



MARKETING STRATEGY

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| Price Actual Price/Meaning to Buyer/Value | | | | | |
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Making Sense (and Good Use) of Marketing By Jan Mangos

The challenge of marketing for small businesses

As a marketing consultant, I've come to the surprising revelation that marketing is a major area of confusion and stress for small business owners. Of course, they have a passion for what they do – running a restaurant, a landscaping company, an accounting service – but, somehow, devising a marketing strategy and action plans creates panic.

Maybe that's because marketing is often equated to big expenditures – money spent with high hopes but no guarantees about results. There appear to be endless options concerning what to sell to whom, how to price, where to set up shop, and how to let people know the business exists, among many other concerns.

All of these marketing options make it difficult to bring focus to the business. Lack of focus diverts time and energy to activities that may not contribute to success. Business owners may find themselves chasing every opportunity, dispersing resources so widely that customers are never fully served.

The purpose of this chapter is to attempt to bring some light to this important issue. Consider the strategic marketing tool shown in Figure 1. It's intended to bring structure to your marketing thinking. This chapter will be oriented around the tool, as we discuss how you (and an imaginary business owner) can use it.

After completing the tool, you'll have a logical game plan of how to build your business through effective marketing. You'll be able to organize the required activities, or tactics, into a workable timeline. Your business will have that all-important focus.

By the way, what's the difference between strategy and tactics? Think of strategy as a roadmap –an overall picture of the way you will arrive at your final destination. Each turn in the road, the speed and manner in which you drive, and your stops along the way of this imaginary trip constitute tactical maneuvers. Both a strategic outline and a tactical outline plan are essential to a successful marketing plan. Strategy without a tactical plan is unachievable “pie in the sky”; tactics without a strategic plan are exhausting, frustrating, and often fruitless.

“Be something to someone— or you'll be nothing to no one”

One of the greatest marketers that I ever had the pleasure (and the challenge) to work with drilled this statement into all of his staff members. In our naïve enthusiasm, we were sure that “everyone” would need, and thus want to buy, our products. After all, we had considered this while developing our new products. We were sure that we had designed our products to have universal appeal.

Unfortunately, this was not, and is very rarely, the case. We failed to consider that every person is a “market of one”. Our pricing, retail outlets, promotion, and even the products themselves could therefore not appeal to a very large segment of the market.

Thus, we learned the true nature of the elemental “4P’s” of marketing – product, price, place, and promotion - the components of the marketing mix. We needed to create products that combined these elements in manner that pleased a certain segment of the market.

The issue then becomes how to create a product that appeals to a large enough segment of the market to be commercially viable and sustain the business? How can this product be sold profitably? How can customers be shielded from the siren song of competitors?

The short answer is to choose the desired target market and understand their needs and desires as thoroughly as possible.

Let’s begin our exploration on how to use the tool. For this discussion, we’ll use the imaginary Green Earth Café, owned by Jessie Martin and her business partners.

The Green Earth Café restaurant serves a variety of breakfast breads and pastries, salads, sandwiches, and homemade desserts from 8am to 8pm daily. It is located in a bustling, mixed-use neighborhood in downtown Chicago. The neighborhood is a diverse mix of people – with considerable numbers of young singles, families with young children, and older retirees.

Annual household incomes in the area range from \$20,000 to over \$150,000. Access to the Green Earth Café is available by foot or public transportation. There is little parking available nearby. The restaurant’s décor is bright and cheerful, but far from fancy. There are eight small tables and a counter which seats twelve. Carry out service is available.

Choosing your target

After accepting the unfortunate fact that not everyone will need or want our product, we can begin to think strategically about those who do.

Remember that to be worthy of your attention, a market must be willing and able to buy, sufficiently large, and reachable through some efficient means. Sadly, the two people who are interested in your product and able to buy it in a remote area two thousand miles out of your primary geographic area do not constitute a viable market.

Existing businesses can build on the customer base they already have. If you have personal contact with your customers, look at them closely – and then find similar people in your market area. If you do not have personal contact but own a customer database, hire a market research company to analyze it. They can tell you the characteristics of your “typical” customers. Use this profile to find similar prospects in your market area.

If you’re just starting out, you can begin to identify potential customers, look at competitors’ customers. You can access marketing research organizations for customer profiles of similar products. Consider joining trade associations to access their information.

Jessie took a hard look at her business and the surrounding neighborhood. She realized that most of her customers would live in a relatively defined area around her location, since driving and parking were inconvenient. Based on some initial customer surveys, she decided to focus on residents and office workers within a four mile radius of her location.

Data from her local economic development council showed that almost 800,000 people were included in this area. She realized that even if she could make all of these people aware of her café, she would not be able to serve them effectively.

Using the radius as a starting point, she took a close look at what kinds of people lived and worked in the area. She found significant numbers of young single people fewer than 30, and retirees who had lived in the area for many years. She also noted a large and growing segment of office workers. She decided to focus on these groups as her three primary targets.

How will you tailor your products or services to your target market(s)?

In this discussion, I include both tangible products and intangible products in a comprehensive definition of product. Intangible products are commonly known as services. Today, many products have both tangible and intangible aspects – a car with a warranty, a turkey that comes with access to a toll-free customer helpline.

When planning your products, aim to not be a “me too”. Frankly, the market probably doesn’t need another dry cleaner that offers the same services as all the others. Be creative, and examine what can make your business different. What other services do your customers need that you can provide? This differentiation will lead to your competitive positioning which will lead to your competitive advantage over your competition.

The possibilities are numerous. Consider such tangible differences as sizing (small size for individuals or small families), design features (accommodations for older consumers), or sustainability (automatic replenishment).

Product lines have three key dimensions – width, depth, and diversity. The number of distinct product categories you offer constitutes width; the number of types of products within those categories constitutes depth; and the amount of consistency among those categories constitutes the degree of diversity.

Don’t forget the “packaging” of your product. Some packaging is tangible – product containers, display boxes, the uniforms worn by your service people. Other packaging is intangible – the way your employees greet customers, the way customers are treated post-sale.

Do not consider your product mix to be a constant. Continuously evaluate your product offerings – delete slow sellers, build on good sellers. Keep your eye on the market and what it tells you about changing needs and wants, then act on this knowledge.

Jessie began to think of her business in terms of her key target groups. She realized that each of her groups had different needs and wants. From her observations, she realized that the young people under 30 favored single servings, purchased after normal business hours. She began to offer a “to go” menu of single servings featuring non-traditional fare from 6 to 8pm. To avoid boredom, she features a different special every day.

Her retirees also wanted smaller portions, but they made purchases earlier in the day and tended to eat inside the cafe. Therefore, she offered more traditional foods from 4 to 6pm.

For her office worker market, she offered continental breakfast foods from 8am to 10am; and light, healthy lunches from 11am to 2pm. Both were available for carry-out or delivery. She offered large group portions, with plenty of serving supplies, such as condiment packets and paper products. Her business customers also enjoyed the menu variations.

Will you need to make changes to your pricing?

We tend to believe that price is the most important factor in the customer’s buying decision. Consider, however, the more complex issue of cost versus value. Value is what customers truly want. They will pay what they perceive to be a

fair price for a product that delivers what they need and want – its value to them. No matter how inexpensive, a product that delivers no value will be short-lived.

Consider specific aspects of your pricing program. Do certain customers require different pricing terms? Are you flexible enough to allow for dating, or do you need payment at time of product delivery? Will you accept only cash, debit card payments, and checks - or will you provide the option of credit card payment? Can you develop a frequent buyer program to reward long-standing customers? Will you encourage large orders through volume discounts?

Move beyond the basics, and determine whether your products(s) provide for bundlebuys. Can -you offer a discount on the combined purchase of two items? What about off-peak pricing - “early bird specials” are a classic example of this pricing strategy.

What about a “loss leader”, a popular item offered at or below your cost? The objective of a loss leader is to drive accompanying sales of higher profit items.

Regardless of your tactics, consider your base cost on each product and the overall profit objectives of your business. Remember that you must meet your margin objectives in order to remain in business.

Continuously monitor your pricing tactics, as you do your product mix. Search for ways to reduce your costs. Survey your competitors’ pricing, and be ready to react to customer feedback.

Jessie determined that her young singles were willing to pay a premium for convenience. She therefore priced her “to go” menu at a higher margin than other products.

Her retirees were very cost conscious. She followed a policy of low prices on a menu heavily reliant on low cost fare such as potatoes, pasta, and bread. To help round out her utilization pattern, she offered special discounts from 3pm to 5pm.

Her office market was very interested in quality and presentation style. Retail price was subordinate to these considerations, and Jessie priced accordingly, which allowed her to offer delivery service free of charge within a certain area. Recurring business customers were allowed to run a tab, while others paid upon delivery with cash, debit cards, or credit cards.

How and where will you deliver your products or services?

These days, the places at which products are offered are the most diverse in history. We not only have the “bricks” option – actual stores – but a “clicks” option -via the Internet. This creates a myriad of opportunities, and decisions to be made.

In the bricks arena, you’ll need to consider hours of operation, store layout, and traffic throughout the day, among other factors. If you’re doing business over the Internet, you’ll need to consider delivery options, delivery cost, and timing. Either way, your channel of distribution is a critical part of your ability to serve your customers.

The objective of a channel of distribution is to supply customers when, where, in what quantity, and with the assortment of products they desire. Your challenge is to develop a channel of distribution that is as effective and efficient as possible, allowing you to deliver products at the lowest possible cost. Seek out reliable suppliers who consistently deliver quality products. Explore just-in-time options, and request references. After all, your suppliers are key to the quality

levels you can deliver to your customers. Can they do some of the labor required in the delivery of your product? Large retailers often request that their vendors tag items for retail sale or perform other essential tasks.

Again, remember to continuously monitor your delivery and distribution systems. Don't be afraid to change aspects of your retail environment or the members of your supply chain. Few products have only one supplier.

Jessie felt that her combined hours of operation suited all of her target groups. Her counter served many of her single patrons, and the tables were suitable for many of her retiree couples. At certain times, she pushed tables together to create a “communal table” for singles who desired dinner companions.

Although she had originally been happy with the exterior and interior look of her café, over time she realized that it needed a new look. After doing some research into current decorating trends, she decided to re-paint both the exterior and interior in warm, bright earth tones, which she felt were consistent with her image and product offerings.

She looked for suppliers who could deliver pre-cut meats and portioned servings for better cost control. Because Jessie had no expertise in the area, a local dessert maker was engaged to provide interesting and varied offerings. Most baked goods, such as bread, came from another local supplier. Non-food supplies were delivered by a large restaurant supply vendor.

How will you promote your products effectively and efficiently to each of your target markets?

Small business owners often view promotion only in terms of advertising. In fact, there is much more to promotion – including public relations, consumer and trade promotions, personal selling, and the phenomenon known as “word of mouth”.

Remember that the overall purpose of advertising is to raise awareness of your product. The medium and the message must be developed to grab attention, encourage consideration, create desire, and lead to purchase.

Over time, promotion should also serve to build a brand. When we look at long-term, successful brands such as Clorox, we see that much effort and resources has been spent to convey a consistent image of efficacy and quality. All promotion and all product development have been aimed at the development and maintenance of this imagery. Consistency of this type is part of a concept called Integrated Marketing Communications.

There are many aspects to your marketing communications. Be sure that your stationery, invoices, packaging, and business cards convey a consistent image.

Incidentally, consider using both sides of your business card. The back side might be a great place to extend an offer that you can honor until your card supply runs out. Don't be afraid to spread those cards around.

Master the art of the short introduction. Practice a concise description of your product and its benefits and use it at every appropriate time. This is an important verbal aspect of integrated marketing communications.

Public relations are an effective, low cost way for small businesses to promote their products. Find out what local media resources exist that will highlight your business. Send short, newsworthy press releases to your local news outlets and trade publications. Attend media meet-and greet events for “face time” in which to develop relationships with local reporters.

Offer to serve as an expert source for media articles related to your field. Value your satisfied customer base. Continue to interact with them. Call your loyal customers from time to time to stay in touch.

Word of mouth is a very powerful promotional tool. People believe the opinions of trusted others far more than any advertising. Satisfied customers who feel connected to you are very likely to recommend you to their friends.

While promotion is multi-faceted, advertising is clearly an important part. Let's briefly discuss the bad and the good of popular media, as well as some tips for effective usage.

Yellow Pages (print or on-line)

Not being in the yellow pages or other similar media can be a major problem. You must have a presence among your competition. Remember, however, that your ad will last the lifetime of the book – six months or a full year. Do not offer a discount off a specific price if you feel that your costs may not be consistent over the time frame. Resist the urge to buy a display ad. In many cases, a small boldface ad will yield similar returns.

Newspaper

Newspaper ads are great for executing quick marketing tactics. The short lead time from development of your ad to its publication can be a real advantage. On the negative side, fewer and fewer residents of an area read the newspaper, even including on-line versions. In addition, traditional newspaper ads tend to be expensive due to the increasing cost of paper. If you feel that you need a newspaper ad, go for a small ad in exactly the section read by members of your target market.

Magazines

Magazines offer the advantage of a longer “shelf-life” than newspapers. The use of color and a high degree of print resolution are advantages. However, there is a great degree of fragmentation in this medium – it seems that there is a magazine for every interest. If you choose to advertise in magazines, place at least three ads in each vehicle to establish awareness, interest, and action.

Television

Television ads employ both the visual and auditory senses, which is twice as engaging as many other media. They tend to be expensive, as you must pay to produce and ad and buy time to air it. Fragmentation is a real issue. How many channels does your cable provider make available to you?

Premium time slots such as prime time can add significant cost. If you feel that you need to both show your product and explain it in real-time, choose television, but look for remnant buys and check out cable stations if your market area is relatively small.

Radio

Radio ads are good for quick calls to action. That's why McDonald's uses them so extensively. They know that an inviting appeal can be satisfied at their next location, which is rarely far away.

There's one disadvantage, though - radio ads rarely create brand image, unless you can afford a heavy schedule. Again, you may face the double costs of ad production and airtime.

Internet

Although use of the Internet grows every day, remember that you are segmenting your market toward those who are Internet-savvy and Internet-accessible. Ask yourself whether your target shops on-line to a sufficient degree.

As other generations have had to learn the rules of advertising via radio and television, we are learning the proper way to advertise on the Internet. Do customers appreciate or despise online advertising? Do they value "invited" ads and offers? Where do they shop? Proceed carefully in this so-far largely uncharted territory.

Telemarketing

The advent of the "do not call" list has made this a problematic option. Remember that you can only reach parties who are past customers or prospects for your charitable organization through this means. Many consumers resent solicitous phone calls. Be sure that your target market welcomes such contact.

DirectMail

It may be expensive, but this is the one of the most targeted of media. You can rent lists for people who do all things of things, or a combination of things. Don't expect huge returns, however. Readership is low, and response via return mail even lower.

Jessie knew that she would have to use different promotional tactics to reach her three target markets. However, like most small businesses, she did not have a large promotional budget. She needed to use concisely targeted, cost-effective media.

Her young singles were very net-savvy, and tended not to use traditional print media such as newspapers and magazines. They were also hard to reach on television or radio, since they also seem to be plugged into an iPod. Since she had neither the time, money, nor the expertise to do her own website, Jessie signed up to advertise on several local restaurant information sites. She was able to take advantage of the awareness and acceptance that consumers already had for these sites.

She also held themed events on the weekends that appealed to this market – DJ competitions and showcases for new talent. She hired several energetic young people to spread the word among their peers, and bought liner ads in the local alternative paper's events calendar.

To reach her retiree market, Jessie left coupons and flyers at the local senior center and at several other local gathering spots for seniors. She contributed food to several major senior events, where she also distributed coupons. Promotional materials for the events featured Green Earth Café's name and logo. The coupons featured bring-a-guest specials during times when she knew seniors liked to visit the café.

She also provided a meeting spot for several senior groups during off-peak hours and the local paper listed these events in its senior events calendar.

Jessie distributed menus and made personal calls on meeting planners at businesses in the area. For the largest prospects, she offered to bring a free continental breakfast sampler so that employees could try her fare at no risk. She took the time to learn about some of the offices' customs – when and what they ordered for special events. She kept in periodic contact with her key event planners and alerted them to new additions to the menu.

Who are your competitors and what can you learn from them?

It's important that you bring an objective stance to your evaluation of the competition. View them as a way to learn “do's” and don'ts”. Don't approach from a defensive position.

Do a time-honored SWOT analysis, but expand it to A SWOTT. Create a sheet that lists the strengths, weaknesses, opportunities and threats, and trends that apply to you and your competitors. Remember that the strengths and weaknesses are internal to you and your competition; the opportunities and threats apply to the industry at large and all of the players within it; and trends apply to the macro-market in which you compete. Do your homework, and be as accurate as you can in your evaluation.

After completing the SWOTT, you'll find that the way ahead to be much clearer.

Jessie realized that other cafes and restaurants were not her only competitors. Indeed, any breakfast, lunch, or dinner option available represented competition – from vending machines, fast food chains, and convenience stores, to meals at home. For the sake of brevity, however, we'll discuss three strong sources of competition within her target groups.

Her young singles frequented Blue Nile, a casual restaurant featuring Middle Eastern dishes. Although Jessie didn't feel that she had the knowledge to prepare this kind of food, she did like the Blue Nile's idea of hosting business networking events featuring appetizers and beverages. She instituted a similar program, and was glad to see that many of the attendees stayed for dinner.

Her retirees often went to Smith's Diner for inexpensive food in a nostalgic atmosphere. The food was nothing special, but the service was unhurried and customers were free to sit as long as they wanted, sampling desserts and drinking the “endless cups of coffee”. Jessie decided to offer a sample dessert platter with small portions of each dessert available that day as part of her senior discount program. She was surprised to find that after sampling the pies and cakes, many customers bought whole desserts to take home.

Many of her office customers ordered sandwiches and salads from a national chain known for its interesting variety of breads. Although the food was good, the corporate aspect of the menu made for a certain degree of predictability. Jessie knew that she would be able to address this weakness straight on – she could order or prepare food according to customer demand. She made sure that her customers knew how flexible her menu could be.

What are potential causes of failure?

Sadly, businesses fail at an alarming rate. Why do businesses fail? There are many reasons, but some connected to marketing issues include:

No competitive point of difference

The product is a “me too” in an already crowded field.

Poor quality product

The product does not adequately meet the wants and/or needs of the customer.

Inability to gauge and react to market changes

The business owner becomes complacent and fails to respond to market changes.

Imbalance of price and quality

The customer does not believe the product is “worth the price”.

Nondelivery of promised product/ service

The business fails in the very basics of customer service. This is often related to failures within the channel of distribution.

Cognitive dissonance on the part of the consumer

There is a “disconnect” between what the product or business said it would do and what the customer perceives was done.

Inaccurate cost estimates

The business owner had inaccurate information and/or an unrealistic perception of the impact of costs on the business.

Inappropriate promotional message

The promotional message was considered unimportant or unbelievable to the target market.

Inadequate promotional support

The business owner chose either the wrong promotional media and/ or under-funded the promotional effort.

The next step

Now that you have completed each box of the tool, you are ready to develop tactics and a timeline for action. Use spreadsheet or project planning software or the following example to develop a tactical timeline to address the needs and wants of each of your target markets. Record your progress. Remember that what gets scheduled is much more likely to get done.

Jessie used her completed strategic worksheet to plan her actions. She realized that she had too many details to remember without a written plan. She consulted the timeline at the beginning of each week to review goals, and at the end of each week to record completed tasks. She found that her work plan was much more effective and her stress level was reduced.

Final thoughts

Understanding and using the tools of marketing will not only increase your chances of business success – they will make you more confident and less frazzled. Remember that not everyone is a potential customer, which is a good thing since it would be impossible for you to serve that many customers in an effective, efficient manner.



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BUSINESS ACCELERATOR

WEST BUSINESS DEVELOPMENT CENTER

BUSINESS BASICS WORKSHEET

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The key is to clearly define your most promising market segments, study their needs and wants, and deliver accordingly. Customers will notice and reward you with initial purchases, and, better yet, repeat business.