

Achieving Greater Success in Marketing High-technology

The explosive growth of the Internet has accelerated the rapidly-expanding opportunities for marketing high-technology goods and services. As these opportunities have multiplied, so have the challenges. Perhaps the biggest challenge is... high-tech products have shorter life cycles while their complexity tends to lengthen sales cycles. This means that high-tech marketers have to be better — not worse than their low-tech counterparts. To date, however, with few exceptions, the opposite has been true. Consumer-product companies have placed greater importance and devoted more resources to the marketing function. The recent fall of many dot.com companies has underscored the need for better marketing in the high-technology arena. While many of them devoted the monetary resources (some spent millions for Super Bowl commercials), they did not have the marketing expertise to generate a sufficient return on their investment.

While this article is unlikely to be a complete cure for the problem, it will provide a number of pointers for increasing your chances for success in marketing high technology.

Making high-technology marketing more effective.

To achieve greater success in marketing your high-tech goods and services, you have to stick to the fundamentals. Despite what others may claim, the fundamental building blocks of the *marketing mix* don't change. They include *Corporate Image, Positioning, Product, Price, Distribution, Promotion and Marketing Information System*. Since all companies, large and small, have limited budgets, I will emphasize strategies and techniques based on these building blocks that you can employ on a small budget.

Corporate Image.

A good corporate image provides you with significant benefits including increased sales and lower costs — the result of which produces significantly greater profits. Studies show that greater revenues result because better companies can, on average, charge 9 % higher prices, are better known, more trusted, and are thought to employ better people. Companies with good corporate images also have lower costs because bankers will loan them money at lower interest rates, they can charge more money for their stock, sales costs are lower since customers flock to them and sales people can sell brand-name products easier, and human-resource costs are lower because better job candidates want to work for the better companies lowering the need or fees from hiring executive search firms. Larger profits result from greater revenues and lower costs, and companies with good corporate images tend to have between 25% and 85% greater profits — depending on gross margins and other factors.

Once you accept the fact that a good corporate image has significant benefits, the hard part is how do you do it? The steps below will help.

Step 1. The first step in developing a corporate image is deciding what your mission is. Most mission statements are too general and are what some of us in America now call “Dilbert” mission statements after the business cartoon of the same name. A mission statement should clearly answer three questions — (1) What does your company do?; (2) Who are the customers (or I would say market targets)?; and (3) What makes you unique? The answer to the last question is the most difficult in most cases, but is also perhaps the most important.

Step 2. The next step is communicating the image you have created. The key ways of doing this are through your marketing efforts and your people. The most efficient way to communicate your image via your marketing efforts is to create a statement or slogan that will appear on business cards, Web sites, marketing materials, invoices, signs, and virtually everything you do. This slogan will typically be placed beneath your logo and/or name. Nokia's slogan *Connecting people* is good at doing (1) and (2) above but falls short of doing (3). The best slogans communicate answers to the three questions as benefits to your market targets. With regard to your people, they should be trained to make sure that everything they do is in accordance with your corporate image.

Step 3. The last step is maintaining the image you've created. To maintain your image, your people should “practice what you preach.” Also, they should be trained how to respond to both rumors and actual mistakes which could ruin your image. If you don't think this is important you have not been aware of the damage cause to Ford, Firestone, Perrier, Union Carbide, Dow Corning, Coca Cola, and hundreds of other companies who have lost millions or billions of dollars because their people did not know how to respond to rumors or mistakes.

Positioning Your Products.

After you have established your corporate image strategies, you have to create clear brand images for each of your products. High-tech companies typically don't understand the importance of this. As a result, their products end up as commodities with small margins and fractured markets. Products with clear brand images are successful over the long run, and those without them are not. Positioning has two key parts — (1) Finding a niche, or need, in the minds of your market targets that is not already occupied by competitors and (2) Filling this need or niche with a unique benefit of your product. The niche is analogous to a lock (or key hole) and the brand image, or unique benefit, is similar to the key which opens the lock. This is hard to do, but essential to long-term success. Being first to a niche and establishing and fortifying your position provides you with a big advantage. Those who are first in the minds of market targets typically have twice the market share of their nearest competitor. Everyone remembers that Neil Armstrong was the first man on the moon but they have more difficulty remembering who was 2nd and 3rd.

Product Strategies.

Once you create the brand image that satisfies an important need, you create your product in that image. For example, if your position is you are the technology leader, your product should embody the latest and most advanced technology. If you are the price leader, your product should be made so that it can be produced at the lowest price, and if customer service is your focus, everything you do should be to provide better service than your competitors. Your product should meet or exceed expectations. You never want it to fall below the expectations you promised with your positioning strategy. Also, with high-tech products, you want to make sure that concerns such as after-sale training, support and service are included or offered as options. High-tech products are more complex and often require considerable hand-holding after the product is sold. If not provided, you are likely to have too many dissatisfied customers. This will damage your Corporate Image and future sales and profits.

Pricing Strategies.

After you create the product to be compatible with the image created by your positioning strategies, you need to price the product accordingly. The mistake a lot of small high-tech companies make is that they price their products lower than their larger, better-known competitors. Intuitively, this seems like a good strategy, but it is usually a big mistake. Why? When a new product from an unknown company is introduced into the marketplace, one of the only ways a prospective buyer can judge its value is by the price.

In addition to the need for covering your costs, paying back your research & development expenses, and making the profits you need to grow and prosper, price has a psychological component. If the product is properly positioned and priced higher, buyers will assume it is a better product. A lower price for an unknown product from an unknown company merely reinforces the idea that the product and company are inferior. The key issue of your pricing strategies is that they have to work in concert with your positioning, product, and corporate image strategies to convince buyers that you are giving them good value for their money. They are willing to pay a little more if you can show them that they will get a return on their investment that justifies the additional amount they invest.

In addition to reinforcing the idea that your products are inferior, lower prices for high tech products give you thin margins. To pay back your R&D costs, cover unexpected emergencies, and make the money you need to grow, you need sufficient margins. Moreover, if you are going to market your products internationally, you need to give your distributors and OEMs sufficient margins so they will be motivated to push your products instead of those from competitors.

Distribution Strategies.

Once you create a well-positioned and priced product, you need to use your distribution strategies to make it convenient for your customers to find, buy, and use the product. Many high-tech companies fail in international markets because they don't understand these three key elements of distribution. Customers will find the product if they see it on the “shelves” of the places where they normally shop for the product. If the product is a service or you are not selling it through stores or offices, how can they see it on the “shelves?” Well, the shelves can be in the minds of your market targets or on your Web site. They can be virtual shelves. After they find it, you have to make it easy for them to buy it. Taking various forms of payment, offering financing, and making your contract simple to understand will help. Of course, after a high-tech product is purchased, your relationship with your customer is just beginning. You then have to often train them how to use it, answer their questions while they are learning and using it, and service the product if it should need to be maintained or repaired. With software and services, this can often be done over the Internet. With hardware, repair and maintenance typically requires a physical visit from a technician and spare parts sitting on a shelf. In foreign markets, this might strain a small Finnish company. That's where foreign distributors and OEMs need to be carefully selected and trained so that they can perform these physical services for you.

Promotion Strategies.

After all your other marketing strategies are in place, you are ready to promote your product. Promotion has to come last because it is your vehicle for communicating the benefits of your company, position, product, price, and distribution methods. There are thousands of ways to promote your product, but the four most popular categories of promoting high-tech products include Personal selling, Advertising, Trade Shows and Seminars, and Direct Marketing. With personal selling, a sales or business development person communicates one-on-one with a prospective customer. Using advertising, you are using mass communications vehicles, such as print and broadcast media, to send a message to a remote target audience. The idea is to advertise in the publications whose audience most closely matches your target audience. Seminars and trade shows are one-on-many sales opportunities where you can communicate with many people at one time. Direct marketing sells via the mail, phone, and Internet (using Web sites and e-mail follow-up) without any face-to-face contact with customers. The Internet is, of course, growing in importance as a marketing tool because small high-tech companies can seem just as big and important as the largest companies by developing a well-designed Web site.

There are several things you should do to successfully promote your high-tech products. These are summarized below.

1. *Communicate everything as a benefit to your prospect.* Too many high-tech companies emphasize features, such as “This computer has 64 megabytes of RAM memory, a 4-gigabyte hard disk, and runs at a clock rate of 300 MHz.” It is O.K. to state these features, but it is much more effective to explain the benefit to the buyer of these features. It will focus the technical buyer on the most important issues and it will also make sense to the non-technical purchasing agent or financial officer in the buying company. If it doesn't make sense to them, they can negate the sale.
2. *Develop personal relationships.* The key to selling is to develop relationships with buyers. Getting to know them — understanding their business and how your products can help them, knowing what they need and want, what competitive products they are considering, who is involved in making the decision to buy, when they will be ready to buy, and what they like and dislike — is essential to long-term success.
3. *Understand your customer's culture.* This is part of your developing personal relationships, but is so important to selling in foreign markets that it is listed separately here. Even though you may speak the language of the customer you are trying to sell, there are a lot of cultural differences of which you should be aware if you want to be successful communicating in a foreign market. You must study the culture of the country in which you want to sell your products or you must develop relationships with distributors or OEMs in that country who know the local market.
4. *Put the main points in the headlines of your marketing materials.* Since all prospective customers are either busy or lazy, 83.3% of readers only read the headline of a marketing piece. This means to get your point across to the reader, you have to put the main points you want to communicate in the headline. In particular, the following should be in your headlines: The name of your company, the name of your product, and the main points (which should be benefits to the reader) which you want to communicate. While traveling to Finland from England, I saw an ad for the Nokia *Personal Communicator* in *British Air's Magazine*. The headline read “Pocket Phone. Pocket Fax.” There was no company name or product name in the headline. More importantly, it did not communicate all the main benefits of this product since the product also enables you do connect to the Internet and send and receive e-mails. These main points were hidden in the body text. which most people won't read. A more effective headline that includes what it should might read as follows: *Introducing the Nokia Personal Communicator 9000 — A portable office in your pocket;* or *Introducing the Nokia Personal Communicator 9000 — It's a phone. It's a fax. It's an office in your pocket.*

Marketing Information System Strategies.

I have done a lot of consulting with high-tech companies, large and small, in the US and in Europe and have studied the case histories of many others from reading the Wall Street Journal and other sources. I have found very few that have the marketing information system they need to be successful in global markets. What is required?

1. *You have to read as much as you can.* What should you read? Read what your target markets read so you know how to communicate with them. Read industry publications in your industry so you know what is going on and what your competitors are doing. Read business publications that teach you what successful companies do to become and remain successful as well as the mistakes others have made so you don't repeat them.

2. *Create a database.* You should have a data base of your prospects, customers, vendors, competitors, and other important groups in the marketplace. For your prospects and customers, your data base should include four main types of information — (1) Identification information (name, address, phone, fax, e-mail address, etc.), (2) Product interests, (3) Degree of interest (I like to categorize prospects into three levels Hot, Warm or Cool), and (4) Referral source (this is the promotion source that produced the lead or contact). In addition, this data base should enable you to record a history of every contact. In particular, you want to record any objections they have, competitive information, and the next contact step.
3. *Create a Market Information Form (and/or Computer Screen).* This form should be given to every person in your company who has contact with the public and should be used to record the following information: (1) Complaints, (2) Compliments, (3) New product ideas, (4) Competition information, and (5) Performance feedback. Complaints should be viewed as opportunities to fix the problem and build a stronger relationship with the complainer. Compliments should be used to gage what you are doing right and should be quoted (when given permission) in your marketing. Frequently requested new product ideas should be used to determine which new products to develop. Competition information should be used in a way so you can effectively produce advantages over your competitors. Performance feedback should be used to take corrective action to improve your strategies.
4. *Plug information holes.* Your marketing information system should be thought of as your company's sensory mechanism that has “feelers” or antennae in the marketplace to collect, analyze, and report the information you need to fix and improve your business. In a sense, it is like a security system. You do what you can to get the information you need. When you find a piece of information is missing you add a system element to plug the hole.
5. *Market Research.* You plug all remaining holes by doing Market Research. You start with secondary research done by others that is available in publications on-line and in the library and does not cost any money. You fill remaining holes in information with primary research such as focus groups and surveys.

The big advantage of employing a marketing information system over doing market research is a marketing information system delivers information in real-time so you can react quickly. In high-technology, you have to act quickly because products and markets change so rapidly

Coordinating everything together.

By employing the above strategies and techniques, and making sure they fit together in a well-coordinated marketing mix, you can greatly improve the success of your high-tech marketing programs.

Customer Service.

After you have a coordinated set of marketing strategies, you need to do one more important thing — make sure that you deliver the highest levels of customer service that you possibly can. It costs a little more to take exceptional care of your customers, but it produces such a great return on your investment that it is worth every penny. Definitive studies have shown that companies who provide such high levels of service can charge an average of 9% more for their products, generate 25 to 85% greater profits, and grow twice as fast.

Final words for greater success in the Global Marketplace.

If you learn as much as you can about your prospective customers, provide them with the good-quality, well-positioned products they want, price them so that they provide a good value, distribute them so that your market targets can conveniently find, buy and use them, promote the benefits of your company and products in the communication vehicles which they frequent, measure your performance as viewed by the marketplace, and take action to continually improve, you will be more successful in the global marketplace.

Properly marketing high-tech products is not easy. It takes a lot of hard work. However, if you do it better than your competitors, the market is yours. Best of luck.

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