

# *“Positioning and marketing strategies for social enterprises”*



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# **This afternoon . . .**



*Ten basic principles of marketing*

*Strategic marketing*

*Strategic partnerships*

*Five ways to enter the market (handouts only)*

*Ten rules for reducing resistance to something new*

*Positioning strategies*

*Stakeholder engagement strategies*

*Calming stakeholders during times of crisis (handouts only)*

*Tactical marketing*

*Brainstorming the marketing mix (handouts only)*



*“Positioning and marketing strategies for social enterprises”*

***Ten basic principles***

# First basic principle

- ◆ Marketing is not  
a business function  
-- it is the business

*... and it begins with decisions  
about what products or services to offer  
and what target markets to pursue*

# Two types of marketing

## ◆ Strategic marketing

Who are our customers?

What do they want/need/value?

Can we provide it?

Should we provide it?

How should we position ourselves?

Can we *win*?

## ◆ Tactical marketing

**Packaging** (*product or service design*)

**Pricing**

**Distribution channels**

**Marketing communications**

(*advertising, publicity, sales promotion, personal selling*)

# Second basic principle

- ◆ Marketing is not sales

“Market pull” versus “market push”  
*(successful marketing plans  
are born on the street, not in the tower)*

Remember the four-word mantra:

“Always start with *them* . . .”

# Third basic principle

## ◆ Less is more

**Practice the art of sacrifice**

*(you become stronger if you reduce your scope)*

**Adopt a niche mentality** *(segment your markets)*

**Be a player or don't play at all** *(organized abandonment)*

**Stop trying to be all things to all people** *(be strong SOMEwhere!)*

**Do the right things** *(don't worry so much about not doing enough)*

*... all this takes a great deal of courage*

# Fourth basic principle

- ◆ **The mind is the battleground**

*Perceptions matter . . . reality doesn't*

**You need to be first in the mind,  
not in the marketplace**

**And you don't have to be "better"  
-- you just have to be "*first*"**

**. . . or else create your own category**



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# Fifth basic principle

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- ◆ **Stake out your territory**

**You are engaged in a battle of *ideas***

**The goal is to own  
*a single word or phrase*  
in the minds of your stakeholders  
-- to pre-empt a powerful attribute  
and make it unavailable to others**

# Stake out your territory

- ◆ If you are second, position yourself against number one (*pro-life/pro-choice*)
- ◆ Don't try to be better . . . be *different!*

**Candor can be disarming: Hertz/Avis**

*. . . a unique selling proposition*



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# Sixth basic principle

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- ◆ **Your CEO should be your CMO**

*Effective marketing starts at the top*



# Seventh basic principle

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- ◆ Your entire organization should be driven by marketing

*Who is the most important marketing person in your organization?*



# **Eighth basic principle**

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- ◆ **Be patient**

*Marketing effects occur  
over an extended period of time*



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# Ninth basic principle

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- ◆ **“Beware of yourself!”**

*Do your research . . .  
and listen to the findings!*



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# Tenth basic principle

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- ◆ *Spend enough*

*Marketing is the soul of your business  
-- don't short-change it*



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# Some additional thoughts

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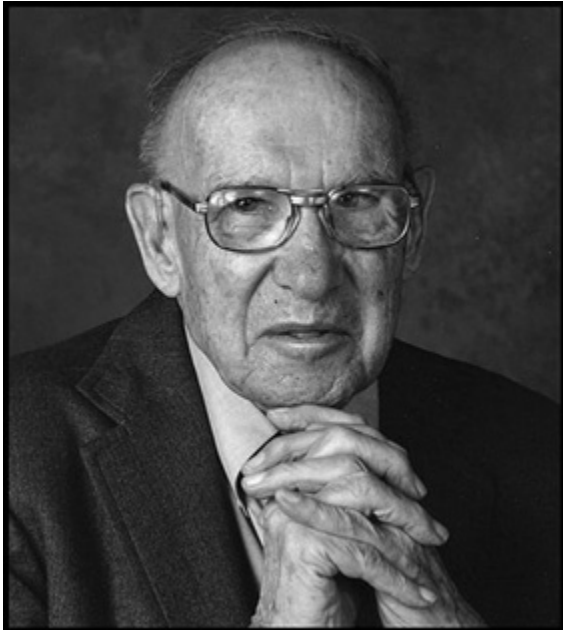
- ◆ **Identify strategic partners**
- ◆ **Pick the right customers**
- ◆ **Think big**



*“Positioning and marketing strategies for social enterprises”*

***Strategic marketing***

# The black hole

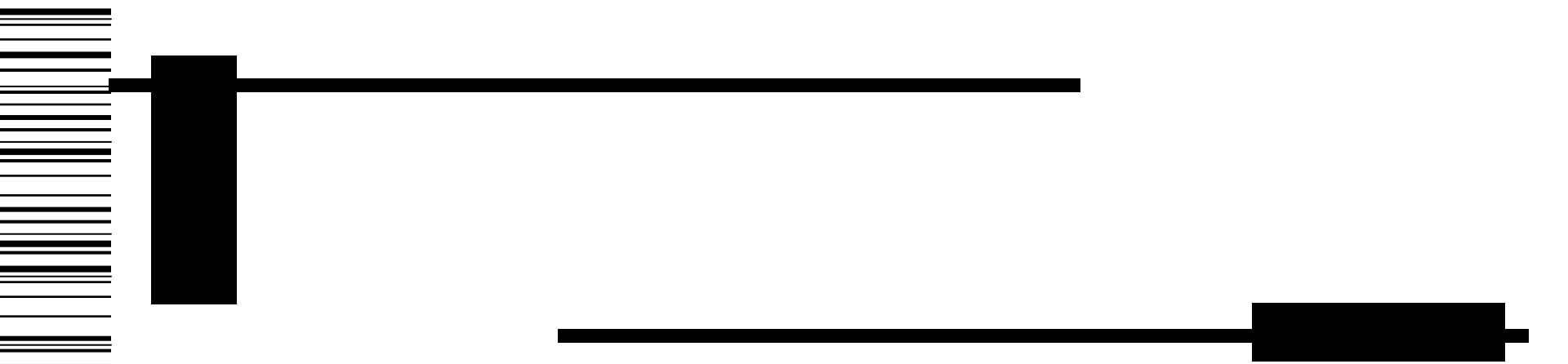


*1981:*

*Peter Drucker  
gives Jack Welch  
some advice*

*1989:*

*Drucker begins  
preaching  
the gospel  
to nonprofits*



*Be a player  
or don't play at all*

# In the commercial sector: From the Boston Consulting Group

<b>HIGH market attractiveness</b>	<b><i>STAR</i></b>	<b><i>PROBLEM CHILD</i></b>
<b>LOW market attractiveness</b>	<b><i>CASH COW</i></b>	<b><i>DOG</i></b>
	<b>HIGH company strength</b>	<b>LOW company strength</b>

# “The Strategic Marketing Matrix for Social Entrepreneurs”<sup>®</sup>

	<i>Positive financial returns</i>	<i>Negative financial returns</i>
<i>Significant social impact</i>	<b>EXPAND</b>	<b>NURTURE</b>
<i>Minimal social impact</i>	<b>HARVEST</b>	<b>KILL</b>

# **“The Strategic Marketing Matrix for Social Entrepreneurs”®**

## **◆ “Expand”**

**These programs should receive 50 to 70 per cent of a nonprofit’s resources – they have significant social impact *and* make money**

## **◆ “Nurture”**

**These programs should receive 20 to 40 per cent of a nonprofit’s resources because they have significant social impact . . . and, with proper nurturing, they may also have the potential to reach break-even or make a profit**

# “The Strategic Marketing Matrix for Social Entrepreneurs”®

## ◆ “Harvest”

These programs should receive whatever resources remain – they make money that can be used to support other services and have *some* social impact themselves

## ◆ “Kill”

These programs should be *eliminated*  
-- they lose money *and* have minimal social impact



# **The purpose . . .**

- ◆ **Balancing social purpose with financial viability**
- ◆ **To shake up the organization -- not to shake it apart**

**We have two challenges**

**Doing things right**

**. . . and doing the right things**

- ◆ **The 80/20 solution**



# The challenge . . .



*Writing on a blank piece of paper  
. . . not filling in the blanks*



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# The first step . . .

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- ◆ **What are your core competencies and basic assets?**

# “What business(es) are we in?”

<p><b>One organization’s list of programs categorized by core competencies</b></p>	<p><b><i>Health care</i></b> Disability assessments Case management Rehab services (OT, PT) Medical care: Provided</p>
<p><b><i>Career management</i></b> Vocational assessments Vocational training Sheltered employment</p>	<p><b><i>Independent living</i></b> In-home care Adult day care Independent living skills Social skills training Family education Structured residential programs Transportation Respite care</p>

# The second step . . .

- ◆ Every business has both a “subject” . . .
- ◆ . . . and a “predicate”

*“Non-medical care” for “disabled adults”*

*“Vocational skills training” for “inner-city teenagers”*

*“Classical music classes” for “elementary school children”*

# Market segmentation strategies

- ◆ **By geographic location**

Nations, states, regions, counties, cities, neighborhoods, climates

- ◆ **By demographics**

Age, income, gender, marital status, family size, occupation, education, income, nationality

- ◆ **By psychographics**

Lifestyles, activities, interests, social class, personality characteristics, comfort with technology, political leanings

- ◆ **By behavior**

Frequency of purchase, sensitivity toward price, levels of desired quality

*Note: Industrial market segmentation includes criteria such as type of end user or customer size*

# The Core Competency Matrix ®

## *Core competency: Independent living*

	<b>Infants</b>	<b>Pre-teen</b>	<b>Teens</b>	<b>Adults</b>	<b>Elderly</b>
In-home care	x	x	x	x	x
Adult day				<b>x</b>	<b>x</b>
Ind liv skills		<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Soc skills tng		<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Family educ	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Res pgms			<b>x</b>	<b>x</b>	<b>x</b>
Transport			<b>x</b>	<b>x</b>	<b>x</b>
Respite care	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

# Practicing triage . . .

- ◆ **The social need** (*how many people? how critical?*)
- ◆ **Critical success factors** (*for this type of business?*)
- ◆ **Environmental forces** (*six categories*)
- ◆ **Competitive position**
- ◆ **Size and direction of the market**  
(*for your product, service, idea or movement*)
- ◆ **Financial projections**



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# Practicing triage . . .

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*Free download  
at [www.socialent.org](http://www.socialent.org)*

# Critical success factors

- ◆ What are the factors most important for success with this type of business?

Price?

Volume?

Convenience?

Speed?

Dependability?

Reputation?

Referrals?

Quality?

Something else?

# Environmental forces

<b>Internal</b>	<b>Owners, Board members, senior managers, professional staff, support staff</b>
<b>External</b> <i>(large-scale, fundamental forces that pose threats and shape opportunities; uncontrollable elements to which the organization must adapt)</i>	<b>Demographic, economic, technological, political, regulatory, sociological</b>
<b>Marketing intermediaries</b>	<b>Suppliers, distributors, endorsers</b>
<b>Scrutinizers</b> <i>(whose actions can affect the organization's welfare)</i>	<b>Media, general public, activist groups, professionals in the field</b>

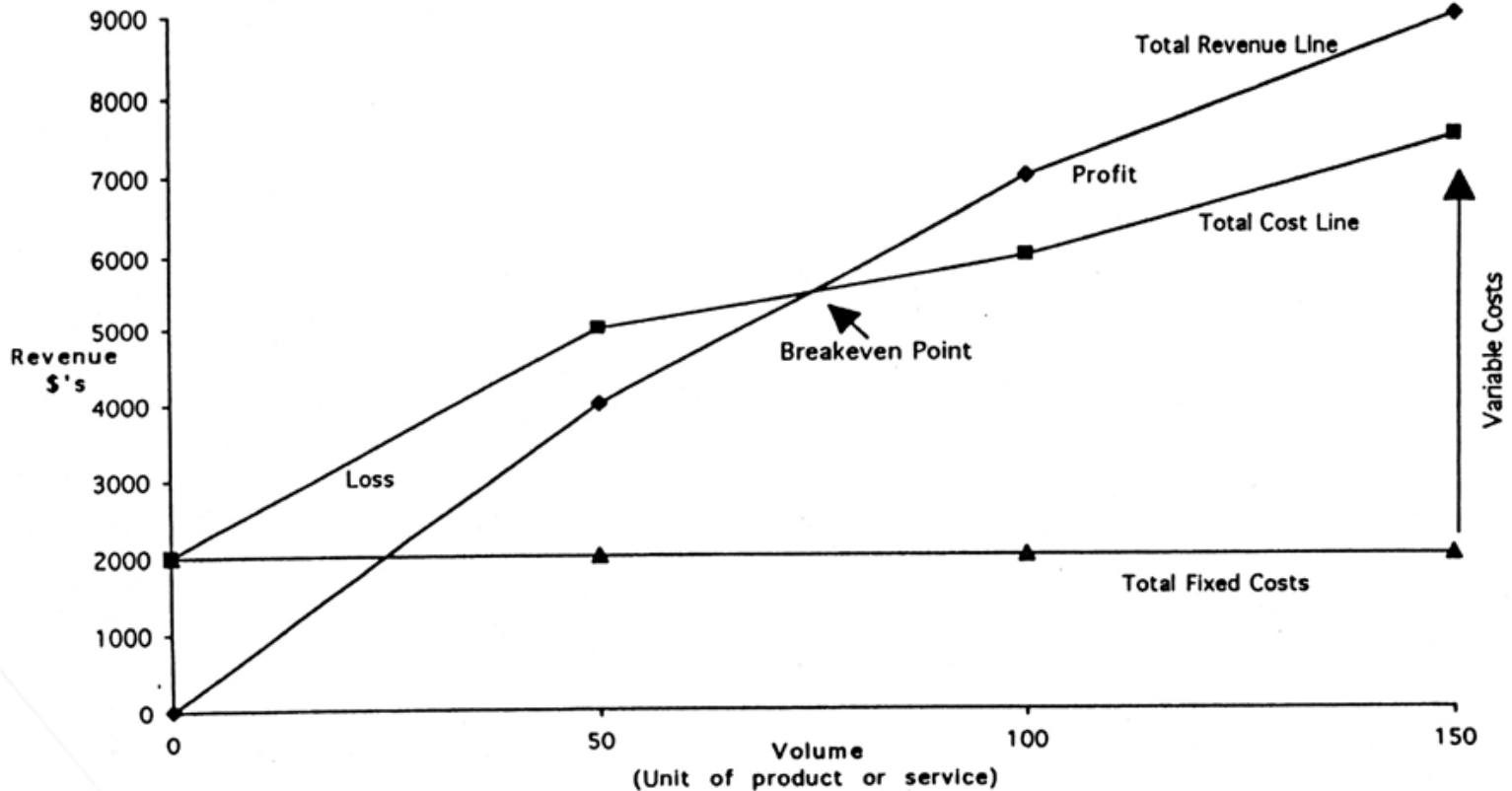
*“The competitive analysis matrix for social enterprises”<sup>®</sup>*

<b>Factors/forces</b>	<b>%</b>	<b>1ST</b>	<b>2ND</b>	<b>3RD</b>	<b>YOU</b>
<b>CSF #1</b>	<i>15</i>	5 = 0.75	4 = 0.60	3 = 0.45	3 = 0.45
<b>CSF #2</b>	<i>10</i>	4 = 0.40	2 = 0.20	1 = 0.10	5 = 0.50
<b>CSF #3</b>	<i>20</i>	2 = 0.40	3 = 0.60	3 = 0.60	5 = 1.00
<b>EF #1</b>	<i>35</i>	3 = 1.05	4 = 1.40	2 = 0.70	4 = 1.40
<b>EF #2</b>	<i>20</i>	5 = 1.00	3 = 0.60	5 = 1.00	2 = 0.40
<b>TOTAL</b>	<i>100</i>	<b>3.60</b>	<b>3.40</b>	<b>2.85</b>	<b>3.75</b>

# *“The market size calculator for social enterprises”®*

<b>Sources</b>	<b>Potential payers</b>	<b>Assumptions, restrictions</b>	<b>Dollars available</b>
Medicaid	800	Max allowed: 10 hrs wk/\$10 hr	\$4,160,000
Insurance	400	Avg annual max: \$5,200 per person	\$2,080,000
Adult kids	300	Average: 10 hrs wk/\$12 hr	\$1,872,000
Savings	300	Avg annual amt: \$2,000	\$600,000
Corp benefit	100	Avg annual benefit: \$5,200	\$520,000
Other govt	200	Max permitted: 10 hrs wk/\$10 hour	\$1,040,000
Misc	50	Average: \$100 week	\$260,000
<b>TOTAL</b>	N/A	N/A	<b>\$10,532,000</b>

# Break-even analysis



## *Break-even Equation*

$$\text{Revenue} - (\text{Variable Costs} + \text{Fixed Costs}) = \text{Profit or Contribution}$$

# Expand, nurture, harvest, kill

*Core competency: Independent living*

	<b>Infants</b>	<b>Pre-teens</b>	<b>Teens</b>	<b>Adults</b>	<b>Elderly</b>
<b>In-home care</b>	<b>EXPAND</b>	<b>EXPAND</b>	<b>EXPAND</b>	<b>EXPAND</b>	<b>EXPAND</b>
<b>Adult day</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>EXPAND</b>	<b>EXPAND</b>
<b>Ind liv skills</b>	<b>N/A</b>	<b>NURTURE</b>	<b>HARVEST</b>	<b>HARVEST</b>	<b>KILL</b>
<b>Soc skills tng</b>	<b>N/A</b>	<b>KILL</b>	<b>NURTURE</b>	<b>NURTURE</b>	<b>KILL</b>
<b>Family educ</b>	<b>HARVEST</b>	<b>HARVEST</b>	<b>NURTURE</b>	<b>KILL</b>	<b>KILL</b>
<b>Residtl pgms</b>	<b>N/A</b>	<b>N/A</b>	<b>NURTURE</b>	<b>EXPAND</b>	<b>NURTURE</b>
<b>Transport</b>	<b>N/A</b>	<b>N/A</b>	<b>KILL</b>	<b>HARVEST</b>	<b>HARVEST</b>
<b>Respite care</b>	<b>HARVEST</b>	<b>HARVEST</b>	<b>NURTURE</b>	<b>KILL</b>	<b>KILL</b>



*“Positioning and marketing strategies for social enterprises”*

***Strategic partnerships***

# Partnership examples

- ◆ “Operational philanthropy”

The nonprofit becomes an integral part of the for-profit’s business activity by acting as a manufacturing sub-contractor or by providing one of the for-profit’s services

*Pioneer Industries and Boeing (Seattle)*

# Pioneer Industries



- ◆ **Type of business: Precision sheet metal fabrication, laser and waterfit cutting, anodizing and wet/dry electrostatic coating**  
*(one of many businesses operated by Pioneer Human Services, the parent nonprofit)*
- ◆ **Partner: Boeing** *(two manufacturing plants specialize in producing cargo liners for Boeing and have been honored for exceptional on-time delivery performance; Pioneer Industries manufactures more than 8,000 parts for Boeing alone); corporate partners also include Hasbro, Starbucks and others*
- ◆ **Financial performance: Pioneer Human Services (parent nonprofit) has \$58 million in annual revenue -- 99.7 per cent comes from earned income**
- ◆ **Social impact: The parent nonprofit received the “social justice” award from *Fast Company* for pioneering a new model for social change and setting an agenda for nonprofits nationwide**

# Partnership examples



## ◆ Suppliers

**Either the nonprofit or the for-profit supplies raw materials (including personnel) and/or components to the other**

*Greyston Bakery (Yonkers) and Ben & Jerry's*

# Greyston Bakery



- ◆ **Type of business: Baked ingredients and baked desserts**

*Wholesaler of baked ingredients to the ice cream industry and producer of gourmet cakes sold on-line to individuals and directly to upscale restaurants, cafes and other institutions*

- ◆ **Partner: Ben & Jerry's**

*Eighty per cent of the bakery's business comes from its partnership with B&J: Greyston supplies more than 10,000 pounds of brownies and blondies a day -- nearly three million pounds a year -- that are used in five B&J products in the U.S. and in the company's products in Europe and the Mideast*

- ◆ **Financial performance: \$4.2 million annual sales, 3.7% net profit**

- ◆ **Social impact: 55 jobs for people overcoming employment barriers**

# Greyston Bakery



*“When we started working with Ben & Jerry’s, they made it very clear that our product had to always be up to snuff or they wouldn’t produce their ice cream with us. They held us accountable as a business and not as their young child.”*



*(CEO Julius Walls, Jr.)*

# Partnership examples

## ◆ Distributors

Either the nonprofit or the for-profit becomes an integral part of the distribution network for the other

- *Federal and state set-aside programs*
- *Franchises*



*“We assumed the franchiser  
was on our side. Wrong!”*

*(Barbara Massey. Vice President,  
Operations and Marketing,  
Bobby Dodd Industries, Atlanta)*

# Partnership examples

## ◆ Licensing

**Either the nonprofit or the for-profit licenses the use of its name or its products or services to the other**

*“Cause-related marketing”:* *The nonprofit and the for-profit collaborate to enhance the reputation and boost the sales of the for-profit and to increase the credibility and generate earned income for the nonprofit*

# Share Our Strength



- ◆ **Type of organization:** A leading anti-hunger, anti-poverty nonprofit
- ◆ **Partners:** A wide range of industries and individuals  
*Including companies in the retail, financial services and music industries; thousands of individuals in the culinary industry who organize events, host dinners, teach cooking and nutrition classes to low-income families and serve as anti-hunger advocates; and hundreds of literary professionals who conduct benefit readings and contribute works to Share Our Strength books*
- ◆ **“Taste of the Nation”:** Since 1988; now 55 cities, 10,000 chefs, \$70 million
- ◆ **“Charge Against Hunger”:** American Express licensing deal, \$21 million
- ◆ **Financial performance:** 89% of annual budget to anti-hunger initiatives
- ◆ **Social impact:** Raised more than \$200 million since 1984 and has funded more than 1,000 local, state, national and international organizations working to prevent the causes and consequences of hunger and poverty



# Partnership examples

- ◆ *Share Our Strength and Calphalon*
- ◆ *Arthritis Foundation and Johnson & Johnson*
- ◆ *Breast Cancer Foundation and Clif Bar, Inc.*

# Clif Bar, Inc.



- ◆ **Type of organization:** One of the nation's most successful energy bar companies (selected four times to *Inc.* magazine's list of the fastest-growing companies in the United States)
- ◆ **Partner:** Breast Cancer Foundation  
(*Luna Bar, Lunafest, LunaChicks bike team*)
- ◆ **Financial performance:** \$176 million in annual sales (2007)
- ◆ **Social impact:** Contributions to the Foundation began with \$5,000 per year, now total \$285,000 per year (more than 5% of the Foundation's budget)

# When it works . . .

<b>The nonprofit</b>	<b>The corporation</b>
<b>Full-time intensity</b> <i>“Sleep on the floor for the project”</i>	<b>800-pound gorilla</b> <i>“I’ll be there for you ‘til we get this done”</i>
<b>Motivated to serve a specific group</b>	<b>Motivated by the bottom line</b>
<b>Deep knowledge of a specific sector</b>	<b>Marketplace savvy</b> <i>(how to build and grow an organization to scale, how to compete, how to adapt to changing conditions)</i>
<b>Close to the customer</b>	<b>A network of high-capacity contacts</b> <i>(dollars, expertise)</i>
<b>Tactical experts</b>	<b>Strategic experts</b>
<b>Can build a team internally</b>	<b>Can build a support base externally</b>
<b>Passion for the mission</b>	<b>Passion for the mission</b>



*“Positioning and marketing strategies for social enterprises”*

***Five ways to enter the market  
(handouts only)***

# Ways to enter the market: #1

- ◆ **Develop an entirely new product or service?**
  - **High risk, high reward**  
*(so many things can go wrong in a startup – an error in design, not enough buyers soon enough or at a profitable price, another company appearing on the horizon with stronger resources . . . )*
  - **Ideas frequently survive, but startups sometimes don't**  
*(second one in usually wins)*
  - **It's a race:**  
**Your dollars and time versus market window**

# Ways to enter the market: #2

## ◆ Compete with established providers?

- *Here's the good news: You know the type of business you choose can work, because others have done it (a restaurant, a machine shop, a cabinet shop, a print shop)*
- *Here's the discouraging news: Competition is often fierce – there's very little differentiation, by definition, so competition will often be only on price (and that drives margins down)*

# Ways to enter the market: #2

- ◆ Success will require *some* degree of *differentiation*
  - Price (*if you have deep pockets*)?
  - A different use of advertising?
  - A different level or type of service?
  - The owner's personality or contacts?
  - Style of presentation?
  - Convenience?
  - *Something!*
- ◆ Thin capitalization rarely works because, in these types of businesses, margins are thin -- competitors may lower prices to swamp a new company

# Ways to enter the market: #2

- ◆ **This is not a time for on-the-job training**  
*(the margin for error is small and the time for acquiring the right skills is desperately short)*
- ◆ **The risks are great:**
  - **Your financing might be insufficient**
  - **You might not be able to keep up with competitors who already have their routines polished and their brands established**
  - **Your competitors will probably retaliate by matching your “differentiation” strategy**
  - **Your competitors’ customers have already established their buying habits – and you won’t have much credibility among them**

# Ways to enter the market: #2

## ◆ In short, your competitors have

- Proven protocols
- Professional staff
- Customer loyalty
- . . . and they will almost always compete on the basis of price

**. . . but it's a proven type of business!  
-- so is it worth the attempt?**

# Ways to enter the market: #3

- ◆ **Create a strategic alliance?**
  - **With a customer (*with a substantial purchase order, a cash advance, or a long-term contract*)?**
  - **With a supplier (*of inventory or labor*)?**
  - **With an investor? ☺**
- ◆ **It's safer . . . but . . .**

# Ways to enter the market: #3

- ◆ **You'll need a track record first**
  - **The entrepreneur and the venture must *both* be credible**
  - **The strongest credentials are prior accomplishments – demonstrated proficiency**
  - **Your partner will want the mechanics of the alliance written in stone . . .**

# Ways to enter the market: #3

- ◆ **The fundamental risk in a strategic alliance . . .**

**. . . you will be putting your personal  
and your entire organization's  
credibility on the line . . .  
there will probably be *no* second chances**

***. . . are you ready to take that risk?***

# Ways to enter the market: #4

- ◆ **Buy a franchise?** (*fast food? car dealership? dry cleaning establishment? auto repair shop? tax service? retail store? mailing firm? printing business? Ben & Jerry's?*)
- ◆ **Some genuine advantages**
  - Usually geographic protection
  - Recognized brand and logo
  - Established procedures (*training, accounting services, performance evaluations, location search, arranging financing*)
  - Annual peer meetings (*to exchange information*)

# Ways to enter the market: #4

## ◆ The risks

- The franchisor may have exaggerated the potential
- The franchisor might fail to deliver promised assistance
- You might start with too little capital to reach break-even
- Long hours, routine work, low pay
- You might wind up doing all the work while the franchisor makes all the money

# Ways to enter the market: #5

- ◆ **Buy an existing company?**
- ◆ **Some great advantages**
  - **No negative cash flow (*as in a startup*)**
  - **No experience necessary (*in the line of work*)**
  - **Possible leveraged buyout with the seller's assistance**



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# Ways to enter the market: #5

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- ◆ **Three tasks**
- ◆ **Some great advantages**
  - **Negotiate price/terms**
  - **FRindint a suitable buyout**
  - **Establishing credibility with the seller**

# Ways to enter the market: #5

## ◆ Key questions

- What is the real reason the seller is willing to sell?
- What assets go with the business?
- What would be the cost of replicating instead?
- What elements of the business are key to its survival?
- If the former owner leaves, what will be the impact on customers and operations?
- What is the projected cash flow (*including discounted present value of inflow over time vs. the purchase price*)?

# Ways to enter the market: #5

## ◆ The risks

- There aren't many good ones out there!
- ... and *everybody* is looking for the same rare bird
- You'll need to appear credible to the seller – it's their “baby”  
*(have a recognized name and a viable organization with loyal and competent employees and a well-maintained facility)*
- You might have to pay full price up front *(but sometimes a seller will compromise on price/terms for the sake of comfort if s/he sees you as a responsible steward for the business)*



*“Positioning and marketing  
strategies for social enterprises”*

***Ten rules  
for reducing resistance  
to something new***

***COURTESY OF JOEL ARTHUR BARKER***



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# **Reducing resistance to something new . . .**

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- ◆ **Prof. Everett Rogers**
- ◆ **Prof. James Bright**
- ◆ **Joel Arthur Barker**



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# Reducing resistance to something new . . .

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## ◆ “I’ve already got one”

- *Will traditionalists be able to immediately see the advantages of your social innovation?*
- *If they can’t, they’ll be gone . . . and the other nine objections won’t even arise*



# Reducing resistance to something new . . .

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- ◆ “It’s going to screw things up!”
  - *Traditionalists need to be convinced that accepting your social innovation will cause minimum disruption*
  - *Does it fit with what is already being done? What will they have to do differently? “Not much.”*



# Reducing resistance to something new . . .

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## ◆ “It’s too complicated”

- *The reality may be complex, but . . .*
- *No matter how complex things might be behind the scenes, it must be easy to use*
- *“Just flip the switch”*  
*“Just one click on our web site”*



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# Reducing resistance to something new . . .

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- ◆ “It’s too big a commitment”
  - *People resist big changes . . .  
let them try things one piece at a time*
  - *Minimize their risk (Thomas Edison)*

# Reducing resistance to something new . . .

## ◆ “*What did you say?*”

- *Don't use language that makes traditionalists feel stupid or excluded*
- *Jargon may make you feel special, but it makes others itchy*
- *Use familiar words -- and try to describe your social innovation in ten words or less*



# Reducing resistance to something new . . .

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## ◆ “It costs too much”

- *Traditionalists aren't just thinking about dollars*
- *They're worried about their time, their emotional investment, their opportunity costs*
- *Your social innovation should be less expensive – in every category – than whatever it's replacing*



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# Reducing resistance to something new . . .

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- ◆ “Can I get my money back  
if I change my mind?”
  - *Yes*



# Reducing resistance to something new . . .

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## ◆ “Never heard of you”

- *Traditionalists are more apt to accept your social innovation if they already trust you*
- *What is your reputation?  
Do you have any credibility? A track record of successfully introducing innovations?  
Allies and endorsers who can speak for you?*



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# Reducing resistance to something new . . .

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- ◆ “It probably won’t work”
  - *Will it work right the first time?*
  - *No prototypes, please -- that time is past*



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# Reducing resistance to something new . . .

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- ◆ “And if it doesn’t?”
  - *This one is simple . . .*
  - *You fix it or replace it -- no charge*



*“Positioning and marketing strategies for social enterprises”*



***Positioning strategies***

# Typical growth of a movement

- ◆ **One example -- “social enterprise”**
  - **Very little talk, very little action**  
*(until the 1960s) – the forerunners*
  - **Some talk, some action**  
*(1970s and 1980s) – the visionaries*
  - **More talk, more action (1990s) – the pioneers**
  - **Lots of talk, lots of action (2000s) – the industry**

# The typical stages in a movement

- ◆ **First wave: Champions**  
Co-conspirators, initial allies
- ◆ **Second wave: True believers**  
Enthusiastic, early supporters -- willing to take risks on your behalf
- ◆ **Third wave: Endorsers**  
Opinion leaders, trend-setters: Well-known, popular, prestigious
- ◆ **Fourth wave: Grassroots support**  
People who identify with your social innovation and put themselves on the line
- ◆ **Fifth wave: Broad-based acceptance and support**  
Moral, political, financial pressures accelerate; “converts” abound and mini-champions arise in unexpected places; *realpolitik*
- ◆ **Sixth wave: Systemic change**  
Converting social innovations into policies, legislation, regulations, allocations; rear-guard actions to keep from losing ground; constant environmental scanning



**It all starts here . . .**



- ◆ **Everything you do  
begins and ends  
with your image**

**“Men wanted for hazardous journey.  
Small wages, bitter cold,  
long months of complete darkness,  
constant danger, safe return doubtful.  
Honor and recognition in case of success.”**



# **Your image**

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- ◆ **It exists whether you want it to or not**
  - ... the only question is whether you will help to shape it -- or leave that to others**
- ◆ **People have a tendency to reduce organizations or movements to a few simple traits**
  - ... and the image that exists in their minds is nothing more than what remains after everything is said and done**



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# **A positive image . . .**

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- ◆ **Enhances internal morale**
- ◆ **Gives donors additional confidence**
- ◆ **Improves community relations**
- ◆ **Lowers your cost of sales**
- ◆ **Enables you to charge higher prices**
- ◆ **Speeds market penetration**
- ◆ **Builds customer loyalty**
- ◆ **Enhances your ability to recruit**



# **A positive image . . .**



- ◆ **Is very hard to achieve  
and even harder to regain**
- ◆ **So . . . what are the two or three  
most important things people should know  
about your organization? How do you  
want to be known and remembered?**



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*“Positioning and marketing  
strategies for social enterprises”*

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***Stakeholder  
engagement  
strategies***



# **The first step in the positioning process**

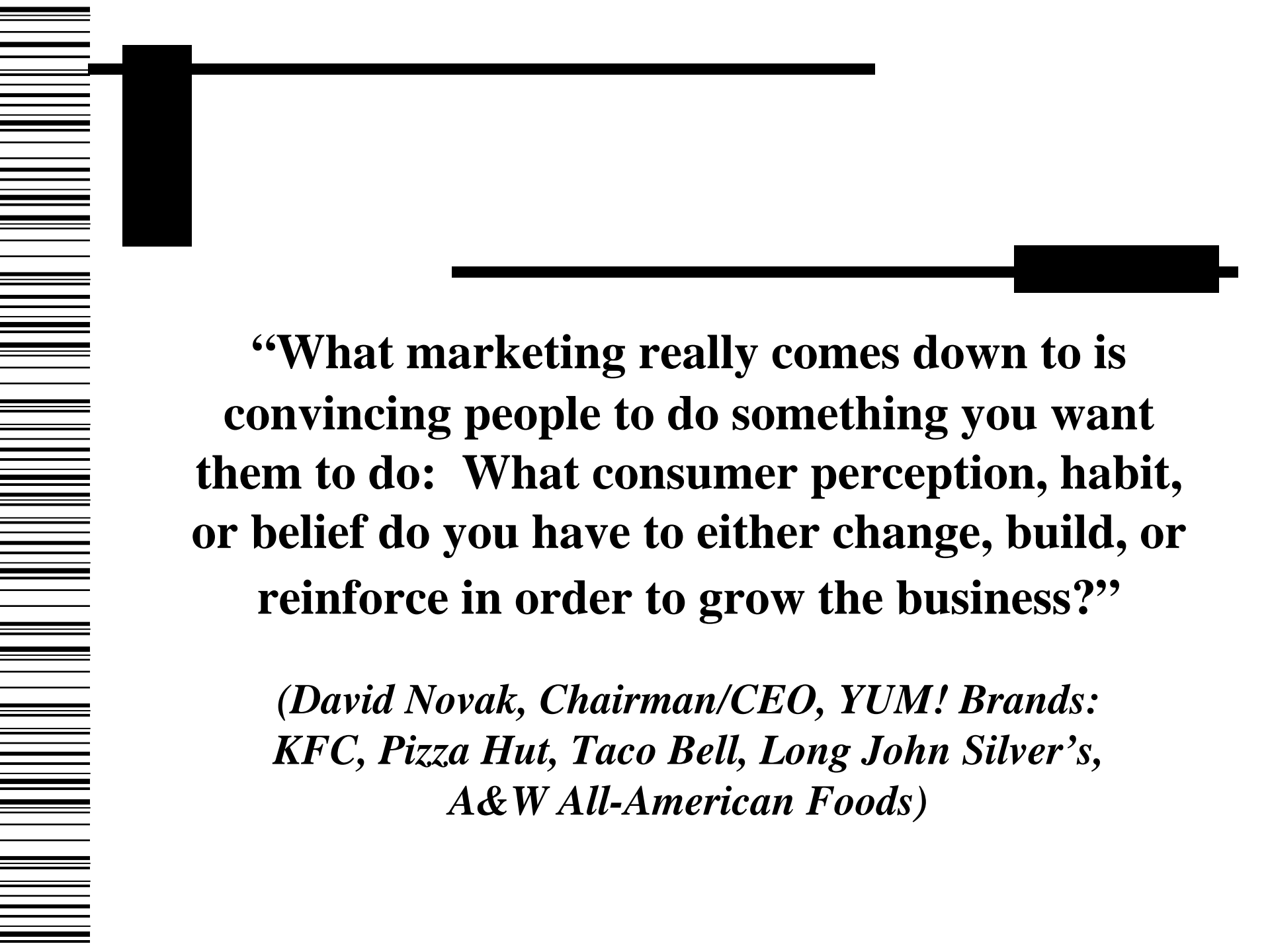
- ◆ **Ask yourself a series of questions**

**What are the most important events and actions that must occur for you to be successful?**

**Who must be involved and what must they do?**

**What must they believe before they will do it?**

**What do they believe now?**



**“What marketing really comes down to is convincing people to do something you want them to do: What consumer perception, habit, or belief do you have to either change, build, or reinforce in order to grow the business?”**

*(David Novak, Chairman/CEO, YUM! Brands: KFC, Pizza Hut, Taco Bell, Long John Silver's, A&W All-American Foods)*



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# What is a “stakeholder”?

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***Any person, group or institution  
that has an impact on your social innovation  
-- or is affected by your social innovation***



# Who are your stakeholders?

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- ◆ **The people you serve (your “clients”) and their families**
- ◆ **The people who pay (your “customers”)**
- ◆ **Donors and potential donors**
- ◆ **Investors and potential investors**
- ◆ **Your trustees**
- ◆ **Your employees**
- ◆ **Your volunteers**
- ◆ **Your partners**
- ◆ **Your allies, endorsers and other marketing intermediaries**
- ◆ **Professionals and activists in your field**
- ◆ **Government watchdogs**
- ◆ **The media**
- ◆ **The general public**
- ◆ **Your competitors**

*... and many, many more*

# The five types of stakeholder relationships

## ◆ Allies

Agree with what you do and trust you (*ask them for advice and support*)

## ◆ Colleagues

Agree with what you do but don't necessarily trust you (*clarify what you need from them and what you'll offer*)

## ◆ Mugwumps

Agreement and trust both in limbo (*find out where they stand and what you need to do to turn them into allies or colleagues*)

## ◆ Opponents

May trust you, but disagree with what you're doing (*engage in some type of problem solving*)

## ◆ Adversaries

No trust, no agreement (*try to clarify positions and acknowledge differences, but don't rush toward rapprochement*)

# The five types of buyers

- ◆ **Innovators: 2.5%**

Non-conformists (not opinion leaders)

- ◆ **Early adopters: 13.5%**

Trend-setters, local leaders, interact with others, well-known, popular, high prestige, good sources of testimonials

- ◆ **Early majority: 34%**

Looks to the early adopter for cues, more deliberate, “keep up with the Joneses” in either a business or social context

- ◆ **Late majority: 34%**

More cautious in spending, wait for prices to come down, rely more on personal recommendations than on mass media

- ◆ **Laggards: 16%**

Socially isolated, tradition-bound, older, may be first to discontinue your product or service

# The five stages in the customer relationship

- ◆ **Suspect**
- ◆ **Prospect** (*has needs, wants or desires, plus authority and dollars to buy*)
- ◆ **Customer**
- ◆ **Client** (*gives you repeat business and makes referrals, although frequently indirectly*)
- ◆ **Advocate** (*gives you all or most of his/her business, or at least gives you a shot at all of the business, and makes direct referrals*)

*It costs less to retain an advocate than to create a new customer*

# Influencing stakeholder preferences: A four-step process

- ◆ **Awareness** (*getting their attention*)
- ◆ **Understanding** (*making sure they comprehend what you are saying . . . and what you are not saying*)
- ◆ **Credibility** (*do they believe what you say?*)
- ◆ **Persuasion** (*in the light of equally credible claims from others, will they do what you need them to do?*)



# **Always start with *them***



## **◆ Remember the questions**

**What must happen for you to be successful?**

**Who must be involved?**

**What must they do?**

**What must they believe before they will do it?**

**What do they believe now?**



---

**And remember the goal . . .**

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*Closing the gap  
between what people believe now  
and what they must believe  
for you to succeed*



# Closing the gap



*But how can we intelligently  
begin closing the gap if we don't  
thoroughly understand the world  
in which the stakeholders exist -- especially  
their emotional and psychological realities?*



# Some key questions to ask stakeholders

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- ◆ **Do you understand what we're doing?**
- ◆ **Does it meet a *genuine* need?**  
*(and do we understand that need?)*
- ◆ **What would it take for you to support us?**
- ◆ **Who else is involved in making that decision?**
- ◆ **What would it take for *them* to support us?**
- ◆ **What would you be willing to commit?**  
*(e.g., dollars, time, energy, other resources)*
- ◆ **What would you be willing to risk?**




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# **What do stakeholders *really* want?**

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- ◆ **Solutions that work**
- ◆ **Somebody they can trust**
- ◆ **Somebody who will *be* there**



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# The steps in the “selling” process

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- ◆ **Talk to your stakeholders**
- ◆ **Take to them some more**
- ◆ **Identify critical success factors**
- ◆ **Identify trends and environmental forces**
- ◆ **Analyze the competition**
- ◆ ***Then* build in the “benefits” to the stakeholders**



# *Carefully* craft your messages



*Stakeholder engagement  
begins with decisions  
about who you are trying to reach  
and the messages you want to send them*



*Getting across a message is a tricky thing*

*. . . trying to send one  
is fraught with dangers*



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# **Sending messages: Five variables**

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## **◆ The person sending the message**

**... has certain experiences,  
certain levels of expertise,  
defines words in certain ways,  
has certain blind spots**

**... and all those idiosyncrasies  
influence the message**



# **Sending messages: Five variables**

---

- ◆ **The message itself**

- ... contains words, phrases and connotations that have specific meanings to the sender**

- ... but may mean something entirely different to the receiver**



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# **Sending messages: Five variables**

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- ◆ **The vehicles we use  
to send the message**
  - ... frequently fly right past  
our intended audiences**



# **Sending messages: Five variables**

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- ◆ **The environmental clutter  
surrounding the message**

- ... significantly reduces the odds  
of it getting through at all**

- ... the average American is bombarded  
by more than 12,000 “messages” a day  
from newspapers, magazines, YouTube,  
e-mail, spam, talk show ravers, colleagues,  
peers, acquaintances, passing strangers ...**



# **Sending messages: Five variables**

---

- ◆ **The person receiving the message**
  - ... somebody who has different life experiences and expertise than the sender, defines the same words in a different way, and has different blind spots**



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# **The six people involved in a two-person communication**

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- ◆ **How you view yourself**
- ◆ **How you view the other person**
- ◆ **How you believe the other person views you**
- ◆ **How the other person views herself**
- ◆ **How the other person views you**
- ◆ **How the other person believes you view her**



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# So the lesson is clear . . .

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- ◆ **Get to *know* your stakeholders**
  - **Ask questions**
  - **Peel back the layers -- don't settle for first impressions or initial responses**
  - **Listen**
  - **Listen some more**

*. . . then ask more questions*

# **Sending messages: Some ground rules**

- ◆ **Never try to make more than three points in one message**
- ◆ **Use language that's easy to understand**
- ◆ **Give the message time to take root**
- ◆ **Make sure it's meaningful (“*W-I-I-F-M-?*”)**
- ◆ **Make sure it's believable (*candid, balanced, accurate*)**
- ◆ **Make sure it's memorable (*unique in some way*)**
- ◆ **Tell the truth**

*... and try to reach your stakeholders  
before their beliefs have been fully formed*



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# Some possible vehicles

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- ◆ **Public appearances and speeches**  
*(the power of the CEO as spokesperson)*
- ◆ **Image advertising**
- ◆ **Media relations**
- ◆ **Promotional materials** *(brochures, factsheets, direct mail)*
- ◆ **Trade shows**
- ◆ **Special events**
- ◆ **Partnerships**



# **Sending messages: The most important rule**

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**“W . . . I . . . I . . . F . . . M . . . ?”**


**The mantra:**

*“Always start with them . . . ”*

*. . . because it doesn't (really) matter  
what's important to you . . .*



# Remember . . .

- 
- ◆ **“Beware of yourself!”**  
*. . . don’t fall in love with your own messages*
  - ◆ ***Constantly* monitor changes  
in stakeholder beliefs**
  - ◆ **And spend *enough***  
*. . . time, dollars, energy and other resources*



*“Positioning and marketing strategies for social enterprises”*



***Calming stakeholders  
during times of crisis  
(handouts only)***



# Crisis communications

*What do you do  
when the dreaded moment arrives?*

*When a key member of your team is arrested?*

*When opponents slander you or your activities?*

*When you have to abandon strategies or close programs?*



*In other words . . .  
how do you handle bad news?*

*The kind that goes public  
and shakes stakeholder confidence?*



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# **The four cardinal rules**

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- ◆ **Most people stumble badly when faced with negative situations because they disobey four cardinal rules**
  - 1. Tell the truth**
  - 2. Take responsibility**
  - 3. Don't delay**
  - 4. Show them you care**



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# Your ultimate goal . . .

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- ◆ **To preserve trust in the organization**
- ◆ **It may be painful, but telling the truth is rule number one -- *always***

*. . . candor can defuse the most explosive situations*





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# Harry Truman was right

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- ◆ **“The buck stops here!”**

*Any attempt to dodge responsibility  
will just stir things up*



# And don't delay . . .

- ◆ **Things will only get worse if you stall**

*. . . it can become a feeding frenzy,  
especially when Internet bloggers  
send news around the world in nanoseconds  
-- if you delay, you'll never catch up*

*Things never turn out as badly as you fear  
-- unless you delay, obfuscate and dodge*



---

**“Always start with *them* . . .”**

---

- ◆ You need to get on *their* side of the table
- ◆ Your stakeholders are less interested in what you know or what you did  
-- what they want to know *first* is whether you *care*  
    . . .you have to make a *personal* connection
- ◆ So: *Genuinely* acknowledge their pain or concern



# The benefit of the doubt . . .

---

- ◆ **If you are a values-based organization or movement and have a loyal set of stakeholders, they will forgive your mistakes**

*Your stakeholders aren't wolves and hounds -- they want you to get through this and maintain their confidence*

- ◆ **Ten per cent on the “left” and ten per cent on the “right” won't listen -- but those aren't the people you're trying to reach anyway**



# The first two steps



- ◆ **Write down your version of the facts**
- ◆ **. . . then get them out to the public as quickly, honestly and concisely as possible**
  - *Boil your story down to no more than three points*
  - *Invite questions*
  - *Keep the doors of communication open 24/7*



# Advance planning

---

- ◆ **Try to anticipate everything that could go wrong**
- ◆ **Appoint an overall crisis management team**
- ◆ **Create a detailed response mechanism for each contingency**
  - ... including a primary spokesperson and, if necessary, a technical expert*
- ◆ **Write the plan down and put it somewhere convenient**

# Convert it into an opportunity

- ◆ **It's a chance to reach out and reinforce your relationships with key constituents**

*A responsible reaction to bad news frequently translates into greater loyalty and admiration*

- ◆ **It's a chance to revisit your core assumptions, freshen your values and reinvigorate your sense of purpose**





*Manage* the crisis  
-- don't let it manage *you!*




*“Positioning and marketing strategies for social enterprises”*



***Tactical marketing***



# **The marketing mix**

- 
- ◆ **Packaging**
  - ◆ **Price**
  - ◆ **Distribution channels**
  - ◆ **Marketing communications**

# The four steps in the packaging process

- ◆ Identify critical success factors
- ◆ Identify environmental forces
- ◆ Analyze competition
- ◆ *Then* build in “benefits” to the customer

Quality

Options

Sizes

Warranties

Features

Styles

Services

Returns

*Others?*

# The first rule of pricing . . .

- ◆ Do not set prices on the basis of *unit* costs

Service companies in the commercial sector  
have a *gross* profit margin of 40 to 60 per cent

. . . in order to finish the year  
with an over-all *net* margin of 3 to 5 per cent  
(after overhead, payroll and other internal  
and external sales costs have been deducted)



# **Five common pricing strategies**

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- ◆ **Low, or “penetration” pricing**

**Typically used when introducing  
a new product or service  
or to build market share**



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# **Five common pricing strategies**

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- ◆ **High, or “prestige” pricing**

**To establish a reputation for quality**



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# **Five common pricing strategies**

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- ◆ **“Value” pricing**

**Rises or falls according to market demand**



# **Five common pricing strategies**

---

- ◆ **“Cost-oriented” pricing**

**Typically used to achieve  
a specific profit margin or return on investment**

**Slavishly pegging prices to cost, however,  
can be counter-productive because it fails  
to take into account demand intensity  
or customer psychology**



# **Five common pricing strategies**

---

## **◆ “Psychological” pricing**

**Discounts**

**Flexible payment plans**

**Bundling or unbundling**

**Using a “7” instead of a “9”**

# Distribution strategies: Three key questions

To convert favorable attitudes into sales, products and services *must* be available at the right time and place

- ◆ **Channels:** How does your product or service *reach* each type of customer?
- ◆ **Intermediaries:** Who are they? What are their profit margins (*incentives*)?
- ◆ **Costs:**
  - Production (*raw materials, equipment, salaries, facilities*)
  - Possession (*inventory levels and storage space*)
  - Delivery (*transportation and point-of-sale facilities*)
  - Service



# Marketing communications

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## ◆ Advertising

Print, broadcast, billboards, direct mail, packaging logos/info

## ◆ Publicity (not “*public relations*”)

Print media, broadcast media, speeches by employees, annual reports

## ◆ Sales promotion

Games/contests, free samples, trade shows, couponing,  
trading stamps, price promotions, signs/displays

## ◆ Personal selling

In-person sales presentations, telemarketing

# Relative strengths and weaknesses

	<b>ADVER</b>	<b>PUBLICITY</b>	<b>SALES PROMO</b>	<b>PERSONAL SELLING</b>
<b>Your credibility</b>	<b>LOW</b>	<b>HIGH</b>	<b>LOW</b>	<b>MODERATE TO HIGH</b>
<b>Your cost for each individual receiving the message</b>	<b>LOW</b>	<b>VERY LOW</b>	<b>LOW</b>	<b>VERY HIGH</b>
<b>If you want to reach only the target market</b>	<b>POOR TO GOOD</b>	<b>MODERATE</b>	<b>GOOD</b>	<b>VERY GOOD</b>
<b>Able to deliver a complicated message</b>	<b>POOR TO GOOD</b>	<b>POOR TO GOOD</b>	<b>POOR</b>	<b>VERY GOOD</b>
<b>Interchange with audience</b>	<b>NONE</b>	<b>LOW TO MODERATE</b>	<b>NONE</b>	<b>VERY GOOD</b>



# **Building credibility**

---

- ◆ **Measure client outcomes**
- ◆ **Form strategic alliances**
- ◆ **Sell to the right customers**
- ◆ **Develop the infrastructure**
- ◆ **Tell people what you've done**
  - **Use word of mouse**
  - **Learn how to deal with the media**

# Building credibility

- ◆ **Learn to deal with the media (*handouts only*)**
  - Understand the role of the journalist
  - Don't approach the press too early
  - Pick your positioning strategy first
  - Get the infrastructure ready
  - Schedule one-on-one meetings
  - *Teach* them
  - Develop long-term relationships
  - Become an *industry* "expert"
  - Be honest about bad news
  - Use top management
  - Reflect what you are



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*“Positioning and marketing strategies for social enterprises”*

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***Brainstorming  
the marketing mix  
(handouts only)***



# Brainstorming the marketing mix

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- ◆ **How can we boost profits? What are the barriers to buying our product or service?**
  - Raise the price for some payers?
  - Control our costs?
  - Increase sales volume?
  
- ◆ **How can we increase our market share? What are the barriers to expansion?**
  - Penetrate markets more deeply?
  - Expand into new markets?
  - Unbundle services and deliver them separately?

# Brainstorming the marketing mix

- ◆ Can we find a strategic partner?
- ◆ What do we value about our product/service?
- ◆ What are the critical success factors?
- ◆ Are there differences between our users and our payers? What do *they* view as critical?
- ◆ Do we need to change our positioning strategies?
- ◆ Can we re-design our product or service?
  - What features can we improve?
  - Which ones matter most to the buyers?



# **Brainstorming the marketing mix**

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- ◆ **What if we changed our pricing structure?**
- ◆ **How can we enhance the efficiency and effectiveness of our delivery system(s)?**
- ◆ **Can we improve our marketing communications efforts?**



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# **A few words about sales . . .**

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- ◆ **The changing rules of the selling game**

- More decision-makers**

- Longer sales cycles**

- Preference for customized solutions**

- Desire for long-term relationships**

- ◆ **What buyers are really buying**

- An adequate solution**

- A trusted consultant**

- Value-added service**



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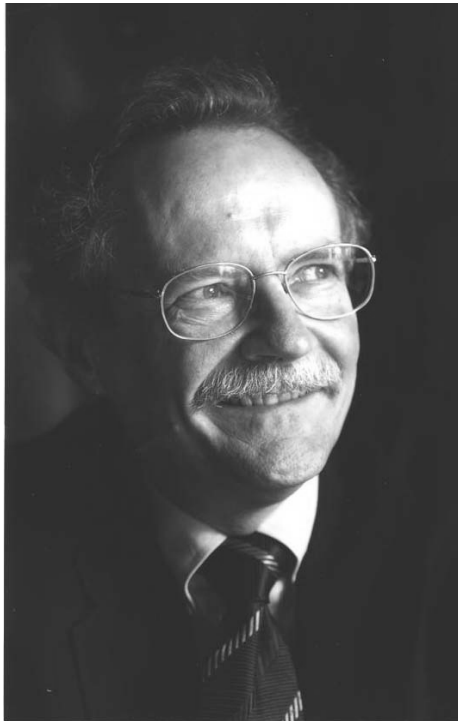
# One last point about marketing . . .

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**What is a customer worth?**

*The answer will tell you  
how much you should be willing to spend  
to acquire a new customer . . .  
and forces you to realize how much it costs you  
to lose a customer once you've got her*

**For additional information . . .**



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