



Marketing

What is marketing?

Marketing is simply identifying and satisfying customers' needs. It is about understanding people, observing trends and changes, adapting and beating competition.

This Chapter outlines the key points to consider in planning an effective marketing strategy:

- The market for your product.
- Your business's strengths and weaknesses.
- Customers.
- The competition.
- Marketing tactics.

The market

Market research will help you answer these five questions:

- 1.** Who are the potential users of your product?
A builder might identify five types of customer - the States of Jersey, large developers, small developers, construction companies (sub-contract work) and private households.
- 2.** How can you reach the customers?
Should you sell direct to the end user, or through retailers or wholesalers? A maker of crafts tried selling direct to shops, to avoid 'give away' profit to the wholesaler, but found he could only sell half the volume.
- 3.** What size is the market? Is it expanding or declining?
For example, the market for traditional kitchen clocks is static, but in June 2006, the market for children's Sylvanian family clocks may be temporarily booming. Some markets are too small to be commercially viable - development and marketing costs would outweigh the value of sales.
- 4.** What is the competition like?
Who are your competitors? What competing products are there?
- 5.** What other factors influence the business environment?
Examples include government regulations, expenditure by the States of Jersey, exchange rates, imports from the UK/Europe, new technology and quality standards. A sudden change could close down a small business, or double sales.

Understanding the market allows you to pick the promising areas which suit your own strengths.

Your strengths and weaknesses

A dairy farmer decided to go into the ice cream business. Rather than sell to dozens of little shops he targeted the large supermarket chains.

But the supermarkets were not remotely interested. They needed a supplier who could provide rock-bottom prices, massive volume, national distribution, constant product innovation and watertight quality control. Too late, the farmer discovered that his whole market strategy was flawed.

What are your **strengths and limitations**?

- 1. Service**
Friendly, personal.
Flexible, e.g. same day delivery.
A builder whose employees are personable and pay attention to detail might be highly competitive in the private household market.

2. **Product**

Special features, e.g. a bag that is light.

Special benefits for customers, e.g. a bag that is easy to carry.

Guarantee.

Price.

Are you stuck with high prices because small volumes of production mean high unit costs?

3. **Skills**

Special skills or special equipment.

Expertise in areas such as selling, presentations and quoting for work.

A builder with a wide range of skills might be able to win the contract to maintain the local school.

4. **Image**

Customers' opinions of your business and its product.

A builder can create perceived strengths by specialising in certain areas such as driveways or conservatories. Potential customers will naturally expect better value from a specialist.

5. **Systems**

Quality control.

For example, if you sell faulty goods to a retailer, you could ruin that customer's reputation.

Accounting systems.

Can you quote and invoice in ways which would suit your customers?

Product and distribution.

Can you guarantee that the correct goods will arrive on the agreed date?

6. **Finance**

Do you know the true profitability of each product you sell?

Do you know what your cash position will be in six months, or is there a risk that you could go bust?

Can you finance large chunks of work? Do you offer good credit terms?

Like the dairy farmer, a small builder cannot hope to compete for large contracts.

Small businesses tend to be strongest in the area of service, and weakest in finance and systems.

Customers

Market research will identify:

1. **Who** your customers and potential customers are.

This helps the builder who decides to target the private household market to work out which individual customers to aim for.

2. Who the important customers are.

Do a handful of customers provide you with most of your profit? Do other customers take up large amounts of time, yet provide little reward? The temptation is to spend too much time dealing with 80% of customers who are less important.

Instead, concentrate on:

Keeping the important customers.

Finding more customers with a similar profile.

3. What the customers **want**.

What will they use your product for? What benefits does it offer - what needs does it satisfy? Understanding your customers will help you to sell them other products as well.

The competition

1. No business has zero competition - or else how did customers cope before it arrives?

You may be the only speciality restaurant in town but still have to compete with every other restaurant and pub. Your biggest competitor may be the local cinema - most restaurant customers are people having an evening out, not people specifically wanting food.

2. What **barriers** could protect you from new competition?

Product differentiation - offering a product which is different in some way, investing in special equipment, having a brand (e.g. Levi jeans) working to exceptionally high standards or having a patent.

Distribution - building relationships so that distributors give your product preference.

Customer loyalty - creating loyal customers by offering superior service.

3. The key to success is understanding what the customer wants.

Take the example of the sandwich bar which found it was losing customers to two new sandwich bars in the area, both of which were undercutting it on price. Instead of cutting its own prices, it doubled them and also doubled the size of each sandwich. A few pictures on the wall, some nice music, and fancy names for each sandwich on the jazzed-up menu transformed the place. The number of customers trebled.

Your strategy

You understand the market. You have worked out what your strengths and weaknesses are. You know who the different groups of potential customers are, and what the competition is like. You are now ready to work out a strategy and take action.

1. Who are your **target** customers?

If a number of different sectors seem promising, experiment - make limited sales efforts to each type of customer and use the feedback to decide which groups to focus on.

2. What are the most important elements of your **product** and service?

Which features provide the benefits your customers want? Do your customers want any other features? What should you change, what should you emphasise? Are you offering them the right product?

3. How should you **price** your product?

Pricing is a vital aspect of your marketing strategy.

4. How should you **distribute** your product?

This is another key strategic decision. Should you sell directly to customers (e.g. personal selling, mail order) or through someone else (e.g. wholesalers, agents, retailers)? Where should you be located?

5. How should you **promote** your product?

Is there a mass market you can reach through **advertising** or **PR**? Should you identify a limited number of targets for a direct mail campaign? Or should you concentrate on direct selling instead of promotion?

Beware of biased advice on marketing. Most advertising companies will recommend an advertising solution, just as direct mail companies will suggest you use direct mail.

6. How will you **sell** the product?

Any marketing strategy is useless without an effective sales capability to back it up.

For example, a company making metal gates advertised in Farmers Weekly. The advertisement worked well, but the person who answered all the sales enquiries had not been trained how to sell a gate to a farmer over the telephone. Not a single gate was sold.

7. How will you keep customers?

Do you have the systems in place to keep track of your customers and make profitable repeat sales. Do you offer the right kind of service to keep customers happy?

Adapting to win

What are the trends? The more you know about the business environment, the more you are able to **anticipate change** - turning threats into opportunities.

Small businesses can capitalise in change, **adjusting quickly** while larger competitors remain set in their old ways.

Here are two examples:

Deregulation now allows **law firms** to advertise. The larger firms prefer not to, fearing that it will damage their established image. This means that there is currently a good opportunity for small law firms to promote themselves as the local experts in particular fields, for example house buying.

The **music industry** is changing. Cassettes replaced vinyl, mini discs are replacing CDs and now iPods are replacing everything! Classical music has had a revival. Young children are switching from buying music to downloading computer games. Large companies are finding it harder to develop new talent while smaller companies - with their fingers on the pulse of modern music - have been successful.

A small business in the music industry must adapt to all these trends, or it will become a victim of the changes.

Whatever your business, look for a niche in an area where you have strengths. Building new strengths - for example by recruiting appropriate staff and/or training - can be part of your business strategy.

Targets

1. Marketing is an ongoing process.

In order to keep track of your progress - and how the market is changing - measure your monthly performance against a set of realistic targets; e.g.

What sales do you expect from each type of product?

What sales do you expect this year for each customer or type of customer?

What sales growth should you aim for?

How much should you spend on marketing?

Missed targets should be investigated - has something gone wrong, or have circumstances changed? What can you do about it?

2. A continual review of your marketing plan will keep you ahead of the competition.

Common mistakes in marketing include;

Failing to collect enough information on which to base decisions, and so focusing effort in the wrong areas.

Competing on price alone.

Going for over-ambitious growth.

Aiming for customers who you cannot hope to win.

Not responding to change.

Lack of selling skills to follow up.