

Product Development Workshop

Marketing a New Product

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Great Northwest Insurance




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Agenda

- What is marketing?
- Developing a marketing strategy
- Budgeting
- Advertising



Can you pick out the marketing person?



The Artsy



The Analytical



What is marketing?

Marketing is everything you do to place your product or service in the hands of potential customers.

"If a young man tells his date that she's intelligent, looks lovely, and is a great conversationalist, he's saying the right things to the right person and that is marketing. If the young man tells his date how handsome, smart, and successful he is – that's advertising. If someone else tells the young woman how handsome, smart, and successful her date is – that's public relations."



The 4 P's of Marketing

- Product
 - Getting the right product for the consumer
- Price
 - Setting the price at a level where the consumer will buy
- Place
 - Having the right distribution channel in place
- Promotion
 - Everything that is done to make the consumer aware of the product and their need for the product



Developing a Marketing Strategy

- Market positioning
- Defining the target
- Distribution channel
- Marketing objectives



What is our position in the market?

- What positions have been staked out in the market?
- What are the key positioning criteria?
- How should we position ourselves?



What does our target audience look like?

- Age
- Gender
- Income
- Family structure
- Location
- Interests



How should we distribute our product?

Local agents

- What types should we use?
 - Captive agents
 - Independent agents
 - Non-standard specialists
 - Marble floor agencies
 - Mom & pop agencies
- What about location?
- How should agents be compensated?



How should we distribute our product?

Other channels

- ◆ Call center
- ◆ Online



What are our marketing objectives?

- Consumer (target audience) awareness
- Agent awareness
- Brand building
- Quotes and new policies





- ### What can we afford to spend?
- What is needed to accomplish our objectives?
 - Marketing expenses for awareness and brand building usually determined as a % of Earned Premium
 - For direct response, more complex models can be built to determine marketing budget
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- ### Advertising – a few definitions
- Rating: percentage of individuals exposed to an ad
 - Impressions: the sum of all advertising exposures
 - Reach: the percentage of individuals exposed to an ad within a given period of time
 - Frequency: the average number of times an individual is exposed to an ad
 - CPM: cost per thousand impressions
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Media Selection – What are the options?

- Mass media (TV, Radio, billboards, print)
- Direct marketing (direct mail, email)
- Targeted marketing (online, affinity group advertising)
- Non-traditional advertising
- Public relations



Media Selection Criteria

	National TV	Local TV	Cable TV	Radio	Magazines	Newspapers	Outdoor
Audience Selectivity	Good	Good	Good	Good	Better	Good	Poor
Reach	High	High	Low	Average	Average	Low	High
Speed of Accumulation	Fast	Fast	Fast	Fast	Slow	Fast	Slow
Geographic Flexibility	Poor	Good	Poor	Poor	Good	Good	Best
Exposure Control	Yes	Yes	Yes	Yes	No	No	No
CPM	High	Medium	Medium	Medium	High	Low	Low

Source: Media Planning: A Practical Guide (Surmanek)



What will it cost me?

- Cost per 1,000 impressions:
 - National TV \$15 - 50
 - Local TV \$25 - 70
 - Cable TV \$3 - 20
 - Radio \$2 - 6
 - Magazines \$5 - 200
 - Newspapers \$3 - 10
 - Outdoor \$1 - 2




The Marketing Mix

- How do we decide how much of each media to use?
 - Reach
 - Frequency
 - Cost to produce creative piece



Creative – what makes good advertising?

- Connects with target
- Intrusive 
- Memorable
- Strong product or brand link



Creative – what makes good advertising?

- Link to product or brand



How do we know if it's working?

- Objectives:
 - ◆ Consumer (target audience) awareness
 - ◆ Agent awareness
 - ◆ Brand building
 - ◆ Quotes and new policies



A Basic Direct Response Economic Model

- What is the value of a new customer?
 - Depends on average premium, profit margin, and the expected lifetime of policy

Value = Avg. Premium x Profit Margin x Lifetime



A Basic Direct Response Economic Model

- What do I need to spend to land a new policy?
 - Depends on media cost, response rate, and quote conversion rate

Cost = Media cost / (# Responses x Conversion)

If Cost < Value, the model works.