# PART 6:
# THE MARKETING MIX
*How to measure channel effectiveness*

Marketing is changing. Historically, we've lived in a supply-driven world. That means that supply was low and demand was high, so companies had a lot of power. They focused on the supply chain, since the primary concern was getting enough units built and shipped to meet demand. This is essentially the story of mid-century America.

In contrast, we now live in a demand-driven world. Consumers hold most of the power, and they can demand that suppliers cater to their specific needs. This is what The Cambridge Group refers to as the "demand chain" as opposed to the "supply chain." In this new demand-driven world, options have exploded; needs are specific, rather than generic; and the expectation is that those specific needs are met in a specific and targeted way. On top of these changes, customers do a ton of research on their own, particularly early in the buying stage. This means that B2B marketers need to adapt and meet customers where they are in the buying cycle. The same is true in B2C, where customers turn to reviews to assess products.

Because of these changes, go to market teams can no longer afford to rely exclusively on one channel or another. Rather, in an increasingly competitive world, the only way to efficiently go to market is to do so across multiple marketing channels at once, and to rely on the aggregate impact being greater than the sum of its parts.

So, achieving the right marketing mix is a crucial factor in any go to market process. In this chapter, we're going to do a deep dive into the marketing mix, looking at:

- How to calculate your marketing mix
- A guide to planning out your marketing mix in Excel
- An example of an integrated marketing campaign

Marketers often play favorites, advocating one marketing tactic over another. But you can't let your bias get in the way of the growth goals of your business.

Here's an example. I am partial to pay-per-click keyword ads and landing pages. I particularly like Unbounce because it allows me to quickly create landing pages and test key features such as the header text and the hero image (that is, the main image on a web page, landing page, or ad). I also love using Google's keyword planner. I was certified in Adwords and I value the timely, quantitative data.

But in many cases, this type of quantitative, experimental digital marketing isn't the most appropriate approach. In professional services marketing, for example, public speaking is arguable the most effective tactic. So, marketers need a degree of humility and flexibility with tacts to achieve growth goals. If I was working in professional services marketing and constantly pushing pay-per-click keyword ads over public speaking, I wouldn't be doing my job. But I also wouldn't be doing my job if I *only* focused on public speaking—creating an effective marketing mix is generally even more important than identifying the most effective stand-alone approach.

Luckily, there's a process that allows you to remove bias from your tactical decision-making. It's called media-mix modeling. It uses statistical regressions to identify the ideal mix of different media such as TV, PPC, SEO, etc. Here’s how it’s done.

# Calculating the media mix

You can do media-mix modeling yourself using Excel, Stata, SPSS, or another statistical program. But calculating the optimal media mix can get pretty complicated. Let's start with a simple example.

| F | G | H | I | J | K |
|---|---|---|---|---|---|
| | sales | tv | print | ppc | seo |
| year 1 | 20 | 5 | 2 | 1 | 0.5 |
| year 2 | 25 | 6 | 3 | 2 | 1 |
| year 3 | 15 | 2 | 1 | 0.5 | 0.2 |

This table shows a record of sales across three years. It also shows how much was spent on each medium in each year. In year 1, five million was spent on TV, 2 million was spent on print, 1 million was spent on pay-per-click advertising (PPC), and half a million was spent on search-engine optimization (SEO).

Here's how you'd do your media-mix marketing with this data:

1. Click the data tab in Excel and go to Data Analysis on the far right. If this option isn't available, you need to add the Excel add-in for data analysis.
2. Select Regression from the drop-down and click OK.
3. For the y-range, select the sales column. For the x-range, select the columns for TV, print, etc. Then press OK.

| | *Coefficients* | *Standard Error* | *t Stat* | *P-value* | *Lower 95%* | *Upper 95%* | *ower 95.0%* | *pper 95.0%* |
|---|---|---|---|---|---|---|---|---|
| Intercept | 11 | 0 | 65535 | #NUM! | 11 | 11 | 11 | 11 |
| tv | 1 | 0 | 65535 | #NUM! | 1 | 1 | 1 | 1 |
| print | 0 | 0 | 65535 | #NUM! | 0 | 0 | 0 | 0 |
| ppc | 4 | 0 | 65535 | #NUM! | 4 | 4 | 4 | 4 |
| seo | 0 | 0 | 65535 | #NUM! | 0 | 0 | 0 | 0 |

This is what your output looks like. Note that PPC has a coefficient of 4 and TV has a coefficient of 1. This tells you that PPC and TV are the best predictor of sales. So if you want to increase sales, you should concentrate your budget here.

This was a very basic analysis. As a marketer, you'd generally rely on your analytics partners to help you develop more sophisticated models.

In this graph, I am showing sales on the vertical axis and time on the right axis. In more advanced models, what you would do is establish a base case. My base case here is the blue line. The blue line shows the prediction of sales if I spent nothing on media (this would account for existing momentum and seasonality). The red line indicates the predicted sales by spending on media. So you see, what we're really interested in from a management perspective is the space indicated by the red arrows. This is the real impact of media.

**Two issues you may run into**

When you are analyzing this kind of data, there are two common problems that you might run into.

The first is that not all of your data will be quantitative. For example, male and female are not metrics. In cases like these, first consider whether those factors are even all that important. Often marketers overemphasize demographic data when in fact, motivational or attitudinal data is more important. Second, consider treating the data with dummy variables. For example, 0 could mean male and 1 could mean female.

The second issue you might run into is comparing data with different scales. For example, you might have miles, pounds, dollars, inches, etc. The key to addressing these differences is to standardize the data before you start running statistical analyses. That could look something like this:

| Original data | Standardized data |
|---|---|
| 1km | 3.57 |
| 2km | 0.71 |
| Average = 1.5 | |
| Standard deviation = 0.7 | |

This is a simple way to standardize the data. In this example, we have two data points: 1km and 2km. For each data point, subtract the mean for the dataset and then divide by the standard deviation of the dataset. Now we have two standardized data points, and we can compare these new standardized data to other datasets that might have pounds, dollars, inches, etc.

# Building your marketing mix

At this point in the go to market process, you know your audience, your value proposition, and you have a good idea of your marketing demand channels. You know whether or not brand is going to be part of your mix, and you've done a ton of work on audience definition, value creation, and messaging. Now, it's time to lay it all out in a marketing mix. Your **marketing mix** is the specific distribution of spend across channels, assets, and time. Basically, what money is going where, and when.

Triggers vs the funnel

Old-school marketers think of the customer-decisions journey as a linear path, beginning with awareness and ending in purchase. This is the classic funnel, and it's served go to market teams for years.

But recently, McKinsey developed a more sophisticated framework that suggests that the buying journey isn't linear. Rather, it's actually based on triggers. ***Triggers*** are key moments that instigate the buying process.

For example, a company might start researching new software when they reach a certain size and their status quo starts to break down. Or someone might start researching for contract software when they're looking for a new apartment or going through a divorce. These triggers are incredibly important because they are inflection points: they're moments when you can inject your product into the discussion and become highly relevant.

With that in mind, you should remember triggers when you're considering your marketing mix. Your mix should aim to:

1. Accelerate when those triggers surface for your target customers

2. Educate prospects about those triggers
3. Create content that solves the pain those triggers have surfaced
4. Develop processes and drip campaigns that quickly take prospects from vaguely interested to ready to buy.

**How to build a marketing calendar**

Building a campaign requires you to work across multiple marketing channels at once (rather than relying on a single marketing tactic to do everything). And in order to do that, you need to develop a way to stay organized, and to keep all of your departments on the same page.

I've worked on many complex marketing campaigns, including global product launches with multi-million dollar budgets, and I can tell you that when you deal with a lot of different moving parts, you need an iron-clad organizational strategy. Otherwise, the whole thing goes off the rails, fast.

Here's how I recommend organizing your marketing mix:

1. Start with a spreadsheet such as Google Sheets or Microsoft Excel. Google Sheets is generally better, because you can collaborate and share it in real-time. That way, everyone in your company is on the same page—literally.
2. Make the vertical axis of your spreadsheet the types of marketing assets. So, the first column should consist of asset categories: for example, cell 2 might be "videos," cell 3 might be "print," and cell 4 might be "banners."
3. Make the horizontal axis time, so your second column might be "week 1," the third column "week 2," and so on. It is helpful to also bundle

these into months.

| Asset Categories | Week 1 | Week 2 |
|---|---|---|
| videos | | |
| print | | |
| banners | | |

Once you have this framework in place, you can start entering the various marketing items you will use. Here, it’s helpful to use colour coding:

- Blue might mean “finished”
- Green might mean “released” (note: it’s important to distinguish between when an item is expected to be finished and when it is actually released to the market)
- Reserve red for red-flag issues such as delays

From here, there are other layers of complexity that you might add. For example, the first tab might relate to Product 1 whereas another tab might relate to Product 2. The first half of your sheet might be for one region while the bottom half relates to another. The bottom line is that you can tweak this general template to the specific needs of your company.

Then, the only thing left to do is to actually populate your marketing calendar with your channels and assets!

## Integrated vs discrete marketing

The most efficient way to acquire customers is through integrated campaigns not discrete channel activities. Analytical thinkers like to break things into parts and measure the performance of each of those parts. If Facebook is generating low acquisition costs and LinkedIn isn't, then you would naturally want to pump more money into Facebook. But this approach is overly simplistic.

You have tons of touchpoints with a customer at various stages in the customer buying cycle. They usually don't decide to buy from you because of one Google ad or because of one social media post. And in situations where that is actually the case, your customer acquisition cost was probably too high. That's because certain channels are more efficient at generating awareness (like banner ads with a very low cost-per-impression).

Other campaigns are good at generating responses to start the conversation. These are things like Google ads and landing pages. But if you're expecting your Google ads to generate awareness, consideration, and purchase, then you're probably being very inefficient. In isolation, your data might be telling you that Google ads have the lowest customer-acquisition cost, but looking at the bigger picture, you need to think in a more integrated way.

By integrating campaigns and stricturing each channel and asset to only do what it's good at, you can maximize your marketing spend and your marketing impact, without increasing your budget.

Lightning strike marketing

Agile approaches to management are very much in vogue right now, and agile marketing is no exception. The idea is that you test and learn, pivoting as needed based on (1) the data you acquire through testing, and (2) how the market reacts to your marketing.

The marketing mix that we just outlined reflects this, building channels and testing over time. But there are times when you just need to go big or go home. In the entertainment industry, for example, it often makes more sense to condense your marketing into a very short timeframe. That means burning most of your marketing budget right around the time you launch your product.

The challenge with entertainment products is that your competition is enormous. Say, for example, that you're marketing a movie. Your competition isn't just other movies. It's not even just other entertainment products like video games or books. It's all the many substitutes that the market offers your prospective customers, like spending time with family at the pool, or going on a hike, or taking a cooking class. So, in order to get noticed, you need to put all your resources into a concentrated attack. Entertainment marketing is like launching a rocket ship. You don't fly a few feet in the air each day; instead, you put all your energy into one giant launch so that you generate enough speed to break through the resistance of the atmosphere. With entertainment marketing, you're trying to break through the noise and clutter in order to capture people's interest and get them into the theater (or onto your subscription service).

The safe approach of dipping your toes into the water here and there, optimizing each step of the way, just doesn't generate enough power. With entertainment products such as movies and video games, the lion's share of revenue is generated in the short time just after the product is released to the market. The launch is so critical to success because the revenue curve quickly trails off afterwards.

So, what does this mean for marketers whose products don't fall into the entertainment category? In most cases, you'll be going to market for the long term—and in that case, you're probably aiming for returns over a long, sustained period of time. But, you may still choose to do a lightning strike marketing strategy if you want to jumpstart your product launch.

## An integrated campaign example

Let me walk you through an example of a truly integrated campaign designed to acquire new customers. I'll use a business-to-business example, but the principles can be applied to B2C as well.

**Your first step will likely be to buy a list of target companies.** This is an important step that many marketers miss: they start running ads, but they haven't actually defined the universe of customers they want to acquire. You can (and should) narrow down exactly which customers you want to acquire by working with a list broker or a database provider. If you're looking for a general list provider, you can go with a company like InfoUSA; if you're looking for a niche database provider, look to a company like Etail Insights. There are also companies, like Leadium, that will compile lists from scratch.

You can test different list providers to figure out which one yields the highest quality. To test your lists, send the exact same email to two lists using a program such as Marketo. Whichever list produces more qualified leads is the winner.

**Once you've acquired a list of target customers, your next step is to run and test lead gen ads**. Run lead generation ads precisely to the group of people on your list and no one else. Can you see how efficient this is? Instead of broadcasting to the world, your broadcasting narrowly to a predefined set of target customers.

Facebook and LinkedIn are two of the most powerful platforms to do this. They offer lead-generation ads that you can use to promote offers such as ebooks, free consultations, or free demos. You might be thinking: why would I *pay* to get someone to download a free ebook? Once again, the answer to this question ties to the point about having an integrated campaign. In isolation, paying someone to download an ebook would be dumb. But in the context of an integrated campaign, it starts to make a lot of sense. The ad might only generate an ebook download, but the follow-up channels might land the actual sale. For example, you might send ten emails to everyone who downloaded the ebook. The seventh email might prompt people to buy from you, or at least speak to a sales person. Folding in direct mail can be valuable here as well.

So, at this point, you're hitting your prospects with ads and perhaps direct mail. You can also hit them with educational emails that nurture the leads. Typically these are educational emails that provide value to prospects. You can send these automatically through Marketo, InfusionSoft, AWebber, Hubspot, MailChimp, or one of the automation offerings from Salesforce. These are your general marketing emails. You can also use a program like Outreach to solicit prospects with messages from your outbound sales team. These tend to have a more personal, 1-on-1 tilt to them.

While all of this is happening, you could also be running general brand awareness banners on Facebook, LinkedIn, and Google. Re-targeting website visitors with banner ads can also be effective.

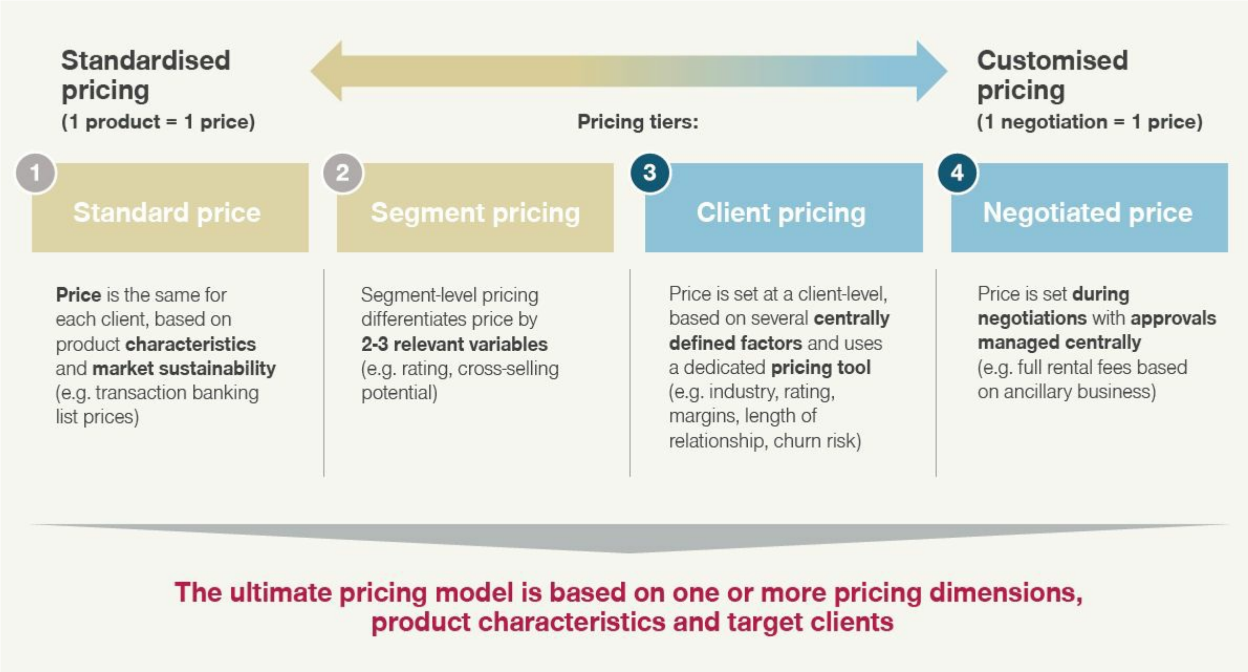
The idea here is that you're not relying on a single channel to generate results. You're hitting the same list of prospects with multiple channels either simultaneously or sequentially. This is an efficient system for acquiring new customers.

## Chapter summary questions

- Have you planned out your marketing calendar?
- Have you secured executive buy-in for a mixed-channel approach to marketing?
- Are you pursuing a lightning strike approach to your product launch?
- Do you know what your audience triggers are, and do you know how to use different channels to deliver the right message at the right time?

# PART 7:
# HOW MUCH? PRICING YOUR PRODUCT

Pricing is one of the most challenging elements of the go to market strategy. It's a balance between charging enough to meet revenue expectations and cover costs, while being low enough that customers get a positive return on investment for the value you're promising. In this section we're going to cover some of the common pricing strategies, gotchas, and a few tips to maximize your revenue with pricing.




Reference: Simon Kucher & Partners

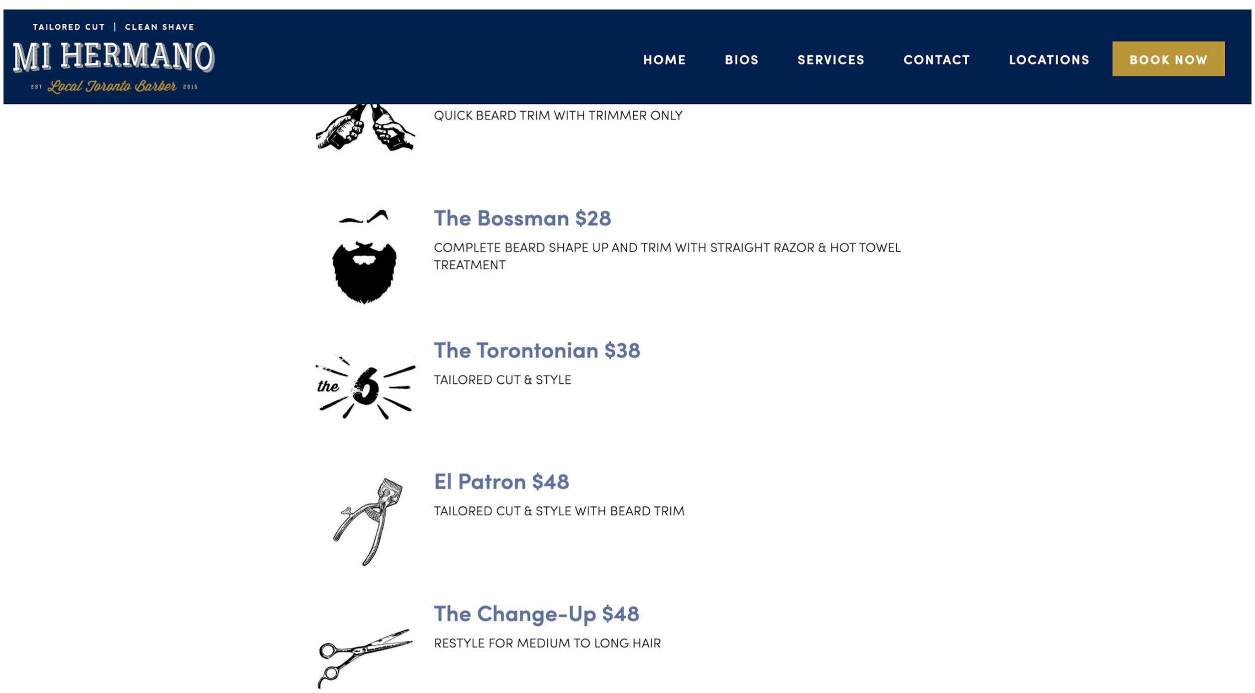
This pricing model is designed specifically for software. But most products can find themselves along the axis somewhere.

The basic idea behind this diagram is that pricing should have multiple dimensions. These dimensions—which are essentially the variables that impact the price—are usually:

1. Product dimensions
2. Usage dimensions
3. Volume dimensions
4. Client / contract dimensions

It's worth noting that often, very simple products will only have one dimension. For example, when I go and buy a bag of kumquats, I pay a set price. It doesn't matter if I buy 100 bags (volume dimension), or if I'm planning on making a kumquat stew versus a kumquat salad, or how often I shop at the store.

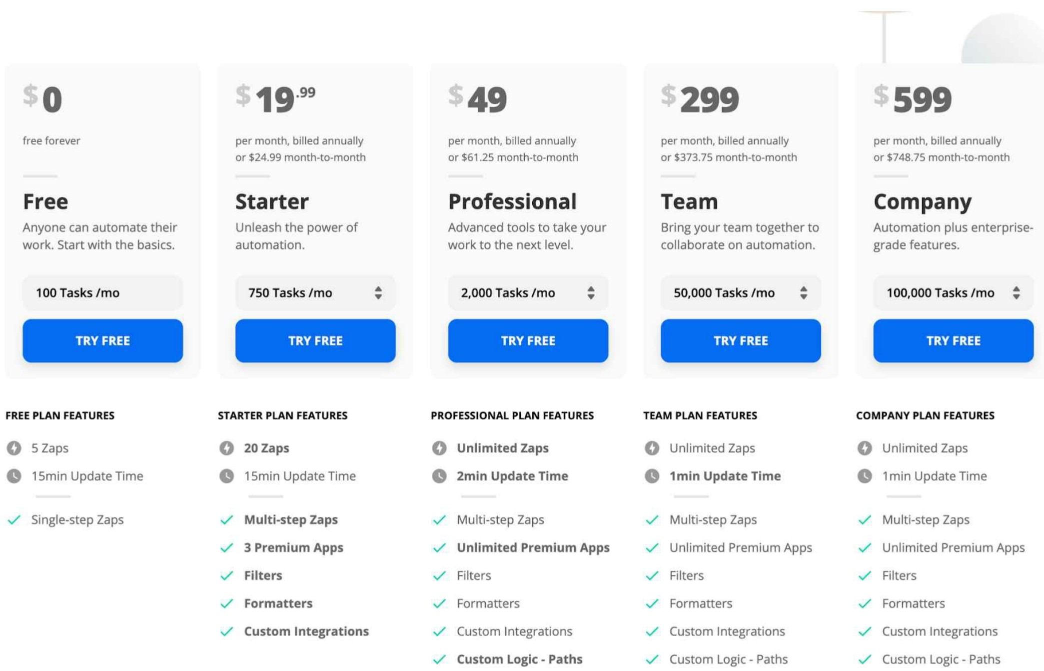
Beyond this, the first dimension to be added is almost always product. For example, here's my barber's pricing page:



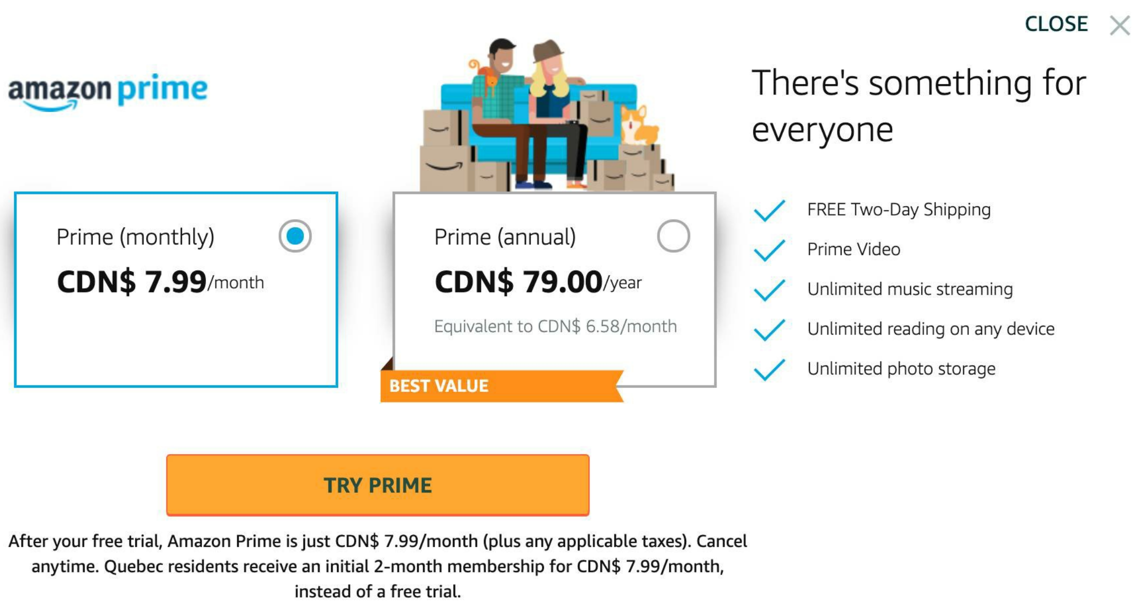

Their pricing list shows that as you spend more, you get more services (e.g. if you pay $10 more, you get a beard trim).

**As products get more complex, however, more dimensions enter the equation.** For simple B2C and some SMB-focused B2B software, for example, the usual dimensions are product features, with usage and contract length (monthly or annually) layered on top.

Zapier, for example, uses usage as a primary lever for pricing**.** Their lowest tier is free, but you only get 5 zaps and 100 tasks per month. As you work up the tiers, they start to introduce more variables and the number of zaps and tasks increases. To be clear, the quality stays the same—it's only the *volume of product you get* that changes.



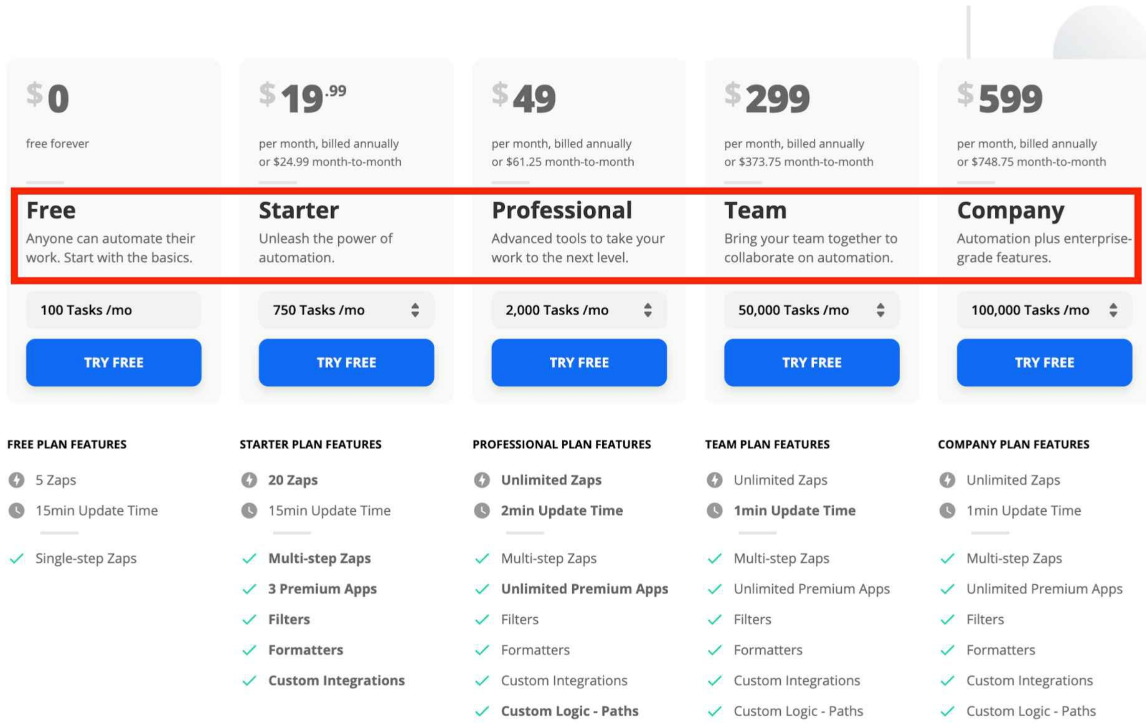

Amazon prime, in contrast, is priced solely based on contract length:




Their price goes down by 17% if you sign an annual contract.

**As products get more complicated, you begin to see variables grouped into meaningful buckets.** The ideal pricing structure has at least one of each of these dimensions, with the limits set to target a specific use case.

If we take another look at Zapier's pricing page, they've done a great job of labelling their pricing plans to appeal to different segments of their audience. If I'm a company looking for an API connection tool, I know exactly where to go. Likewise, if I'm a one-person operation and I just want my email to connect to a Google sheet, I know just where to go as well.




If executed correctly, tiered pricing strategies like this should:

- Provide value to the user equal to the price they're paying.
- Push users to upgrade to a higher tier as they begin to extract more value from the product.
- Allow you to sell the same underlying product at different price points based on the value that your customer is going to get (e.g. with Zapier, a company automating 100,000 tasks a month is getting a lot more value than a freelancer automating 750 tasks a month).
- Reward longer contracts (since an annual up-front contract is effectively a loan) with better pricing, while also reducing churn (since customers have already paid for a year they'll be stickier).

**On top of these variables, of course, is the role pricing plays in negotiations.** Discounting, multi-year deals, favourable payment terms, and more are all levers that salespeople can pull to close a deal. However, the core underlying structure of multi-dimensional pricing remains in tact—and is (in our opinion) the best way to deliver maximum value to a range of customers at a range of prices.

## Your price needs to align with your goal

Let’s say you want to generate $1,000,000 MRR and you’re currently at $200,000 with 2,000 customers. Let’s also say that your target customer group has a population of 4,000. Even if every single customer in the market was a customer of yours, you’d only be at $400,000 MRR. That may mean you need to raise your prices.

## Align your price with the value you create, not the cost of the value you create

You're price should not be a function of cost. It should be a function of the value you create.

Let's say it takes you one day to build a software program that saves a company millions of dollars. Would you only charge that company for a day's worth of work? No, because the value you created was much more than the cost.

So while it's important to fold cost into the pricing discussion to make sure you're making enough money, it shouldn't be a major factor on the final sale (other than to set a basement value).

Example

**Monthly value**

- Fuel savings: $1,000
- Lubricant savings: $100
- Savings from not needing to hire a contractor as frequently: $200
- Incremental profit generated: $200
- **Total value: $1,500**

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- Value created by next-best alternative: $1,000
- Incremental value: $500

**Monthly price**

- Price of next-best alternative $750

- 50% of the incremental value (assuming the value is split between you and the customer) $250
- **Price to customer: $1,000**

In the above example, our product creates $1,500 total value a month. The next-best alternative creates $1,000 a month. So we’re adding $500 of incremental value. To get our price, all we need to do is take whatever the competitor is charging ($750) and add half the incremental value. We’re now charging $1,000, which is more than the competitor, but the customer is still walking away with more value ($500 vs $250).

# Pricing tactics

For actionable advice based on solid academic research, I recommend Googling “Nick Kolenda” for his list of pricing tactics. The nuances of your product may not align perfectly with this research, but it can serve as a starting point, potentially for A/B testing your pricing pages. Here are our favourite pricing tactics that we’ve used effectively.

### 1. K.I.S.S


Your pricing should be dead-easy to understand. Pricing is an extremely vulnerable point for the customer. They have to decide if the value you're promising is worth the price. The only way to make that decision is to understand exactly what you charge. Keep it simple, stupid.

**2. Anchor your price to something more expensive**

Pretend that you've created a software product that replaces an employee whose job it is to print labels onto boxes. There are two vastly different pricing approaches you could use here:

1. Charge a price similar to other SaaS products that your target purchases ($120/month)
2. Charge half the price of the employee's wage ($1,500/month)

This second approach not only aligns your price with value—you also do it in such a way that you can easily justify your price to prospective customers. You just saved them $1,500 per month!

### 3. Don't underestimate the power of pricing

One of the most fundamental concepts in economics is that demand increases as you lower your prices. I've witnessed first hand just how massive an effect pricing changes can have on your sales performance. Your pricing web page may be one of the most frequently visited pages on your site, so testing and optimizing your pricing and packaging is well worth the effort.

### 4. Price discriminate

In general, people should pay for what they use (or more precisely, for the value they receive). That's why it's important to charge people differently based on their needs. Traditionally, tech companies charged by the number of users. While this makes sense in some contexts, it's often misaligned with the value created.

For example, a small business might need three people accessing your software, but that doesn't mean they're willing to pay three times as much. But that business might be willing to pay three times as much if they started generating three times as much in revenue. If your software enables the business to triple its revenue, then it actually makes sense for your price to increase alongside this revenue jump (or some other metric like orders delivered).

Packaging your services into bundles is another way to price discriminate. The key here is to make sure customers actually fall into each of the bundles. For example, you might have 3 packages: Small Business, Growth, and Enterprise. But it’s possible that enterprise-level customers are actually buying your small plan. That means that you’ve segmented your pricing incorrectly, because you assumed larger companies would want the bigger plan. It could very well be that larger companies value your large plan LESS because they already have a solution for 75% of the features offered.

### 5. Look for quick wins

Pricing is — and should be — a long and thoughtful process involving lots of different stakeholders.

However, that doesn’t mean there aren’t quick wins that you can exploit.

For example, In one company I worked at, I changed the price of every product by a few cents so that everything ended in 99 cents. This created over $100,000 in incremental revenue.

Another time, I tweaked the price online and created record-breaking marketing performance.

The key in both cases is that the pricing framework was principally agreed to with multiple stakeholders, leaving me free to tailor the exact packaging and pricing in an agile way with rapid A/B testing. Ultimately, this led to a far better result than simply setting and forgetting.

## Chapter summary questions

- What pricing model are you following? What levers are you pulling to change the price customers pay?
- Are you charging based on value, not on cost of service?
- Is your pricing entirely comprehensible in 7 seconds or less?
- Have you linked your pricing to an higher-value product?
- Have you constructed a system to test different pricing and packaging quickly and effectively to iterate on the best solution?
- Have you agreed the framework for your pricing and packaging?
- Do you have the buy-in, trust, and authority to run quick A/B tests to find and capture additional revenue?