Economic Gardening

Marketing Principles

OVERVIEW

Economic development is about increasing jobs and income.

To do that, the basic requirement is that businesses grow, which requires they increase sales. Every branch and element of the profession – whether recruiting, incubators, Main Street revitalization, urban renewal, brownfield redevelopment, workforce development or entrepreneurial development – every activity depends on <u>increased sales</u> in a company.

Economic Gardening finds high probability sales calls which convert into increased sales.

The purpose of this paper is to clarify and document how Economic Gardening's does that. It is much different than traditional marketing.

FOUNDATIONAL PRINCIPLES

There are several ideas that combine to form the marketing approach used in Economic Gardening. These include:

- Purchase decisions go through 4 steps (motivation, investigation, evaluation, selection). This creates a sales window.
- Old economy marketing focused on step 1 and 4 – make a cold call, create motivation, close.
- Economic Gardening *finds existing motivation* and focuses on step 2 and 3
- Motivation is typically a function of "change." We look for these signals of change
    - We look for markets undergoing change (ripe markets)
    - We look for companies experiencing change (in the market)

The Purchase Decision

Economic Gardening believes that almost all purchase decisions have four steps, regardless of the item being purchased. First, you have a reason to buy something (*motivation).* You then look at the options to choose from (*investigation*). You then figure out which is the best option (evaluation). Finally, you choose one and make the purchase (selection). This process tends to be formal in business-to-business companies and more intuitive in business-to-consumer purchases. To summarize:

1. Motivation
2. Investigation
3. Evaluation
4. Selection

This process can be considered the sales window – a window that opens when there is some motivation and closes when the purchase is made. Contacting the potential customer in the sales window has much higher sales potential than contacting before or after.

Change and Stability

Economic Gardening principles also believe that it is more difficult to make sales in stable environments. In stable environments, the thinking goes that "*The equipment (or software) is working, we know the guy, we like them, and the company is responsive to our requests. If I propose that we change that situation, then I have to convince my boss to leave something that is working for something that is unknown. I have to get budget approval and if it fails it is a career risk for me.*" Sales in a stable environment is hard.

When something changes in the company or its environment, motivation is often created. Maybe the company is going through a merger/acquisition, or a new CEO was hired. Maybe there was a product failure and lawsuit or some regulatory problem. Maybe the company invented a new product, received new investment, or is moving to a new physical space. We track over 25 categories of change, but the point is that when you see change happening, there is a good probability motivation has been created. Thus, step one in the purchase decision has already occurred and the potential customer is in the second step: investigation. The sales window has opened.

The point is this. Even though we can develop a profile of who we are looking for and create a universal list of all the companies in that profile, *most of those companies are not in the market*. Your salespeople can make motivational pitches, but they will be low probability sales calls. At any given time, only a few companies have motivation to buy, and Economic Gardening's job is to is to find them in order to improve the probability of a sales call.

To summarize**, if motivation is the first step in buying something, and motivation is created by change, then being able to spot change gets us inside the sales window and dramatically increases the probability of making a sale.**

This is the heart of Economic Gardening.

Ripe Markets

Combining these two ideas – purchase decisions start with motivation, and motivation is caused by some change -- Economic Gardening then looks for change in two areas: markets and companies.

Markets in which change is occurring are considered ripe markets. Ripe markets are typically unconsolidated, emerging, growing, or disrupted. No one company dominates yet. Everyone has gone back to ground zero, each vying to be the best solution.

Markets which are not ripe for new competition are mature, consolidated, commoditized and have market shares sorted out. Usually there are three or four major competitors who control 80% or more of the market (giants in the land). They dominate advertising and marketing channels, distribution channels and relationships. They also have well developed and efficient processes that drive down costs and prices

A mature, consolidated market influences the core strategy of new competitors by forcing them into commodity quadrant, where the rules for success are low price and high volume. Small companies trying to compete in these markets are like Little League teams walking into Yankee Stadium for a game. Unless they have some technology or process that can enter and disrupt from the bottom end, they are not likely to grow or succeed. It is a low probability sales environment.

Companies in the Market

Besides changing markets, the second factor of a high probability sales call is finding changing companies. In other words, who is in the market on this particular day. These customers *already have motivation established* -- something happened which launched them into the purchase decision process. In effect, a sales window has opened up as the motivation has been established and the investigation stage has started. The objective for Economic Gardening clients is to be in the marketing channel where the customer is investigating options. When this happens, the company is now in front of a high probability target in a ripe market and they now can make the case they have the best option.

Traditional Cold Calling

The process used in the traditional cold call was focused on step 1 and 4 -- *create* a motivation and *close* a deal, skipping step 2 (other choices) and step 3 (which is best). The drawback to this approach is that most companies had no internal motivation to buy and creating motivation is very hard. As a result, most of the cold calls were low probability, and so it became strictly a numbers game. If the salesperson averages 2 sales out of 100 cold calls every month, then that became the sales goal: make 100 cold calls every month to get two sales.

MARKETING CHANNELS

In the last framework (*Qualified Sales Leads*), we focus on connecting with the customer, *at the right time.* That time in the purchase decision cycle is when they start to look for information about the options available (investigation) and evaluate those options (evaluation).

If we know *where* and *when* they are looking, then we can get into that channel and make our case. That becomes our marketing channel. The possibilities can be combined into three major marketing channels:

1. Outbound
2. Inbound
3. Watering holes

Each channel operates differently and works on different assumptions.

Outbound

In outbound marketing, the assumption is that we can find the exact company and contact person in our targeted profile. Once the universe of that profile is established, the process is then to narrow down the list to those who are actually in the market.

The first step, creating the profile of the ideal customer, is developed in the Discovery Call. From this, the universal list can usually be created using the NAICS codes, Dun & Bradstreet, Hoovers, or Data Axel. We can use the internal filters in these tools to adjust for industry, geography, size, growth rate and a number of other qualifying factors. These lists can be further refined using the web scraper which looks for more specific words in a website.

From this universal list, the next step is finding out who is in the market by looking for signals which indicate change is going on. This might be a new president, a merger/acquisition, a new product, a funding event, a lawsuit or regulatory problem. We have 25 categories that signal change. In short, this step will identify who has *motivation* and who has started (or is about to start) the purchase process. A sales window has opened.

The last step in the outbound channel is to find the *exact contact* needed. The preliminary titles are developed during the Discovery Call. We use several online tools for finding people with those job titles or functional positions. At this point in **outbound marketing**, your salespeople would use this highly qualified list of prospects which has the following characteristics:

- They fit the profile of the perfect customer
- They have a likely motivation to buy
- The purchase process has/may have already started
- A decision-maker has been identified with legitimate contact information

To summarize, outbound marketing assumes that we can identify the targeted customer exactly and can find them when they are in the purchase process (*who and when*). We can make contact and get our message out to the right person at the right time.

Inbound

Inbound marketing works on the idea that potential customers are coming to you. They may have found out about your company through a search on the Internet, or through an online ad associated with organic search terms, or through your website address (URL) in some published media or content.

Inbound marketing has the advantages having *motivation* established without having to look for signals. Someone who puts in a search term in Google not only just tipped their hand that they the want to buy a product or service, but they have also indicated they are on to the second and third step: investigation and evaluation. The searcher may be looking for lists, evaluation sites, review and rating sites, expert opinions, user groups, influencers and other evaluations. The same can be said of typing in the website address (motivation is established) but it depends on the additional step of getting that address published where it can be discovered.

Watering Holes

The concept of watering holes assumes that we <u>cannot</u> perfectly identify the exact customer, but there are places where our target market concentrates. The analogy is attending a conference and walking down the main hallway of the hotel which has the breakout rooms. One of the rooms says “Software for Agricultural Machinery” and you are a company making software for agricultural manufacturers. At this point, you don’t know anyone in that room, *but that is the room you want to be in*. The attendees have self-selected and concentrated into this small but pure market. They meet the *profile*, have *motivations* and have begun the *investigation* stage. The people in this room will be of high-probability sales calls.

Watering holes can be actual physical places like conferences and trade shows, or they can be virtual like internet sites, user groups, discussion groups, influencer blogs, experts, or specialized media. The job for Economic Gardening is to *find* the watering holes.

Businesses to Consumers

Most of the above comments apply to business-to-business (B2B) sales in which the purchase decision is primarily a rational one based on the need to increase income or decrease expenses. The core principles still apply to business-to-consumer (B2C), but there are some additional factors to consider, the most important of which is the fact that decisions are made on an emotional as well as a rational basis.

Analysts often divide consumer expenditures into necessities and luxuries. Necessities may still go through some version of the four steps ("*…this cold remedy has clinical studies to show it works better*"), but luxuries may often skip *investigation/evaluation*.

"I want an ice cream cone because it is hot outside"

"I want a Lexus because it shows my status."

"I want the new video game because of my need for stimulation now."

It is the range of human emotions which traditional marketing used to establish motivation for impulse buying.

While Economic Gardening is not about the *content* of marketing (creating the *motivation*), it is about a *strategic targeting* (finding the people who are making a purchase decision). We have a couple of excellent tools and principles to work in the B2C arena: GIS mapping and viral marketing in social media.

Our GIS mapping tools have access to demographic, psychographic and consumer expenditures. By mapping the existing customer base and overlaying it on lifestyle neighborhoods, we can create a profile of the current customer base (often a half dozen or so lifestyles). From there we can find other neighborhoods in the country that match that lifestyle. We cannot identify exact people and addresses, but we can identify small geographic areas for direct mail or targeted internet ads. It is a superior tool for targeting B2C customers who already make known purchases of products from competitors.

The viral marketing principle for B2C companies works on Clayton Christensen's (Harvard) idea that small companies are unlikely to compete in large, consolidated markets but they may enter the market at the bottom end with disruptive products and services. Without massive marketing budgets for national exposure, these companies depend on viral marketing in the social media. We see this often in beverages (wine, beer, spirits, coffee, seltzers, water) where a local company has a small, local but passionate set of customers who follow the company on various social media and can serve as evangelists and influencers via a viral campaign. Identifying these key individuals for rewards and involvement in viral campaigns is a low cost, high sales probability form of B2C marketing.

SUMMARY

In Economic Gardening principles, marketing is not a standalone, singular activity. It is more like a chess game where it is not the individual pieces alone (market data, competitive chart, LinkedIn, text analyzers, GIS map) but rather the interrelationships between all the pieces. Two principles are important: 1) the four-step purchase process and 2) the concept of high probability sales in areas of change.

Marketing is harder when you try to *create* motivation versus *finding* motivation (especially in B2B business which are about 80% of our work). Marketing is also inefficient when it is focused on low probability sales in calls in *stable* situations versus high probability areas of *change*. Our main focus is to find out where the targeted customers are going to investigate and evaluate their options, and then be in that marketing channel.

In terms of the practical steps in Economic Gardening marketing, the qualified sales leads process begins in the Discovery Call. We start by establishing a baseline of <u>current client marketing activities</u> including their sources of industry information (print media, conferences, trade shows, social media, websites).

The next step is determining the current and desired <u>core strategy</u>. We also develop the <u>profile</u> of the ideal customer and determine the <u>motivation</u>. We also inquire about <u>new markets</u> they may have an interest in. It is not our job to identify new places they could sell, but rather to find information about markets they are considering.

The remainder of the engagement is to research the potential of the market; research the companies in the profile and determine which are undergoing change; identify which marketing channels the customer are in as they investigate options; and develop contact strategies for any or all of three channels: outbound, inbound, watering holes.

The main idea is that instead of each specialist trying to solve the marketing problem with their own tool, we come at it with a systems approach which combines all the tools and principles into a coordinated effort.