DATA DO IT

Need for Marketing Data

More than the facts

Eliminate the guess work

Let the data be with you

So What?

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Straight From the Source

It's a simple principle—decision making requires data. Let's say you're looking for an after-school job. You've been offered two positions—one at the ice-cream shop and one at an insurance agency, filing papers and answering phones. Now, you have a decision to make. To make the right choice, you look at the available data. Here are some things you're considering about the jobs:

- The ice-cream shop is five miles further away from your house than the insurance agency is.

- The insurance agency will pay $1 more per hour than the ice-cream shop will; however, at the ice-cream shop, you will also make tips.

- Although the manager didn't tell you this, you're sure that business at the ice-cream shop slows down after the summer, so you will not earn as many tips.

- If you take the job at the insurance agency, there's a possibility it could turn into an internship during college. However, there's no guarantee that this will happen.

Ice-cream shop

Insurance agency

▶ You use data to make wise decisions every day. Businesses do the same thing—but on a much bigger scale.

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Do you own an iPod or another type of mp3 player? Think for a moment about all the decisions that had to be made to take this product from being a simple idea to a real item that you own and use. Researchers had to develop and perfect the technology. Meanwhile, marketers had to determine who would buy the product, how they should promote it, how much it should cost, where they should sell it, and what adjustments they needed to make so it would best meet customer needs. All of these decisions required the marketers to have a certain amount of data—or information—on hand. Thriving companies don't make blind choices; instead, they make sound decisions based on solid data. Learn more about the ways that marketers use data to create success within their organizations.

Objectives

A Identify types of data that are useful to marketers for decision making.

B Describe ways that marketers use marketing data.

There may not be a "right" or a "wrong" choice for which job you will choose. You just have to make the best decision you can, based on the data you have gathered in relation to your wants and needs. Businesses do the same thing all the time, only on a much bigger scale. A company may make hundreds, or even thousands, of business and marketing decisions a year. For each of these decisions, the company must have data on hand to enable it to make the wisest choice.

Data Do It

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Fact

The ice-cream shop is five miles further away from your house than the insurance agency is.

The insurance agency will pay $1 more per hour than the ice-cream shop will; however, at the ice-cream shop, you will also make tips.

Estimate

The ice-cream shop slows down after the summer, so you will not earn as many tips.

Prediction

If you take the job at the insurance agency, there's a possibility it could turn into an internship during college.

What's your type?

Not all data are the same. Let's take a look at some of the different types of data:

Facts. **Facts** are data that can be verified. There's no disputing that a fact is true. The earth is round, a minute lasts 60 seconds, the *Titanic* sank on April 14, 1912—all these are *facts* because they can be proven. The ice-cream shop is five miles further away from your house than the insurance agency is—this is also a fact. Much of the data that a business deals with are facts as well. Perhaps a business is considering launching a new product, but research shows that a similar product from another company failed in the past, causing that company to go bankrupt. This is certainly a fact to take into consideration.

Estimates. Unlike hard facts, **estimates** are approximations of data. In other words, they are educated guesses. If you have an accident and take your car to the body shop, the employees there will most likely give you an *estimate* of the dollar amount of damage done to the car. This figure helps you and your insurance company to know about how much it's going to cost to fix the vehicle. Businesses use estimates all the time. For instance, if marketers are planning to develop a new product, they will have to create a budget, estimating how much money will be needed to complete each step of the development process.

Predictions. **Predictions**, sometimes called **projections**, are forecasts that people make about the future. You might *predict* that the insurance-agency job will turn into an internship down the road, but you can't be 100 percent sure. Marketers might make sales projections for the next quarter, based on past sales performance and existing data about the market, but these figures are not facts. They can't be verified because they don't actually exist yet. That doesn't mean that predictions aren't useful, however. Making reasonable predictions from strong research can help marketers plan for the future more effectively.

Where to find them

You know that data are essential to marketers when they make important decisions for their companies. But, where can they find the data they need? There are many sources of data available to marketers. Let's consider just a few:

Salespeople. A company's sales team generates a great deal of useful data for marketers. Salespeople keep records from which marketers can learn things such as:

- *Who the company's current and potential customers are*
- *What current and potential customers want (products, customer service, etc.)*
- *Data about completed sales—what products are selling, and in which geographic territories, target market segments, etc.*
- *How actual sales stack up to the company's goals and budgets*
- *How sales compare to those of other companies in the same industry*
- *What the sales staff is doing and how much it is spending to make sales calls (travel, food, lodging, etc.)*

Sometimes, the difference between an estimate and a prediction can be confusing. A single statement might contain both an estimate and a prediction—for example, "By next year, about 1,000 new jobs will be created." This statement contains a prediction about something that will happen next year, but it also contains an estimate concerning the number of new jobs. Just remember that an estimate is an approximation of data—it is useful even if it is incomplete or not wholly accurate. A prediction is a statement about the future that is based on observation, experience, or reasoning.

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Customers. Marketers can also learn a lot from the business's customers. A single **sales invoice** (itemized statement of money owed for a good or service) can tell marketers who a customer is, what industry the customer is in, how much the customer has spent with the business this year, what method of payment the customer prefers, and much more. Most businesses also keep careful customer records, tracking sales in unit and dollar amounts and noting how each customer uses the business's product(s).

Marketers want to make decisions that will help their companies achieve the greatest market share, or portion of total sales in a specific industry. Think of a product's market as a pie—each company's slice of that pie is its market share—and it wants the biggest piece possible.

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Competitors. Beating the competition is a task that is always in the forefront of a marketer's mind. It's important for companies to know what's going on with competing businesses when it comes to making marketing decisions. Sometimes, it's difficult to get data about competitors since they don't readily share their information. However, for many companies, public financial data are available at the click of a button on the company web site. Marketers can also take note of easily observable data, such as a competitor's current product offerings or promotional campaigns.

Suppliers and distributors. In addition to customers and competitors, marketers can gather quite a bit of data from their companies' suppliers and distributors. A supplier, also called a **vendor**, is someone from whom a business purchases goods or services. An orange grower in Florida may serve as a supplier for many grocery stores across the country. If the orange crop isn't going to be good this year, employees at the orange grove can notify grocery store marketers, and they can use the data to plan accordingly. Most likely, the price of oranges will go up.

Distributors are channel members who help to sell a business's products. A wholesale club, such as Sam's or Costco, then, is a distributor for the orange grower and can provide useful data to the orange grove as well. The wholesaler can let the orange grove's marketers know how well their product is selling, what feedback customers are giving, etc.

News and trade journals. Marketers can learn a lot just by paying attention to current events. For example, if the economy is struggling, marketers can keep track of news reports to see if it's getting better or worse. This can help them make decisions about what products to offer and at what prices. Many industries also have industry-specific publications known as **trade journals**. In the film and television industry, for instance, *Variety* is a popular trade publication. Reading trade journals keeps marketers up to date on what's happening in their industries and helps them to make better-informed decisions for their products and companies.

THE GRAY ZONE

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Marketers use estimates all the time. These "educated guesses" can help them with all sorts of decisions, including product planning, promotional planning, and budgeting. Since estimates are not facts, they can sometimes be "adjusted" to suit marketers' purposes. For example, data may suggest that the research phase of development for a new product will cost anywhere from 10 to 15 million dollars. A marketer knows that his company will not allot any more than 10 million dollars for this research, so he estimates the cost at 10 million dollars on his proposed budget, in an effort to get the project approved. What do you think about this marketer's actions? Since estimates aren't facts, he feels that it's "OK" to use the lower dollar figure. But was withholding part of the data unethical?

Summary

Decision making requires data. Some of the types of data that marketers use for decision making include facts, estimates, and predictions. There are many sources of useful data for marketers, including salespeople, customers, competitors, suppliers, distributors, news reports, and trade journals.

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TOTAL RECALL

1. What are facts?

2. What are estimates?

3. What are predictions?

4. What useful data can marketers gather from salespeople?

5. What useful data can marketers gather from customers?

6. What useful data can marketers gather from competitors?

7. What useful data can marketers gather from suppliers and distributors?

8. What useful data can marketers gather from news and trade journals?

Put Them to Use

S—specific

M—measurable

A—achievable

R—realistic

T—time-bounded

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You know that having useful data available is essential for marketing decision making. But, just how do marketers use the data they have? Let's examine some of the important decisions that marketers use data to make.

Identifying realistic goals. Before putting any plans into action, marketers must identify goals for their products or companies. Like any effective goals, they should be **SMART**—specific, measurable, achievable, realistic, and time-bounded. Marketers set goals in a number of different areas—sales, market share, budgets, etc. Let's say that marketers are setting goals for the sales of a new product. Their data tell them that there is an unfulfilled need for this product in the company's target market. Based on these data, marketers might set high—though still realistic—sales goals for the product's first quarter on the market.

Developing product strategies. There are many decisions that marketers must make about products, including choosing what products to offer, what new products to develop, what level of customer service to provide with each product, etc. Most of these decisions are based on data that inform marketers about what customers want and need. Consider a restaurant chain. The chain's marketers have received feedback from customers through comment cards and focus groups. They have learned about several items customers would like to see added to the menu. Marketers can use this data to adjust and plan upcoming menus.

Developing pricing strategies. Deciding what to charge for a product is just as important as deciding what product(s) to offer in the first place. If marketers price a product too high, customers won't buy it. But, if they price the product too low, they may be giving it a "cheap" image that also discourages customers from buying it. Marketers use the data they have on hand to determine just the right price. They also use data to determine when prices should change. If data show that sales are dropping for a certain product, it may be time to lower prices or offer a temporary promotional discount to encourage customers to buy.

Developing promotional strategies. Marketers have a lot of decisions to make when it comes to promoting products. Think of a product—a car, perhaps. Marketers must decide what they want to say to customers about the car, in what ways they should present the message, and how often they should repeat it. They use data about customers to make these decisions. If data show that most members of the product's target market use the Internet frequently, then advertising online might be a good idea. Marketers can also look to internal data from the company to help with promotion decisions. If the promotional budget for a product is tight, it might be more affordable to focus on publicity opportunities rather than purchasing expensive television advertising time.
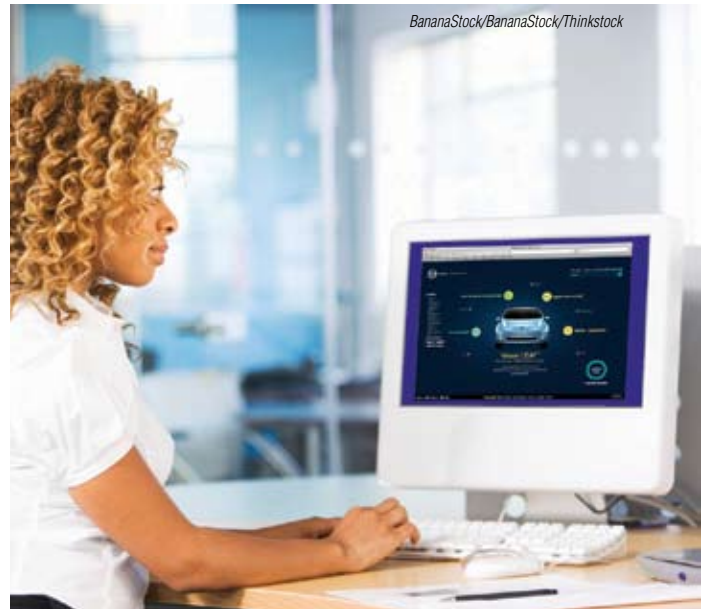
Developing "place" strategies. Getting products into customers' hands is another key task that marketers face. They must decide how much of the product to buy or create and what channels of distribution to use. Sales reports can provide useful data for knowing how much of a product to create—marketers can use past performance to gauge future need.

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Data help marketers to determine how, when, and where to promote their products.

Data about customers can also provide insights into where customers like to shop for certain products. A certain brand of gas grill, for example, might sell better at Home Depot than it does at Wal-Mart.

Making budgeting decisions. Marketers must allocate funds wisely. They use data to estimate costs for each product. Then, they use internal data about the company's financials to help them make wise budgeting decisions. For instance, if there is not enough money available at the present time, the development of a new product may need to be delayed.

Identifying problems or issues. Developing, pricing, promoting, and placing products take a lot of time and effort—but the marketers' job isn't finished there. They must follow up with the product and make the necessary adjustments over time. Marketers keep an eye out for problems or issues in areas such as:

- The product itself—There may be design flaws or other issues that need to be addressed. Or, there may be ways to repackage or redesign the product over time to give it a "fresh" look.

Marketers often use data to decide if their products should be redesigned—updated—to better appeal to customers.

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- Customer service—Marketers want to make sure customers are receiving the level of after-sale service they expect.

- Vendors/suppliers—Marketers must ensure that they're getting the best value for what they buy. A furniture manufacturer, for example, wants the best value for the lumber it purchases to create its products. As prices and circumstances change over time, the business may need to switch suppliers or negotiate new contracts with existing ones.

- Salespeople—Salespeople need support and training to achieve success. Marketers want to keep the sales team (and, therefore, the product) successful. That's why they keep in close contact with salespeople and give them the tools they need—additional training, additional sales materials, additional sample products, etc.—to keep customers buying.

Evaluating results. It's important for marketers to evaluate the outcomes of each decision they make. Evaluating negative outcomes can help them to avoid making the same mistakes in the future. Evaluating positive outcomes can give insights into methods and strategies that work well for the product or company. Sales reports are key data sources that can help marketers to assess the effectiveness of their efforts. By analyzing various sales reports, marketers can see where sales are good, where they're poor, how they're changing, and how they relate to competitors' sales. They can make decisions regarding product, price, promotion, and "place" accordingly.

What it means

The overall impact of data on marketers is positive—if they choose to use them wisely. Using data wisely helps marketers to create more competitive and successful products for their companies. To do so, they pay close attention to data that show how to best meet customer needs and wants. This creates satisfied customers who will make purchases from the business again and again.

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△ By analyzing sales data, marketers can assess the effectiveness of their efforts.

Profits
Costs
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In addition to making money, using data wisely can also *save* companies money and help them to run more efficiently. Looking at data can often help marketers to make more cost-effective decisions. Let's say that marketers are choosing between two slightly different product designs. Their data show that customers like both designs equally, but one design is less costly to produce than the other. Using this data can save the company a lot of money in the long run by using the less expensive design. Saving money on even one product can affect the entire company's bottom line and contribute to its overall profitability. For marketers, this means success.

Summary

Marketers use data to identify realistic goals, develop product strategies, develop pricing strategies, develop promotional strategies, develop "place" strategies, make budgeting decisions, identify problems or issues, and evaluate results. The overall impact of using marketing data wisely is positive. It generates more competitive and successful products and creates more satisfied customers. It also saves companies money and impacts the bottom line.

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TOTAL RECALL

1. How do marketers use data to identify goals?

2. How do marketers use data to develop product strategies?

3. How do marketers use data to develop pricing strategies?

4. How do marketers use data to develop promotional strategies?

5. How do marketers use data to develop "place" strategies?

6. How do marketers use data to make budgeting decisions?

7. How do marketers use data to identify problems or issues?

8. How do marketers use data to evaluate results?

9. What is the overall impact of data on marketers and their companies?

Make It Pay!

Think about a good or service you've purchased within the past week. What types of data do you think marketers might have used to create this product, to determine its price, to promote it to the target market (you!), and to "place" it into your hands?

Product   Place   Promotion   Price