

7.10: The Three Threads

Learning Objectives

1. Understand the role of marketing strategy in delivering customer value.
2. Explain how marketing strategy can positively and negatively impact cash flow.
3. Explain how digital technology and the e-environment are impacting marketing strategy.

Customer Value Implications

As stated in Chapter 6, marketing plays a key role in creating and delivering value to the customer, but it is the establishment of a strong link between customer value requirements and the major value-producing activities of a firm that is the foundation on which the delivery of superior customer value is based. Robert R. Harmon and Greg Laird, “Linking Marketing Strategy to Customer Value: Implications for Technology Marketers,” *PDFCast.org*, accessed December 1, 2011, pdfcast.org/pdf/linking-marketing-strategy-to-customer-value-implications-for-technology-marketers. Marketing strategy provides that strong link.

A customer’s decision to buy will always be contingent on the strategic effectiveness of the marketing mix: the ability of the product or the service to meet the needs, wants, and desires of the customer; a price that is attractive when compared with possible alternatives; the availability of the product or the service in an onground or online place that is in sync with the customer’s needs; and an integrated marketing communications (IMC) program that creates awareness, provides information, and persuades. Although the different elements of the marketing mix will be of differing importance depending on the customer and the situation, it all begins with the product. Well-designed and well-made products will usually come out ahead on the customer value scale. Innovative channels of distribution, such as Redbox for DVDs, gourmet and ethnic food carts, kiosks in airports for selling small electronics products, and conducting financial transactions on a smartphone, can all add to customer value. Social media as a part of the IMC mix can be a particularly great way to create customer value because a consumer’s social network can be used as a communication channel to spread the word about a product’s characteristics, quality, benefits, and value. Angela Hausman, “Marketing Strategy: Using Social Media to Create Customer Value,” *Hausman Marketing Letter*, October 25, 2010, accessed June 1, 2012, www.hausmanmarketingletter.co...ocial-media-to-create-customer-value. Salespeople also create value for customers by helping to identify creative and cost-effective solutions to customer problems, making the customer buying process easier, and creating a positive customer experience. Pricing is always tricky, but there should be a clear and positive link between the price that customers pay and what customers see as the value received in return.

Cash-Flow Implications

An efficient and effective marketing strategy will keep costs down and stimulate sales. A small business owner could not ask for more as a way to realize a positive cash flow. However, the reality is that things will not go as planned most of the time, and this will wreak havoc with cash flow. This means that the marketing strategy should be developed and implemented within the context of a cash-flow strategy so that when things do not go as planned, you can make appropriate adjustments.

One of the biggest temptations for creating cash flow when money is tight is cutting the price as a way to stimulate sales. Think very carefully before doing this. The price reduction may generate more sales, but you may send unintended negative signals to customers about quality and value. You may also trigger a price cut by competitors that eliminates the benefits of your own price cut. A better strategy would be to maintain the price and offer the customer more value—as long as that additional value does not end up costing you more in money in the long run. Mark Hunter, “Discounting to Create Cash Flow? Be Careful,” *PowerHomeBiz.com*, May 19, 2011, accessed December 1, 2011, www.powerhomebiz.com/blog/2011/05/discounting-to-create-cash-flow-be-careful.

Digital Technology and E-Environment Implications

The opportunities for using digital technology and the e-environment in marketing strategy have exploded as the technologies continue to develop and become more sophisticated. Strategic decisions can be made more quickly, with information that can be compiled and analyzed more completely and faster than ever before. The Internet offers an information bonanza and myriad opportunities for implementing the marketing strategy.

Mobile commerce continues to be one of the biggest trends to affect small business owners. More than 48 percent of Americans who own smartphones use them for shopping, so integrating mobile commerce into the marketing strategy should be strongly

considered. Many small businesses that already use mobile commerce are seeing positive results. Aaron Maxwell, founder of Mobile Web Up, reported that one client has already seen 10 percent growth per month. Lauren Simonds, “Mobile Commerce Experts Talk Small Business,” *Small Business Computing.com*, May 3, 2011, accessed December 1, 2011, www.smallbusinesscomputing.com/emarketing/article.php/3932506/Mobile-Commerce-Experts-Talk-Small-Business.htm. Since early 2011, small companies have increasingly been drawn to **quick-response (QR) codes** to target customers on the go. These high-tech bar codes are scanned with smartphone cameras, after which company and/or product content pops up on the screen. The customer then chooses to act or not act based on the content. The Ethical Bean Coffee Company in Vancouver, British Columbia, uses this technology in its train ads. Customers scan the code in an ad, a coffee menu pops up on their screens, and they can order a cup of coffee to be picked up at one of the Ethical Bean coffee shops. There are some challenges with using this technology, including cost, Emily Glazer, “Target: Customers on the Go,” *Wall Street Journal*, May 16, 2011, accessed December 1, 2011, online.wsj.com/article/SB10001424052748704132204576285631212564952.html, but it is worth considering for the marketing communications strategy.

Mobile technologies, such as wireless Internet and cellular Internet access, have significantly impacted personal selling, making it possible for salespeople to access needed information at any time. Key business applications are increasingly being made available through a browser rather than being loaded on a salesperson’s computer—again being accessible anywhere or anytime. Online video conferencing and web or phone conferencing allow for electronic presentations in lieu of face-to-face meetings. Sales training can be delivered over the Internet, and RSS feeds or e-mail enable salespeople to be notified quickly when new training material is available. See “[Trends in Selling](#).”

The marketing strategy of a small bank could include targeting the increasing number of small business owners that are starting to do their banking on the go. Customers can check balances, transfer funds, and take and send pictures of checks for remote deposit. It has been estimated that at least 50 percent of small businesses will do their banking through mobile devices by the end of 2013. Javier Espinoza, “Need to Bank? Phone It In,” *Wall Street Journal*, November 14, 2011, accessed December 1, 2011, online.wsj.com/article/SB10001424052970204485304576644853956740860.html. For the very small business, raising cash to proceed with the marketing strategy can actually be done through **crowdfunding**, the practice of securing small amounts of money from multiple contributors online. Margaret Broom of New Haven, Connecticut, used Peerbackers.com to raise money for renovating a new space for a yoga studio. In 45 days she raised \$10,000 from more than 100 contributors, with average contributions of \$15 to \$20. The funds do not need to be paid back because they are contributions. However, some businesses give their contributors products or services from the business as an appreciation. Sarah E. Needleman, “Raise Cash on Crowdfunding Sites,” *Wall Street Journal*, November 27, 2011, accessed December 1, 2011, online.wsj.com/article/SB10001424052970204443404577052013654406558.html?mod=googlenews_ws.

Video Clip 7.10.1:



How wireless technology can provide communication and distribution support.

KEY TAKEAWAYS

- Marketing strategy plays a key role in delivering customer value.
- Marketing strategy should be developed within the context of a cash-flow strategy.
- Digital technology and the e-environment continue to offer significant opportunities for small businesses.

EXERCISE

You run a small, specialized electronics firm that produces unique and highly sophisticated products. Your sales are evenly split between military contracts and commercial aviation. Two years ago, during a recent economic downturn, your business was under considerable cost pressure. To reduce costs, you switched from two American-based suppliers to a Taiwanese manufacturer. Last week, a national newspaper released a story that revealed that this Taiwanese manufacturer was using counterfeit chips produced in mainland China. This is clearly illegal, but things were made even worse by the speculation that the Chinese-made chips might be mechanisms that could be used in cyber warfare. It looks as though there will be at least one congressional investigation that will examine the national security issues associated with the counterfeit chips. Unfortunately, your firm was prominently mentioned in the article as one of the firms that had purchased a large number of these chips. This could have a major impact on a firm of your size.

1. What should you do?
2. How would you develop a marketing communications plan to deal with this crisis?
3. How would you deal with the anticipated cash-flow crisis?
4. How should you handle the issue of customer value?

✓ Disaster watch

Robert has spent the last year building his Internet business. He registered his domain name shortly after developing his idea. Three months were then spent waiting for his web developer to create a custom website built to his specifications. Just when Robert thought his online venture was going to die on the vine, his web guru called to ask if Robert wanted to see the site.

Robert quickly typed in the URL of his domain. There, for all to see, was his website. The online catalog was complete, the merchant account had been set up—and has been for two weeks because he has been paying the monthly fees in anticipation of the site launch date. The e-mail at the domain is configured, and Robert's online business is underway.

Search engine optimization helps to drive traffic to Robert's site. He sends out e-mail messages to everyone on his mailing list to let them know that his online venture is now open for business. Sales started slowly, as expected, but they grew steadily. The twenty-third sale was as exciting as the first.

On the morning of the business's one-year anniversary since buying his domain name, Robert goes to the office and turns on his computer with thoughts of checking his e-mail. His e-mail program announces an error. Something about "could not connect to server."

Robert's first thought was that perhaps the hosting company was having a network issue. He decides to wait for half an hour... but gets the same error. He decides to wait another ten minutes and try again. If it still does not work then, he plans to call his hosting company.

Ten minutes go by. The error keeps showing up. One more try. The error pops up again. Robert picks up the phone and calls the hosting company. Once he gets a tech on the phone, he explains the situation, saying that he needs his e-mail up and running so that he can follow up on the orders that came into the store last night. The next ten minutes are spent double-checking settings on the e-mail program. Still nothing works.

Eventually, someone at the hosting company thinks to check the domain name. **DISASTER!** The domain name had expired at midnight. No business can be conducted, and some people may think he has gone out of business.

What does Robert have to do now? Michael Raymond, "Costly Small Business Marketing Mistakes Every Entrepreneur Must Avoid," *Helium*, accessed December 1, 2011, www.helium.com/items/1644285-current-domain-registration-expired-domain-names.

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