D. You squander existing sales and encourage your competitors to attack you.**

You can lose the interest of your sales channel.
You then will lose the market.
You can drain your resources.
You will then use up your marketing budget.
As your markets weaken, you inspire your competitors to attack you.

From The Art of Marketing

Answer:

- D. You squander existing sales and encourage your competitors to attack you.**

Sun Tzu wants to make it clear what is at stake in a losing war. We will certainly lose our investment in marketing, but that is the minimal cost of failure. Continuing in a failing campaign is more dangerous than just losing what we spend on it.

First, a failed marketing campaign discourages our sales channel. They see the money being spent, but if they don't get sales, they lose faith in the company. This loss of faith weakens the channels ability to sell traditional products.

When we lose the support, that is, income from our sales channel, we start eating into our resources. The problem isn't just delaying the next marketing campaign. With declining sales, we cannot afford even historical marketing expenditures.

With a weakened sales channel and a decreased ability to market, our competitors move in for the kill.

Question Seven:

If you are smart and creative, can you turn around a failing campaign?

- A. Not once you have lost the initiative.**
- B. If you leverage past investment.**
- C. If you keep your focus on the target market.**
- D. If past tests have proven successful.**

It doesn't matter how smart you think you are.
You can't win a market once you've lost the initiative.

From The Art of Marketing

Answer:

- A. Not once you have lost the initiative.

In Sun Tzu's view, success in competition depends upon finding quick success. Once we have lost the initiative, the market and the competitors prepare against us.

In marketing, we have to control the market's impression of us. Once we have failed to penetrate a market, we are defined by our failure, not by our marketing. Our image is that of a loser.

In Sun Tzu's view, people naturally have too high an opinion of their abilities. We find it difficult to admit our failures. Because of our egos, we find it difficult to admit that our plan has failed.

Instead of admitting failure, our natural reaction is to try to force our failure to become a success. We try to think of ways to leverage our past investment. We don't want to give up on a target market. We want to believe that our previous view of the market was correct and the results are an aberration.

Sun Tzu warns that this type of thinking is deadly. It is not a question of our intelligence. The problem is fundamental. Successful marketing requires maintaining the initiative. If we lose the initiative, we lose the market.

Question Eight:

Isn't a hasty campaign more dangerous than a slow one?

- A. A hasty campaign is always worse than a slow one.**
- B. A hasty attack is sometimes worse than a slow one.**
- C. A hasty attack can be bad, but a slow one is usually worse.**
- D. A hasty attack is usually successful.**

You can sometimes move too fast attacking a market.
However, the slower the attack, the more often you fail.

From *The Art of Marketing*

Answer:

- C. A hasty attack can be bad, but a slow one is usually worse.

Once more, this is a lesson about human behavior. We tend to worry about making mistakes. Because of this, we usually delay action or undertake action very cautiously. We tell ourselves not to be hasty because we don't want to make a mistake.

Sun Tzu's warning about the danger of a failed marketing campaign may accentuate this thinking. If a failed campaign is as risky as he has been telling us, we can't afford not to be careful. We undertake our marketing slowly and carefully.

This is the opposite of what Sun Tzu wants. He wants us to attack quickly, but stop quickly if the attack is not working. He is arguing for quick action and quick reaction.

More leisurely planning and slower commitment to a plan increase the campaign's chances of failure. It also increases the likelihood that, once the campaign starts failing, we will stay with it. The more we have invested in planning, the less likely we are to admit our failure.

This does not mean that Sun Tzu is against careful planning and analysis. Quite the contrary, the first chapter of *The Art of War* is about the importance of analysis. We just cannot let our planning stand in the way of quick action and reaction.

Question Nine:

Why does Sun Tzu warn you about the dangers of marketing?

- A. Because success comes from being careful.**
- B. Because success comes from being certain.**
- C. Because marketing is uncertain.**
- D. Because marketing requires commitment.**

You can try to play it safe when you go after a market or you can be successful.

You can't have it both ways.

From The Art of Marketing

Answer:

- D. Because marketing requires commitment.

Sun Tzu warns us in the most severe terms about the costs waging war. He doesn't do this to discourage us from attacking markets. He doesn't want this warning to make us slow and cautious. We cannot win if we hesitate or doubt.

He warns us so that we understand the risks. Marketing is serious. We can bet the future of our company on a marketing campaign. We must be totally committed to success. We can't make these decisions lightly. Nor can we avoid these decisions.

Success requires that we take a chance. We are never going to be successful if we play it safe. That is what our competition expects. We will lose if we do what the competition expects. Marketing is a dynamic game. We have to keep one step ahead of the competition. We cannot do that by being predictable.

We can never be certain about our current ,marketing plan working. We can be certain about our eventual success. We must have a larger strategy. We make plans that take risks, but we must always avoid fatal mistakes. We must walk the line. We must be confident enough to act, but not so confident that we can't recognize when our plans aren't working.

Question Ten:

How do the risks of marketing affect its awards?

- A. You must minimize the risks to maximize the awards.**
- B. You must avoid the risks to assure the rewards.**
- C. You must embrace the risks to assure the rewards.**
- D. You must avoid the dangers of new markets.**

You can never completely insure against failure when you go after a new segment.

You are therefore unlimited in the success that you can achieve from developing new markets.

From The Art of Marketing

Answer:

- C. You must embrace the risks to assure the rewards.

This is the heart of Sun Tzu's philosophy about selecting a market. Competition is risky. We must understand exactly how risky it is. However, competition is also the source of all success. If we don't compete for new markets, we cannot succeed or even survive in the market.

How should we react to this dilemma?

We are always aware that failure is a possibility, but we don't let it paralyze us. We can never completely defend ourselves against failure, but we can prepare for it. We can be ready to change our plans at a moments notice if our assumptions prove wrong.

We must also be ready for another unexpected outcome. The uncertainty of the future has an upside. Our campaign may turn out to be dramatically more successful than we plan. The variables that make success uncertain also make wild success possible *if* we are willing to take the chance. We must be prepared for unplanned levels of success just like we are prepared for unplanned failure. Both are possible. If we are ready for one, we must be equally ready for the other.

Question Eleven:

How do you minimize the risks of marketing?

- A. You compete aggressively.**
- B. You compete only with caution.**
- C. You focus only on success.**
- D. You do only what needs to be done.**

You want to make good use of your marketing.
Do not change your market focus repeatedly.
Do not try to do too much.
Support the needs of your company.
Feed off your competition.
Do only what you need to do at the moment.

From The Art of Marketing

Answer:

- D. You do only what needs to be done.

Forget aggression! Forget caution! Forget success! Embrace necessity. We don't win by being aggressive. We win by being smart. If we are too aggressive, we make mistakes. We try to do too much.

We also don't win by being cautious. If we are cautious, we are too slow and too quick to give up. We change direction too frequently.

Success comes when we do what is necessary. Focus on the competition. Don't worry about beating the competition. We must select a market that let's us feed off our competition. We must pay for our marketing with sales generated by that marketing.

In other words, we must be practical. Above all, Sun Tzu's system is a practical approach to competition. It is not a heroic approach or a timid approach. Competition can be emotional, but we can't afford to be emotional. Selecting a market puts our ego on the line. We must forget our egos. We can't get caught up in our plans. We can't worry about winning. We must do what is necessary, no more and no less. We must take what the market gives us.

Question Twelve:

How should geography affect your selection of a target market?

- A. You want to market to the broadest market possible.**
- B. You should begin to market to an area that is nearby.**
- C. You should think of all markets as global.**
- D. Distance should not matter to marketing.**

Marketing to distant areas is costly for you and your company.

Transportation increases the price of what you are selling.

From The Art of Marketing

Answer:

- B. You should begin to market to an area that is nearby.

Distance is the most basic “barrier to entry.” Even the smallest company starts with the advantage of location. As long as we are the first in our geographical area, we have the advantage of being local.

Sun Tzu’s concern with distance was avoiding the unnecessary costs and dangers that it posed. His military concern was primarily transportation of men and supplies. Today, we have the same concerns about the cost of transporting goods.

The introduction of the Internet has made national and global communication less expensive. However, at least at the beginning of a marketing program, the initial warnings still stand. Cost must be controlled. The reason is that marketing is initially risky. We may have to change quickly abandon or change our marketing program if it does not succeed. A national or international marketing campaign simply raises the stakes. It makes the initial mistakes more expensive and harder to recover from.

We must select a market that we can initially work locally. We must wait until we have secured that local market before expanding geographically.

Question Thirteen:

How should the number of competitors affect your selection of a market?

- A. Numerous competitors indicate a rich market.**
- B. A crowded market assures that you can win market share from the weakest competitors.**
- C. A market with few competitors means that there is plenty of customers unsatisfied.**
- D. A market with many competitors cannot be profitable.**

Also, marketing into crowded markets can't be profitable. This lack of profits can destroy your company. Most failures result from companies exhausting their resources on marketing.

From The Art of Marketing

Answer:

- D. A market with many competitors cannot be profitable.

The dangers of marketing are directly proportional to the costs of marketing. Once again, our campaigns must pay for itself as soon as possible. Sales volume and market share are important *only* if they generate profits that pay for the marketing campaign itself. Sun Tzu's concerns is always on getting the campaign to pay for itself or, as he calls it "feeding off of the competition."

The number of competitors in a market does not give us reliable information about the size of the market. At any given time, a market may have to many or too few companies competing for the volume of business. Businesses become fashionable and people invest in them without knowing potential market size. This thinking is never successful.

A crowded market may or may not have plenty of customers, but it is almost certain to have declining profits. A large group of competitors means that at least some of them will be discounting their prices in order to win business. Too much competition makes any market unprofitable. When we are starting marketing, we need profitable markets.

Question Fourteen:

How does the cost of media advertising affect the selection of a market?

- A. Media costs should always be kept low.**
- B. Media costs should be proportional to market size.**
- C. What you pay for media determines what you get.**
- D. The selection of appropriate media is more important than cost.**

Media advertising can consume your company entirely. Marketing can leave the company without profits and worthless.

From The Art of Marketing

Answer:

- A. Media costs should always be kept low.

Advertising is costly. Sun Tzu's advice on is always to keep costly commitments to a minimum. We may or may not get what we pay for in media, but the results of costly media campaigns are so uncertain. We should never select a market or a campaign that requires expensive media advertising in order to be successful. That is, we should never select such a market unless we are willing to bet everything on that campaign. We should only bet everything as a last resort.

Because of the high cost of media, there are many markets that we cannot attract directly. For example, a successful national media campaign for a new consumer product costs hundreds of million dollars. The unsuccessful media campaign to the same market costs the same. This is a "bet our company" decision. Sun Tzu was violently opposed to rolling the dice in competition. He believed that we can always find a way to win that minimizes our risks.

The central issue is the risk to profitability. Once a campaign is proven to generate revenues, we can begin to calculate whether or not it is safe to broaden it to include more expensive media. At these early stages when we are selecting a market, the cost of expensive media is simply too risky. We must first test our campaign.

Question Fifteen:

What happens when you select the wrong market?

- A. You can still recoup your initial investment.**
- B. You can still leverage your image and message.**
- C. You can still capitalize on your market awareness.**
- D. You have to totally abandon that market.**

Many companies have to abandon a market.
Most attempts to win new markets fail.
Failed marketing plans deplete company resources.
Failed marketing forces you to abandon your investments.
You give up the market awareness that you've established.
You must abandon your image and message.
Your distribution is left without support.
Marketing consumes the profits of too many companies.

From The Art of Marketing

Answer:

- D. You have to totally abandon that market.

We can't afford to fool ourselves. When we attack the wrong market, we have to get out of it quickly. Trying to recoup our losses is going to cost us even more.

When we develop an image and message for a market, we shouldn't try to reuse that image and message in a new campaign. We shouldn't try to find a different market where the image and message might work. Just because we have invested time and money in it doesn't mean that it has value. These are sunk costs. We must accept our losses and move on.

The same is true of any market awareness that we have established in the target market. If our product isn't selling, we shouldn't try to find a new product that might appeal to that market. There is virtually no chance that we will be successful.

These are the mistakes that turn a bad market decision into a fatal one.

Question Sixteen:

What are the chief criteria you use to select a target market?

- A. How fast you think that you will generate profits from it.**
- B. How long the market will continue to be profitable.**
- C. The proximity and size of the market.**
- D. The number of competitors that are in the market.**

Because of this, you must go after markets that quickly generate money for your company.

Take a dollar in sales today.

It is worth twenty dollars tomorrow.

Win a dollar in customer sales.

It is worth twenty dollars of market potential.

You must win customers and treat them well.

You need to generate income from your market as soon as possible.

From The Art of Marketing

Answer:

- A. How fast you think that you will generate profits from it.

Here we come to the heart of Sun Tzu's advice on selecting a market. All the warnings about the risks of marketing come down to this. We don't get greedy. We don't get lost in theory or the details. The only point of a market campaign is to generate sales income as quickly as possible.

The longevity of the market is a secondary concern. Naturally, we prefer markets that grow forever, but that is not our first concern. If we must, we use each market as a stepping stone to the next. As long as each market is profitable to sell to, it gets us further down the road.

Proximity, size, and number of competitors are certainly important elements in calculating whether or not a market can be profitable to sell to, but these elements and more should be considered together in searching for profits.

Question Seventeen:

Where do you find these instantly profitable markets?

- A. You test various groups for their interest in products.**
- B. You target groups who can be contacted inexpensively.**
- C. You identify groups to whom you are already selling.**
- D. You expand into new geographical or product areas.**

Marketing must generate more resources.
Win markets that you can easily dominate.
Go after markets where sales are already being made.
Use existing customers to bring in more customers.
Base your promotion on past success in a market.

From The Art of Marketing

Answer:

- C. You identify groups to whom you are already selling.

We are already selling to our best future markets. We just haven't identified these existing customers as part of a potentially larger group. Most companies don't know their existing customers well enough to identify who their future customers should be.

Markets are *not* created by marketing. They are *discovered* by sales. The job of marketing is to identify them as potential markets and then identify ways to attack them.

This revelation clarifies all of Sun Tzu's warnings about the dangers of marketing. We don't guess at who might buy our product. We don't undertake marketing campaigns to try to identify or create new markets. These are dangerous and expensive approaches to selecting a market.

Instead, we dissect our existing customer-base. We identify those who belong to larger, different groups. We see a new grouping that we overlooked before. We find hidden customer characteristics, shared by a group of potential new customers. We find shared needs and desires that we had overlooked.