

MARKETING

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MARKETING IS....

Marketing is not making something and then looking for a market.

(Product Approach)

Marketing is not selling something as if selling itself was the key.

(Selling Approach)

Marketing is responding to a customer need...in ways that find a customer response.

(Marketing Approach)

Marketing is not a fancy word for selling. Marketing is above all else concerned with customers and satisfying customer needs.

Marketing is more than "pushing a product". It is satisfying real customer needs to ensure repeated sales. A primary objective of marketing is to develop a large pool of satisfied customers who will not only return to buy, but will also spread the word about your business because they trust your products and appreciate your personal attention.

MARKETING VERSUS SELLING

| | SELLING | MARKETING |
|-------|------------------------------|---------------------------------------|
| FOCUS | PRODUCTS | CLIENT NEEDS |
| MEANS | SELLING AND PROMOTION | A WORKING MARKETING PLAN |
| ENDS | PROFITS THROUGH VOLUME SALES | PROFITS THROUGH CUSTOMER SATISFACTION |

DESCRIBE YOUR MARKET

Marketing is looking at your product or service from your customers point of view. You need to be able to describe what you do or sell clearly....so then your customer can easily get a picture of what you are offering.

Your product or service will be bought because people think it will give them benefit or satisfaction from buying it. In effect, they buy what the product/service will do for them.

For example:

"In the factory we make cosmetics, in the store we sell hope"

"We do not sell 1/4 inch drill bits but 1/4 inch holes"

"We make numerically controlled milling machines, but we sell the means to make accurate, smooth metal parts"

"I doubt if I could have fixed it myself. Anyway, I like the way nothing was any bother to him and he cleaned up afterwards"

Think about your product / service and the need you are wanting to satisfy. What does your customer really want?

- i People need clothes for warmth but want clothes that are fashionable.
- i Hospitals could provide medical services but most people want their own family doctor.
- i People don't need a hairdresser but want their hair to look good.

YOUR BUSINESS IDENTITY

The first step in marketing is being able to describe your business clearly. You should try to do this in thirty-five words or less. If you were a business adviser you could say: *I advise small businesses from one to ten employees, on management issues such as personnel, marketing strategies, time management, support services, and financial projections.*

If you have a clear description like this, then your friends and admirers can more readily refer new business prospects to you. For you, its ideal to have this concise, well thought out description handy to toe out at parties or social occasions as well as in business situations.

You will be surprised how few small business people can describe their own enterprise with any degree of clarity! Still fewer can describe their business from the customers point of view! In their disbelief they declare that "everyone knows what a photographer, consultant, or desktop publisher does."

One homework exercise for you. Tonight ask ten people, including friends and family members, to describe exactly what service or product they think your business offers. The purpose of this assignment is to find out if those most likely to give referrals to your business have more than just a superficial idea of what your business is about.

Describing your business clearly is important. Take the business consultant described earlier. Before he started to describe himself clearly, his colleagues were heard to say something like, "I know of a really nice business consultant, but I don't know what he specialises in. Here is his name an phone number - you call him back and check". That's not a very inviting referral.

A photographer may get her friends referring to her as "some sort of photographer". Or those same friends could say with assurance, "Pat specialises in

candid wedding photos and does a top-notch job of photographing children. You don't have to drag your kids to a studio - she'll come to your home".

STEPS TO EFFECTIVE MARKETING

STEP ONE.....DETERMINE YOUR CUSTOMERS' NEEDS

Get to know your future customers. Be friendly! Talk with them about themselves, about how our intended products and services will fill their needs, and about how you might satisfy their other needs.

STEP TWO.....ANALYSE YOUR COMPETITIVE ADVANTAGES

Who will you be in competition with? Why will people buy from your competitors rather than from you? Are you doing a good enough job of filling customers needs? By studying the competition you learn about yourself!

STEP THREE...TARGET YOUR MARKET

Don't try to be all things to all people! Instead, focus your energy and resources on a certain income level, special interest group or geographical area. Think about who your 20% best customers are.

STEP FOUR...USE YOUR MARKETING MIX TO SATISFY CUSTOMER NEEDS

Each business satisfies customer needs with its own unique marketing mix - a combination of products and/or services, prices, distribution system and promotional strategy. Consider what you will be offering in your marketing mix!

WHO ARE YOUR CUSTOMERS?

The market is made up of people, but only some of those people are your customers. *you have to find out where they are, what sort of people they are, and how many of them are in a given area.*

If you opened a wool shop it's unlikely that you'd get the make population in the district rushing in to buy knitting needles. Ninety nine percent of your business would be with women. But the question to ask is: What type of women? Are they with children? Middle aged? Middle class? How much disposable income do they have? Do they live in the Homeswest flats around the corner? Or are most of them living in nineteenth century villas and trendy town houses? These questions will be the beginning of your MARKET SURVEY.

The goals of your market survey are:

- i Learning how many potential clients for your product or service inhabit the market you would like to focus on.
- i Determining the likelihood of their buying your service or product.

A market is the industry segment or geographical trading area in which you want to do business. If you want to open a book store in a large city, you might define your market as one of the city's neighbourhoods. If you want to sell used books, your market would be consumers who prefer to buy used books.

Your market survey should also include information from industry publications and research about the industry you would like to enter. In the book store example, it would help you to learn the answers to such questions as:

- i How many customers does it take to support a used book store?
- i How many people live in the neighbourhood where I would like to locate?
- i How many titles do I need to carry and how many square feet of shelf space are needed to put them on?

The steps in making your market survey include:

- i Determine the boundaries of your market or trading area.
- i Study the population of this area to determine its potential buying characteristics.
- i Find out the potential purchasing power of the area.
- i Get some numbers on what businesses like yours are currently making from selling the product or service you want to offer.
- i Make an educated estimate of the portion of those sales that you can reasonably expect to get.

There are many sources of information for drawing up a customer profile:

- i Statistics Department
- i Chambers of Commerce
- i Trade Associations
- i Local Libraries
- i Personal questionnaires
- i Local Councils
- i Suppliers' Records
- i Industrial Publications
- i Real Estate Agents
- i Management Consultants

This last source of information in this list is an expensive one, but you will be commissioning experts.

INSIDE INFORMATION

When your business is actually running, you can start studying your own records and acting on

feedback from the business. Try to keep an up-to-date list of regular customers showing where they live and what their buying habits are.

Find out if a small number of your customers account for a large proportion of the business. If they do, your business will be exposed to downturns more easily. Ask yourself whether you should give your big customers a special deal through discounts and special terms.

DETERMINING YOUR CUSTOMERS NEEDS

ASK YOURSELF...

Who are my customers?
(Teenagers? Retired people? People with leisure time? People with special interests?)

Where do they live?
(Country? City? Suburbia? Nearby? Out-of-Area?)

Why do they or would they use me instead of the competition?
(Personalised service? Prices? Quality? Store Hours? Availability of merchandise?)

When do they come to me?
(Daily? Once in a while? At unusual times? When they run out?)

What particular services or products are they looking for?
(What are my best selling items?)

COMPETING
BE DIFFERENT

Competing in the market you have chosen means knowing about your competitors, and offering a better deal, or something special.

Don't compete on price alone. Cut-throat competition isn't called that for nothing. Instead, make customers believe your business offers better value for money in other ways.

This something extra could be after sales service, more personalised service, long guarantees and better than average quality.

For example, a small garage owner might offer a free tyre check and windshield-cleaning service to his customers, to compete with self-service cut price petrol stations.

When you have your customers thinking your product or service is a better deal, even if it's just the way they interpret it, then you have created a unique selling position for your product or service in the market.

But don't be a rip-off merchant. Wild claims and false promises will soon earn you a name for dishonesty instead of fat profits.

WHAT COMPETITIVE ADVANTAGES HAVE YOU OVER THE COMPETITION?

Many things can give your product / service a competitive advantage and this may result from:

| <i>The Owners:</i> | <i>The Business:</i> |
|---------------------|----------------------|
| Technical knowledge | Size |
| Marketing ability | Location |
| Purchasing skills | Resources |

6. Launching new products and services with inadequate prior research of the market.
7. Using people who may have a good technical knowledge but who have not been trained to sell.
8. Allowing excessive credit to customers and continuing to supply slow payers.
9. Staying too long in declining and unprofitable markets.
10. Becoming complacent when all seems to be going well.

SOME COLD HARD FACTS ABOUT WINNING AND KEEPING CUSTOMERS

- i It costs six times as much to gain a new customer as it does to keep an old one.
- i On average, one dissatisfied customer will tell eleven others who on average, will tell five others. That's 67 bits of negative advertising.
- i Often an organisation's lowest paid people are the ones who actually meet the public - they are the company in the eyes of the customer.
- i Ninety-nine percent of customers don't complain when they have a problem - they just don't come back.
- i The information most companies collect about customer satisfaction is grossly misleading. At best it show the tip of a large and dangerous iceberg.
- i Because less than four percent of unhappy customers complain, management is often lulled into thinking all is well. Then the time bomb goes off!
- i Half the customers who tell companies they are "fairly satisfied" won't be repeat buyers.
- i The average Australian company will turnover 10 -30% of its existing customers this year - most because of poor service. Most of these customers could have been retained.
- i Someone spending an average of only \$20 per week with your company is worth \$21 000 over a 20 year period. A big price to pay of one unhappy customer.
- i Sixty-eight percent of customers who stop dealing with a particular organisation do so because of company indifference.
- i Companies providing quality service charge up to 9% more for their products or services.
- i Organisations providing quality service grow twice as fast and pick up market share three times quicker than their competitors.
- i Increases of just a few percentage points in customer retention have resulted in significant increases in profits.
- i Without customers there is no company.

THE MARKETING MIX
PRODUCTS AND SERVICES

Compare your different products and services. What's unique about them? Do they fill the needs of your targeted customers? Is there too much or too little of anything? Do some sell better than others?

Let's face it, people want the most of their money! "The best product at the best price" is a phrase heard so often and taken so seriously. Recognise this, Small Businesses can specialise in high quality products and services. They can guarantee their customers the best at reasonable prices.

As a rule, always try to provide the finest product or service you can. Learn all you can about your trade; study new methods of production or the latest techniques in your field. Focus on what's special about your business and make the most of it!

Remember, whatever you offer should fill real customers needs. Follow sales trends, and be aware of shifts in those needs. Be flexible and make changes as the market dictates. Understand the "life cycle" of your product lines or services - a new item may sell poorly at first, pick up as its reputation grows, then eventually decline. Keep your sales moving by anticipating those ups and down in customer demands.

PLACE AND DISTRIBUTION

Do you have the right location? Does your distribution system really fill your needs? Is it economical? Is your objective to wholesale, retail or both? What's entailed?

Your options for distribution are usually either direct sales to the consumer (retailing) or the use of "middleman" (wholesaling). the type of business often dictates the system to be used. There are pros and cons to both.

Don't forget to evaluate periodically the effectiveness and efficiency of your distribution. Changes in customer buying habits, company rules, retailer's techniques, competitors methods and other business trends could require you to make adjustments. Experiment with different methods to see what brings the best results.

Retailing...is selling directly to the consumer. It gives you a higher profit margin and has the advantage that you keep control of the marketing. The disadvantages often include higher overhead and capital tied up in slow moving merchandise. It can mean you start small and stay small for longer!

Wholesaling...relieves you of some marketing work, but cuts into your profit. To wholesale you have to produce more product for less money - the emphasis is on volume. This can be a problem for those who take pride in producing finely crafted one-of-a-kind items.

PRICING

Are you adequately covering your costs? Are your prices fair both to you and your customers? How do they compare with your competitor's prices? Do you review your prices regularly?

Determining fair prices can be tough! The idea is to cover costs and make a profit while attracting customers and building volume. Prices must be competitive and within the customer's reach. In setting them, consider the minimum you need to take out of the business for living expenses.

Pricing Strategies should be in line with your positioning in the marketplace. A number of alternative pricing strategies are:

DIFFERENTIAL PRICING - The product is priced differently to your different customer categories as different levels of effort or service are required by each.

LEADER PRICING - A new product or service is substantially reduced in price to attract new customers.

COMPETITIVE PRICING - Products are intentionally priced either lower, the same, or higher than specific competitors.

PRESTIGE PRICING - if you are positioning your product in pursuit of prestige and status, your prices should reflect this.

DISCOUNTING - With good reasons, eg. seasonal factors, or quantity buying with savings passed on to the customer.

CASH DISCOUNTS - if credit collections and cash flow are a problem for you...offer a discount to encourage cash payments.

PROMOTION AND ADVERTISING

Are you getting the most mileage from your promotional budget? Are you sure you've covered the basics well enough (name, logo, sign, etc.)? Have you gotten other people's opinions about your image and the effectiveness of your promotion?

These two work together to build awareness of your product or service, to stimulate sales, and to establish a favourable image of your company. By carefully emphasising your business strengths, you can build a promotional effort of lasting value.

Promotion...deals with the generalities of "popularising" your business operation as a whole. It helps you establish an overall image for your enterprise and informs the public of what products and services are available.

Advertising...(according to the dictionary) "proclaims the qualities or advantages of a product". Its purpose is to sell a particular product or service.

THE MARKETING PLAN

The Marketing Plan is an essential part of your Business Plan...and it will contain a summary of many of the things you have been covering in the Marketing Section of this kit.

Write up your marketing "homework" so you know....

1. Your customers needs
2. Your competitive advantages
3. Your targeted market
4. Your targeting mix

THE THINGS YOU SHOULD HAVE IN YOUR MARKETING PLAN

Clear statement of what market you are in...what customer needs are you working to satisfy?

Identify your customers...who are your customers and why? What is the size of your market, where do they live? etc.

Assess the competition... who are your competitors? What advantage do you have over them?

Describe your marketing strategy...what is the description of your marketing mix using the elements of product variables, pricing strategies, positioning and location, and advertising and promotion.

YOUR MARKETING TIMELINE

Describe a timeline of your activities in the first year of starting your business.

Review your notes and start to make a list of things you will be developing from your marketing plans. Analyse your list. Which things are basic to your operation (name, logo, signs, etc?). Which things are not so important to do at the start. Create a timeline of your activities for marketing activities which is grouped into three-monthly intervals...Jan - Mar, Apr - Jun, Jul - Sep, Oct - Dec.

When writing up your promotional and advertising ideas, do some real brainstorming. Some words of wisdom here....

- i Look in - house first...Clean up, paint up, organise better displays and attractive signing, uniforms.
- i Do simple and easy things that go a long way....Appealing logo, interesting business cards, a brochure, signs on vehicles, bulletin board notices, sandwich boards, educational talks and news releases.
- i Focus on the 20% best customers...Pay attention to who they are and their particular needs, personal letters or notes, special sales or offerings, mailing lists, trade shows.....
- i Slowly get more ambitious and costly.....Advertising weekly and daily newspapers, yellow pages, magazines, radio and TV....

THE SALESPERSON

"He's a born salesperson", is a statement which is often heard, along with "Salespeople are born, not made". We never hear it said though, about accountants or builders, doctors or mechanics!

Salespeople are really no different. If they want to be good then they must be trained. Obviously their background, experiences and nature itself can help. The ability to relate to people, from the shy to the obnoxious, is a good starting point, but there are many salespeople who have carved out an excellent career based on good training who were not particularly extrovert in the first place. So don't worry about being the "right kind" of person. Such a thing does not exist. If you choose selling as a career, then go ahead and become good at it - for

ELABORATION OF THE MARKETING MIX

| | |
|----------|---|
| Physical | Quality Features & options Style Brand Name Packaging |
|----------|---|

profit, fun, variety and stimulation, it takes some beating.

QUALITIES REQUIRED

There are innumerable qualities that are required by a salesperson, and you can probably think of most of them, but there is two which we consider to be most essential;

1. **Enthusiasm:** Of all the qualities a salesperson needs, this must rank as the most important. A person with enthusiasm will make sure that they learn or gain the other qualities. Enthusiasm is extremely infectious and can be transmitted from one person to another. It is so powerful that it can carry people along to the objective you have set and it affects your whole attitude to the job.
2. **Confidence:** This is not to be mistaken as "cockiness". For your customers to have any confidence in you, they will expect you to feel confident....about yourself and about your products, your company and your customers. Learn the skills of selling, know your competition, their strengths and weaknesses and develop a positive attitude that works for you.

We suggest that you list a number of qualities needed by a salesperson and then compare yourself on a rating of 1 to 10 with each quality. From this you will see which areas need improving and which are your strong points to build from.

Marketing

| | | |
|-----------|-----------------|--|
| Product | | Sizes |
| | Service | Before-sales service During-sales service After-sales service Guarantees, Warranties & Return Policies |
| Price | Basic Price | Quantity Discounts Promotional Allowances Transportation Allowances Credit Terms |
| | Price Modifiers | Transportation Warehousing Inventory Levels |
| Place | Logistics | Market Coverage Location Types (agents, brokers, wholesalers, retailers) Terms Motivation & Management |
| | Channels | Budget Message Execution Media Timing |
| Promotion | Advertising | Budget Message Execution Media Timing |
| | Salesforce | Size Structure Compensation & Motivation Call Planning |
| | Sales promotion | Budget Types (trade shows, point of sales displays, samples) Timing |
| | Publicity | Budget Events Ideas |