# Product Development Workshop

# Marketing a New Product

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#### **Agenda**

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



# Can you pick out the marketing person?





The Artsy



### 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 agenciesWhat about location?
- How should agents be compensated?

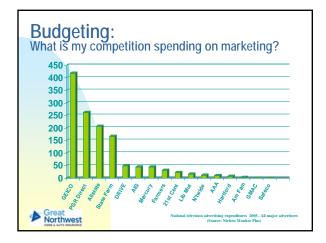


# How should we distribute our product? Other channels Call center Online

# 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



#### 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



# 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



#### 

#### What will it cost me? Cost per 1,000 impressions: National TV \$15 - 50 \$25 - 70 Cable TV \$3 - 20 Radio \$2 - 6 Magazines \$5 - 200 Newspapers \$3 - 10 - Outdoor \$1 - 2 Great Northwest

# 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

Great Northwest

Strong product or brand link



# Creative – what makes good advertising? Link to product or brand Great Northwest

#### 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.

