



MMBA 505

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# Marketing

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## Winning the Battle for Hearts and Minds

*Authentic marketing is not the art of selling what you make, but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profits to the producers, and benefits for the stakeholders.*

—PHILIP KOTLER



Why should a minister care about marketing? Because people do things for their reasons, not yours. And because we live in a world of unlimited choices. As a result, no ministry can fulfill its mission without understanding marketing, *the art and science of influencing the behavior of others*.

Influence of this sort is largely about exchange. Whether it's recruiting volunteers, hiring staff, building relationships with target people groups, or increasing commitment to the ministry, the individual and the ministry seek to satisfy their objectives through some sort of exchange. On the one hand, the ministry wants mission-consistent involvement and outcomes; on the other hand, individuals want to maximize their satisfaction, purpose, and happiness (i.e., utility). Achieving this mutually beneficial exchange is what marketing is all about.

“But marketing is inherently sacrilegious!” some object. No, it's actually value-neutral. Marketing is simply a disciplined approach to influencing buyer behavior in a manner consistent with the





organization's mission. Whether it's bad or good depends *entirely* on how it's used.

For example, when an organization's mission is to maximize profit, and they fulfill that mission by selling a bogus weight-loss pill, successful marketing turns out to be a bad thing for buyers. But when an organization's mission is caring for the homeless, and they fulfill that mission by motivating donors and volunteers to make a difference, successful marketing is a good thing for everyone involved. What this means, then, is that as long as a ministry has articulated a God-given operational mission (MMBA 501) and behave consistent with it and their Christian worldview, they are in no danger of unethical or counterbiblical marketing.

And more directly to the issue of sacrilege, consider this: Jesus was marketing, in the purest and best sense of the word, when teaching the crowds and performing miracles. That is, He was offering people something of value in a way that would influence their behavior. Similarly, Paul was marketing when sharing the gospel and writing all those letters to the churches he planted. In fact, today's marketers call what Paul did "building customer loyalty" and "customer retention," key success factors in any enterprise, especially a new one (like the infant church).

Also, why were four Gospels written instead of one? To reach different types of people, right? To reach the Jews through Matthew, the Romans through Mark, the Greeks through Luke, and all people everywhere through John. This too is marketing; more specifically, it's what contemporary marketers call *segmentation*, perhaps the most fundamental idea in marketing.

Bottom line: Marketing is about influence. It's what ministries do to affect behavior and achieve their mission. This course will introduce you to the six most powerful marketing concepts that you can use in God-honoring ways to maximize your impact.

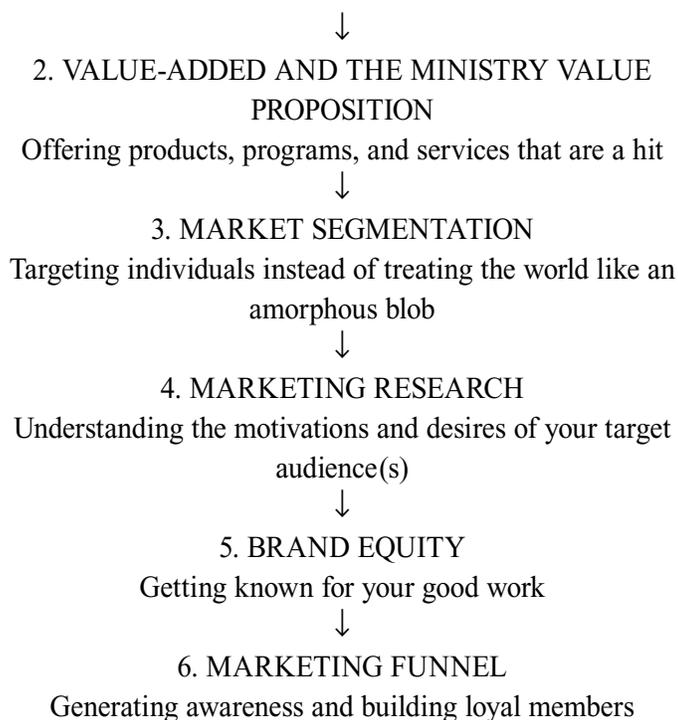
### **What's the Idea?**

We believe God wants us to win in the marketplace of ideas, empowered by His Spirit and employing the shrewdest means available (Matthew 10:16). Among those means are the six concepts:

#### 1. UTILITY MAXIMIZATION

Appreciating that people do things for their reasons, not yours





## How Does It Work?

### UTILITY MAXIMIZATION

At the root of microeconomic theory are the premises that (1) people do what they think will bring them the greatest satisfaction or happiness, and (2) companies do what they think will bring them the greatest long-term profit. Individuals chasing happiness are called “utility maximizers,” and companies chasing profits are called “profit maximizers.” Nonprofits, of course, are not seeking to maximize profit, but they are trying to maximize something, whether it’s progress towards a cure for AIDS, preparedness of underprivileged children for school, converts among unreached people groups, or something else.

So, then, why does the *utility maximization* concept matter to ministry? Because with a finite amount of time, talent, and treasure, individuals need to choose between their level of involvement with ministries and every other activity they find interesting. As a result, if a ministry doesn’t understand what’s valued by their target people groups, that ministry risks letting *customer utility*—the difference between their *willingness to pay* and *the price they’re*





*paying*—diminish to the point where the ministry becomes irrelevant to their target.

This is what happened to K-Mart, Montgomery Ward, and Oldsmobile, as well as to many other products and companies that are no longer around. For example, we remember visiting K-Mart stores when they did more business than Wal-Mart. However, at K-Mart, the store was always disheveled, often out-of-stock on what we wanted, and staffed with unhelpful employees. In contrast, Wal-Mart had a greeter, the shelves were neat and organized, and we could always find what we wanted. Wal-Mart respected the utility maximization concept far better than did K-Mart, and that set the two companies on opposite trajectories.

#### VALUE-ADDED AND THE MINISTRY VALUE PROPOSITION

Given that human beings are fairly predictable utility maximizers, you need to understand your target audience's motivations and desires so you can create more value-added for them than your worldly competition. Value-added is defined in MBA programs as a person's perceived value or willingness to pay for something, minus the costs they incur to purchase and consume it (value-added = perceived value – all costs involved).

*What helps people,  
helps business.*  
—LEO BURNETT

Sounds technical, but you already understand it because you're on the other side of it every day. For example, if you're willing to pay \$250 for a particular suit, but it only costs \$150, this creates \$100 (\$250 minus \$150) in value-added for you. Contrast this with a slightly lower quality suit for which you'd be willing to pay \$175, and it has a price tag of \$125. (And let's assume other transaction-related costs are equal.) Though it's less expensive, this second suit only has a value-added of \$50 (\$175 minus \$125). As a result, the first product, with \$100 in value-added, wins. You take it.

You might find it helpful to think of value-added as a bid that a product or service is making to be your choice. Imagine standing at the shelf in the store and having products shout out "\$1.25," "\$2.50," "\$3.00," each bidding for you to buy them. That's essentially how manufacturers think about product development and pricing. They're trying to maximize the value you perceive from their product; that is, to deliver more value-added to you than their competitors' products.





The pathway to maximize perceived value is a winning *ministry value proposition* (MVP). The MVP is basically the programs, products, and/or service you're offering a target people group. It consists of three things: (1) product or service attributes, such as price, quality, design, availability, selection, and functionality, (2) the brand image and familiarity of the brand, and (3) the relationship or level of engagement. Winning the battle for hearts and minds happens one group at a time, and it requires being known for delivering high quality, God-centered life solutions (discipleship), as well as relationships.

This means you have one MVP for people going through divorce, another for hip-hop skateboarders, and still another for seniors. Marketers call this *segmentation*, and we'll focus on it in the next section.

Remember, though, the people you're trying to reach will compare your MVP to all the other demands for their time, talent, and treasure, and if your value proposition doesn't create enough value-added, these people will likely do something else (whether that means going to another ministry or doing something unrelated to ministry). It's like you hanging up the \$125 suit to purchase the \$150 suit instead.

As you know, there's some very strong competition from secular alternatives for the time and mindshare of your people. It ranges from new age thinking that trades Sunday morning services for yoga practice, to a kid playing video games rather than joining a youth group, to a guy choosing season football tickets over a substantial contribution to the building campaign. For all of these people, because the alternative offers more value-added than the ministry, you lose them. If you create more value-added, you'll win them.

#### MARKET SEGMENTATION

Imagine one model of car sold in any color, so long as it's black. This was the genius of Henry Ford who made his Model T horseless carriage available to the masses in 1908. However, by the mid-1920s, after nearly two decades of production, the product was very functional but, frankly, a bit boring.

Enter Alfred Sloan, newly promoted president of General Motors. Sloan introduced the idea of market segmentation with taglines such as: "A car for every purse and purpose." Sloan's idea was that GM





would offer basic affordable brands like the Chevrolet for entry-level customers, as well as the Cadillac for the well-to-do.

GM salespeople built relationships with buyers and over their lifetimes traded them up through GM's line of cars. By creating different vehicles for each cycle of life (such as single, young family, mature family), GM was able to offer something closer to what the customers really wanted and, hence, became preferable to anyone offering a mere one-size-fits-all product. This particular approach to segmentation is called *lifecycle marketing*, and it's useful in many markets, including ministry.

Said another way, by segmenting, Sloan was able to create a value proposition that was better tuned to each people group (segment) than did Ford, who was offering only one vehicle. This increased GM's bid versus the one-size-fits-all Model T. Pretty smart, isn't it? This is why segmentation is important—it allows you to tap into the specific motivations and desires of different kinds of people you seek to reach. As we said earlier with the example of four Gospels instead of one, segmentation is one of the most fundamental ideas in marketing.

There are many different ways to segment your market. Your central objective, though, is to find groupings of people who have similar interests so you can design an MVP just for them (just as auto companies, for example, vary minivan offerings by affluence and size of family). Below is a brief list of segmentation options to stimulate your thinking. Each approach highlights and hides possibilities. Some overlap. You might segment by:

- demographic (age, income, gender, occupation, ethnicity, marital status)
- affinities (music, sports)
- loyalty (deeply committed, indifferent)
- geographic (local, distant)
- benefits sought (life help, recovery, education)
- experiences sought (worship, ministry, networking)
- use intensity (frequent, infrequent)
- style sought (contemporary, traditional)
- different products (by lifestyle like GM, new to area, by problem)
- psychographics (achievement oriented, socially oriented)





- satisfaction level (high, low)
- lifestyle (value oriented, luxury oriented, active)

#### MARKETING RESEARCH

We opened this course with a quote from Philip Kotler, the leading author of MBA marketing textbooks: “Authentic marketing is not the art of selling what you make, but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profits to the producers, and benefits for the stakeholders.” This not only captures the essence of this course, but this section on marketing research in particular.

Understanding your segments is the key to doing what Kotler recommends: developing programs and services that deliver enough value-added to win in the marketplace of ideas. You might gain this understanding through a door-to-door survey, as Rick Warren described in *The Purpose-Driven Church*, through focus groups with each of your segments, or in more anonymous ways.

Regardless, the fundamental question that you need to answer is: “How can I connect with this group of people—this segment—in a way that’s consistent with our mission?” To answer it, you’ll want to do market research to learn as much as possible about each segment, including:

- Who are they?
- What do they want?
- How do they want it?
- When do they want it?
- Where do they want it?
- Why do they want it?
- What are their motivations?
- What are their unmet needs?

You can do some valuable research by gathering information from the segment members who are already participating in your ministry. For example, in a small to medium ministry, you might run focus groups or survey all the men in your church to glean information about how to design an effective men’s ministry. A few cautions, though. First, understand that people are better at *critiquing* ideas than *creating* ideas, so don’t ask folks to generate a winning idea. Just learn about them (the questions above), create a concept from





this information, and then, in a later group, have them critique the concept you've developed.

Second, don't put people on the spot, unless it's a real decision you're asking them to make. Instead of asking them what they personally think about something (for example, what they think about the current men's ministry), ask them how someone from their segment (such as men in that church) would respond. This third-person framing will stimulate responses that better correlate with reality, since the respondent, under this framing, doesn't have to worry about what people will think of him.

Third, focus your market research questions on what's valuable enough (products, programs, services, etc.) to attract members from the segments you're after. For example, in *The Purpose-Driven Church*, Warren indicates how he desired for his church to be "seeker friendly," so he talked with lots of members in this segment and learned that his services needed to deliver several important attributes to achieve success. In particular, his marketing research found that seekers want a church that is relevant and interesting; has a good flow and pacing to the services; is easy to visit and friendly; is encouraging, helpful, and meets peoples needs; has quality child care; has an information table; and avoids pressure tactics. Wise move. The results of thorough market research at Saddleback speak for themselves.

One last thing you'll want to know about segments: they get more specialized as the size of the ministry increases. For example, a small to midsized church thinks in terms of a men's ministry, while a mega church thinks in terms of a men's mountain-biking ministry. One advantage of size is being able to create higher MVPs through segmentation. So to maintain intimacy with your people, it's important to get smaller as you get bigger.

#### BRAND EQUITY

Brand equity is why we pay more for Tide and Crest than the generic detergent and toothpaste. For those less familiar with the brand, brand equity provides credibility and signals quality and good value; for those more familiar with the brand, it describes a trusted friend or maybe even a member of the family. It is the organizational equivalent of a person's reputation.





It is built by consistently delivering a meaningful MVP, such as making a difference in people's lives and facilitating relationships. Building brand equity establishes credibility and trust. And while nothing is more compelling than building it through personal experience, marketing activities such as advertising, logos, and service ministries can all work to establish a brand equity that draws target people groups to your ministry.

Kevin Keller, an expert in brand equity at the Tuck Business School at Dartmouth University, has developed a list of the seven deadly sins of brand equity. The first two are: failure to understand the full meaning of the brand and failure to live up to the brand promise. With both your target people groups and your current people, it's important to understand what your ministry means to them, and what they expect. Doing this requires tracking over time. Don't assume you're in touch or that the answer is obvious; too many great brands have proven this isn't always the case.

For example, when the now-defunct Oldsmobile developed its Aurora, they test-marketed the car using different nameplates, such as Lexus. Sadly, people thought the car was a winner as a Lexus, but not as an Oldsmobile, *even at tens of thousands of dollars less*. Imagine that: the same physical vehicle in front of two different groups—only the nameplate was changed—yet the “Lexus” was desirable while the “Oldsmobile” was not.

This was the result of years of poorly managing its value proposition. The moral: Stay on top of your MVP. Understand what each of your target people groups thinks of your ministry, and this will never happen to you.

#### THE MARKETING FUNNEL

The marketing funnel is a tool that visualizes the customer relationship-building process. As you can see from Figure 505-1, the funnel starts at the top with one of your segments, one of your targeted people groups. The funnel then narrows, commensurate with the percentage of these people who are aware of you, the percentage of those who are interested in you, and so on, down to those who are loyal to your ministry.

Note that Figure 501-1, on the next page, displays two different funnels. But one is much better than the other. Which one would you prefer to have in your ministry?

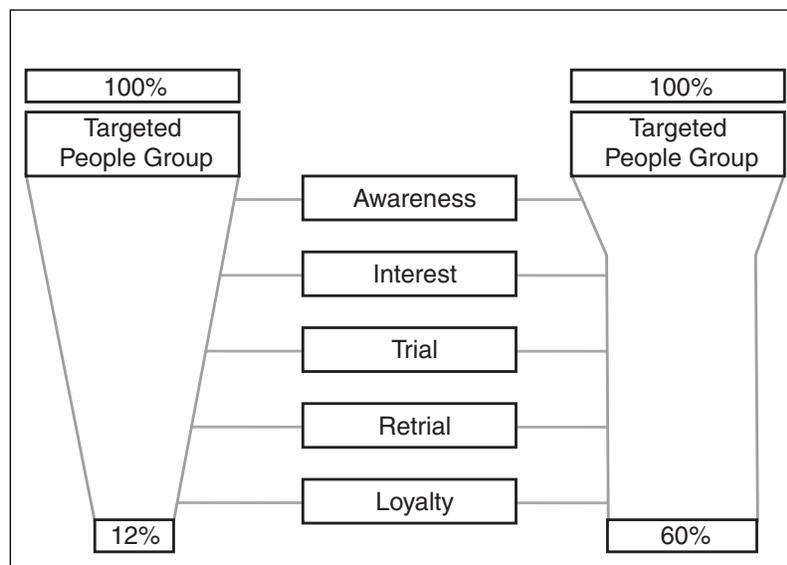


The funnel on the left depicts a ministry that has very high awareness but has a lot of dropouts along the way, relative to the ministry on the right. The funnel on the right depicts a ministry that basically keeps everyone who's interested in the ministry.

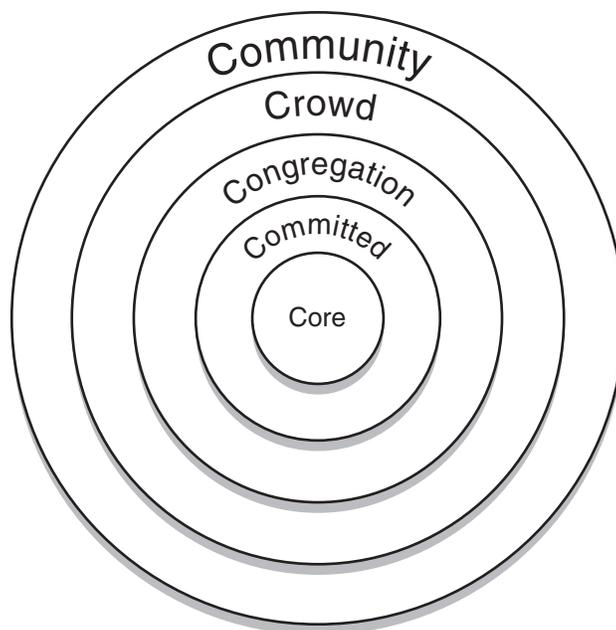
For the ministry on the left, the targeted group likely sees a fundamental problem with the product or service, so they fall away. They lose lots of folks who are interested, and they need to find out why. Their next step is to conduct research to understand more fully how they can blend the motivations of this group with the goals of the ministry, and then make internal adjustments accordingly.

By contrast, the ministry on the right is doing a terrific job keeping people who become interested in the ministry. It looks like a ministry doing well at reaching a new people group. So their next logical step is to widen their intake—to develop public relations, advertising, and word-of-mouth to increase primary demand—because as of now, they're delivering what their target expects. They should also consider identifying more target segments and/or developing new products, programs, or services for the existing segment that they're serving so well.

With respect to diagnosing opportunities and problems through the funnel, the top of the funnel, as we just mentioned, is about advertising, PR, and word-of-mouth that creates awareness and



**FIGURE 505-1: TWO MARKETING FUNNELS**



**FIGURE 505-2: TOP-DOWN VIEW OF PURPOSE-DRIVEN CHURCH FUNNEL**

interest. Moving down the funnel, the primary drivers of success are things such as engaging relationships and good discipleship.

Referring once more to *The Purpose-Driven Church*, Rick Warren uses the image in Figure 505-2 to illustrate his funnel. It's a view into the funnel from the top. The widest part is the targeted people group (or the "Community" in Warren's language), and the narrowest part at the bottom is the loyalists (or the "Core"). A side-view funnel is an easier shape for diagnosing opportunities to improve, but Warren's concentric rings do a nice job illustrating the stages.

Of course moving from the "community" to the "core" is often more complex than the two five-stage models we've illustrated in Figures 505-1 and 505-2; and to understand the process better, we would need to turn-up the microscope's power to better see the granularity and connections involved. That's often what it takes to really understand the decision-making process well enough to influence behavior meaningfully. Appendix 1 illustrates this point with a more granular model from a chapter on understanding target behavior in Andreasen and Kotler's *Strategic Marketing for Nonprofit Organizations*.<sup>11</sup>





## What Do I Do Next?

The most natural place for you to start is with segment-by-segment marketing funnels. Don't start the process with creating funnels for each of your programs and services (which is often the temptation); instead, start with your ministry's goals and the target people groups and create a funnel for each one (families, youth, seekers, singles, special needs, etc.).

*You can't solve a problem on the same level that it was created. You have to rise above it to the next level.*

—ALBERT EINSTEIN

With respect to special needs or other affinity groups, in Rick Warren's "Ministry Toolbox" newsletter (April 5, 2006), he identified two broad categories of people who are especially receptive to spiritual matters—people in transition (e.g., new life stage, new location) and people under tension (e.g., professional and personal struggles). These groups are spiritually receptive because the utility of their worldview is either in flux or not working for them. In our next course on innovation, we'll discuss more ideas along these lines, such as lifecycle marketing.

Your funnel will provide a great visual to assess whether the word is getting out about your ministry and whether your programs, products, and services are meeting people's needs. It captures the ideas discussed across this course, such as a high-value MVP and brand equity. Your funnel will also reveal the biggest opportunities for you, so you have clearer direction about next steps.

Beyond that, you might want to review some of the outstanding MBA-level resources below, if you're willing to dig deeper into marketing. But before you delve into those, read on for more of the big picture. The next two courses build on these marketing concepts, covering the essentials of innovation and operations.

## For Further Study

Aaker, David. *Building Strong Brands*. New York, NY: The Free Press, 1996.

*Practical instruction on building brand equity.*





Aaker, David. *Strategic Market Management*. 7th ed. New York, NY: John Wiley & Sons, 2004.

*Excellent short text on strategic marketing essentials, such as developing a customer value proposition.*

Barna, George. *A Step-by-Step Guide to Church Marketing: Breaking Ground for the Harvest*. Ventura, CA: Regal Books, 1992.

*Overview of the marketing mindset. Barna also offers church health measurement tools on his Web site.*

Drucker, Peter. *Managing the Non-Profit Organization*. Reprint ed. New York, NY: HarperCollins, 1992.

*Discussion of strategic concepts relevant to ministry leaders. Includes interviews with leading thinkers across several disciplines.*

Keller, Kevin. *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*, 2nd ed. Upper Saddleback River, NJ: Prentice-Hall, 2002.

*Nice textbook on managing brand equity. To maximize impact, nationally known ministries should be managing their brand at this level.*

Alan Andreasen and Kotler, Philip. *Strategic Marketing for Nonprofit Organizations*. 6th ed. Upper Saddleback River, NJ: Prentice-Hall, 2003.

*Strong textbook on developing, implementing, and monitoring nonprofit marketing programs. Includes many useful models for analysis and development of marketing programs.*

Schwarz, Christian. *Natural Church Development: A Guide to Eight Essential Qualities of Healthy Churches*. St. Charles, IL: Churchsmart Resources, 1996.

*Popular approach to measuring and improving church health.*

Warren, Rick. "Minister's Toolbox," [www.pastors.com/RWMT/default.asp](http://www.pastors.com/RWMT/default.asp)

*A free newsletter focused on building healthier churches.*

Warren, Rick. *The Purpose-Driven Church: Growth Without Compromising Your Message and Mission*. Grand Rapids, MI: Zondervan, 1995.

*A how-to treatise on doing church the purpose-driven way. Detailed and actionable.*



Appendix 1

# Flow Chart of Complex Decision-Making Process

