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II. TARGETING

BY

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Overview:

This white paper on Targeting is the second in a three part series *Profiling, Targeting & Segmentation*. Taken together they lay out a three step process that should be completed by all marketers before developing a marketing campaign.

Executive Summary:

In marketing, as in many other disciplines, the first question is, “where do I start?” Frequently, marketers start where their strengths lie or feel comfortable. Database marketers start with data, creative types start with the creative, etc. Frankly, that’s why so much marketing misses the mark, and does not produce the desired results. Years ago, I was watching Ron O’Brien (a two-time NCAA diving champion and coach of many of our Olympic divers including Greg Louganis) learn a new dive. After his many attempts to “hit” a 3 ½ forward somersault with 2 twists, I asked, “how do you learn a new dive?” His answer was both insightful and appropriate, and one that I’ve taken to heart – Ron said, “If I put my head in the right position, the body soon follows.”

When we develop marketing campaigns, we should take Ron’s advice. But what is our head position? My advice to marketers is that profiling and targeting combined with a segmentation process is it, and if we get it right, our marketing “body” will soon follow and “hit” the mark.

The reason I believe this process is so important is that in B2B, much marketing planning and execution is done with little solid information and/or according to anecdotal input. It’s not uncommon to have a company “identify” a target market and launch a program based on only several sales successes. Everyone gets excited and charges off to call on more of these “kinds of companies” without further analyzing the overall market to see if, in fact, that is a segment worthy enough to target. As we move from sales-driven strategies to more integrated and databased ones, there needs to be a much more disciplined method of targeting and segmentation to achieve the best results. Overall, it’s a three-step process.

- Profiling – Where have you been?
- Targeting – Where are you going?
- Segmentation – Who’s going to get you there?

This white paper deals with targeting, which is the second step to arrive at the required “head position” to achieve maximum results. Companies that have not yet undertaken this three-step process may well find that it’s a difficult, but also a very rewarding effort.

Within the B2B market, there are a vast array of products and services that each has their unique characteristics from commodities to complex and engineered solutions. None of these situations are beyond using these three processes to improve the overall marketing strategies and tactics leading to improved results.



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TARGETING – WHERE SHOULD YOU GO?

Of all three marketing processes – profiling, targeting and segmentation – targeting is often taken for granted but it absolutely critical for any firms’ success. This process relies on four different inputs that point to the target markets for subsequent sales and marketing effort. This marketing planning process uses these four inputs, but is more a matter of actually “doing it” rather than writing about it, as B2B situations are quite different from one another. The following brief description outlines these four basic approaches to targeting, but only disciplined internal discussions can produce the final list of target markets and their priority for marketing campaigns.

How Big is a Target Market?

A brief warning is in order at this point. The result of the targeting process is a definition of the target markets that represent the best chances for sales success – that’s obvious. But there can be a fine line between a target that is too large and undefined vs. one that is too small and granular. As an example, I frequently hear marketers and/or management individuals announce that they want to pursue “small businesses” or “the mid-market” as a target. Unfortunately this description is undefined, and covers too many companies to constitute a true target market. Yet I see large budgets being spent (particularly in the banking industry) in an effort to sell these types of “target markets”. These efforts typically do not produce the results desired or expected.

On the other end of the spectrum are target markets that are too small to constitute a market of any size. Frequently, these target markets are derived from a sales success, and the one or two companies sold are then held up as the kind of companies to target. So marketing accepts this description and proceeds to develop a campaign to reach this “market” and does no further checking to determine if it is really a market large enough to justify a focused marketing effort. Results may be achieved for those few companies that fit the description, but at a high cost per target and/or sale.

Two criteria:

There are two criteria that should be considered before deciding if the market described should become an official target.

- The first criterion to use is the **economic value** this target market represents to your company. Obviously, the greater the value, the more everyone will see it as legitimate, and worthy of sustained marketing and sales effort.
- The second criterion is the difference it would make to the potential customers if you approached them with **more relevant communications** and offers based on your targeting. One of the keys today in breaking through the clutter and insuring that your message is heard is the degree of relevancy it contains. Therefore, careful targeting can be the basis for the development of relevant messages and offers that will better connect and drive the desired behavior.



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Four Inputs for Development of Target Markets

1. Profiling results:

The effort to profile has several purposes, but the most important one is to input into the targeting process. At minimum, the profile will uncover the industry segments in which sales success has been achieved. While the profile of the customers and/or prospects may be too granular if the 4-digit SIC or 6-digit NAICS codes is used, this coding system rolls-up to a broader definition of each industry by going to less granular definitions.

In all the years that I've done profiling for companies and even while I was at IBM, there never was a time that profiling didn't produce an "ah-ha" insight from the product management, marketing or sales group. Frequently, the comments made were, "I never knew we sold these types of companies" or "I didn't realize that these firms represented this much of our business!" Obviously, this new insight altered the targets for next year and drove marketing investment.

2. Markets of known opportunity.

Most companies focus on these markets, as they are already known as target markets in which there is a proven sales opportunity. For this input, the definition of the target market can become difficult. As an example, if the target is "small businesses" then we have to be more specific. Frequently, the definition of a good target is not one that can be easily quantified with a convenient list of companies.

Recently, a sales force automation client was targeting mid-market companies with at least 10 salespeople. Mid-market wasn't so difficult to define by employee size, but finding a list by how many salespeople work at companies was next to impossible. So, one of the first lessons in targeting is to define the target in with data elements that can be tied to outside databases. Otherwise, the definition may be internally correct, but it's not actionable.

3. New product/service introductions.

Most every company has new products or services they are planning to introduce. One of the main jobs of product or market management is to define the marketplace and opportunity even before effort is expended on product development. Logically, there should some target marketing and research done prior to development work done on these new initiatives.

That's in the ideal world. Unfortunately, far too often the product development is driven out of technology or some other driver, with the hope that a large enough market exists for this product or service. Sometimes, a market develops that is entirely unexpected. My first job at BF Goodrich Chemical was working as a product manager for a product that was developed as a denture adhesive (not successful), and was sold in large quantities as a thicker for cosmetics (very successful). Be alert to new unexpected opportunities.



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4. Competitive opportunities:

The forth, and least frequently used targeting approach, is based on competitive opportunities. All sales and marketing people know that competition exists, and are prepared to address it individually when it arises in the course of a sale. In fact, many marketing organizations perform a through competitive analysis, and forward it to sales, so that they can individually offer appropriate counter features and benefits when faced with a specific competitor. This is a common view and usage of competitive intelligence.

Some final thoughts on targeting:

There they are – four methods to develop target markets. This process is absolutely critical, as it directs much of the following marketing activity. This process is usually done at planning time, and sets the stage for segmentation, as typically these “targets” are too large and need to be sub-segmented for effective marketing communications.

It is a companywide concern and process and it can't be under estimated how important this is to solid performance as sales and marketing productivity starts by going after the best and most profitable target markets.

John M. Coe

John has partnered with Direct Hit Marketing and responsible for adding new trade show clients and thought leadership. John is also Co-Founder and Partner of B2BMarketing.com. His background includes experience in both sales and marketing. On the sales side, John was a field salesman, national sales manager and executive in charge of both sales and marketing for three major B2B firms. On the marketing side, he was president of a B2B direct marketing agency for 10 years, was National Campaign Manager at IBM, Sr. VP of B2B at Rapp Collins Worldwide and President of Protocol B2B. John is also the author of *The Fundamentals of Business-to-Business Sales & Marketing*, published by McGraw-Hill. John's next book co-authored with Steve Juedes, President of DHM is titled *Data-Driven Trade Show Marketing & Sales for Organizers and Exhibitors* is due for publication in early 2016. He can be reached at johnc@directhitmarketing.com or by phone at 602-402-6588