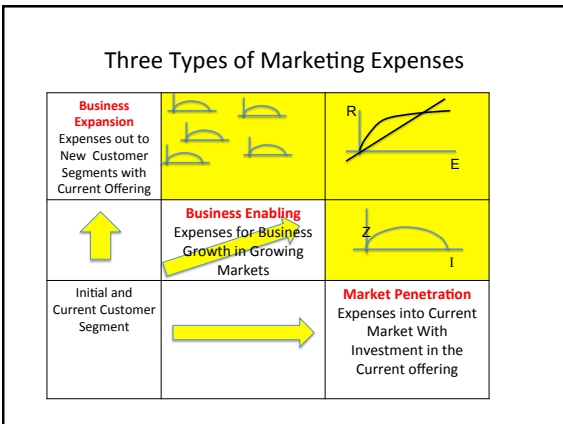


## Biz-Café: Examples of Marketing Expenses as Investments and Enabling Expenses

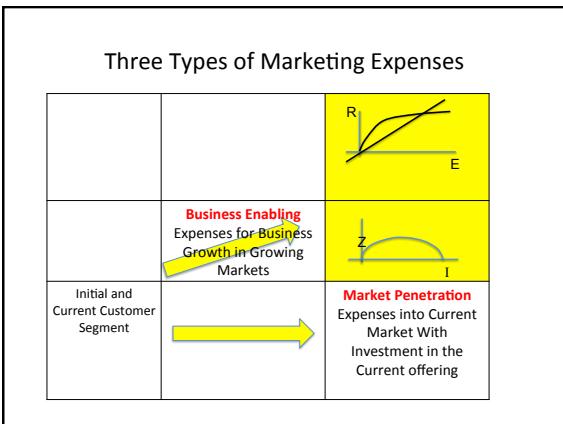
Ted Mitchell

- ### There are Two Basic Growth Strategies
- Penetration Strategy: Working with the **current offering** to reach potential customers in the **current market** segment
  - Market Growth Strategy: Working with the **current offering** to reach potential customers in **NEW market** segments

- ### There are Three Types of Marketing Expenses
- Involved in making a business grow through market penetration and market growth strategies
  - 1) **Business Expansion Expenses** to clone the business in new markets
  - 2) **Expenses necessary to Enable** the firm to grow in a growing market(s) but do not impact the nature of the current offering
  - 3) **Investment Expenses** that have a direct impact on the amount of value the customer sees in the offering



- ### In Biz-Cafe
- There is **NO** opportunity for expansion into new markets with the current offering
  - Marketing Expenses would have to be
  - 1) Expenses Enabling Growth but have no direct impact on customer value
  - 2) Expenses Invested into Increasing the amount of customer value in the seller's offering



### Would these Marketing Expenses in the Biz-Café

- Be considered Enabling or Investment Expenses?
- 1) Number of servers (Wage expense)?
- Investment in the offering
- 2) Store Managers (Wage expense)?
- Enabling expense
- 3) Number of store hours (cost of longer hours)?
- Investment in the offering

### Enabling or Investment ?

- 4) Cost of insurance?
- Enabling
- 5) Cost of Market Research on Awareness?
- Enabling
- 6) Coffee Quality?
- Investment in Offering
- 7) Training the Servers?
- Investment in the offering

### Enabling or Investment?

- 8) Cost of the Espresso machine?
- Enabling
- 9) Advertising Expense to Create Awareness?
- Enabling
- 10) 2-for-1 Coupons?
- Enabling
- 11) amount of coffee in inventory?
- Enabling Expense

### When you can change

- The amount of a marketing expenditure and it makes **no change** on the customer's perception of the amount of value in a seller's offering, then the expenditure is not a marketing investment.
- When an expense makes a change in the customer's estimate of the value in the offering, it is a marketing investment

### Any Questions?

- 4 classic types of growth strategies
- 2 types of growth using the current offering
- 3 types of marketing expenses involved in growing with the current offering