



Marketing

**START
MODULE**

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“Get so close to your customers that you tell them what they need, well before they realise it themselves”

Steve Jobs

Arguably, the most important function of any business is marketing. To many people marketing just means selling, but it is far more than that. Making a product or being able to provide a service is relatively straightforward.

The hard part is ensuring that your potential customers are aware that you exist. It is essential, therefore, to prepare a detailed marketing plan – a plan of action. You need to define your overall marketing objectives, you need to identify your target market and you need to know what ‘marketing mix’ you will use.

Marketing covers all aspects of your business, from defining your product or service to the identification of market opportunities and filling those opportunities at a price which covers your costs and generates a profit. Most markets are too wide and too competitive for smaller businesses to enter with much certainty of success. So you will have to find a special niche and then cultivate it carefully.

Identifying the market you are really in and having a thorough understanding of it can also ensure that you are alive to changes in technology or customer preferences. Conversely, if you do not understand what you are really providing, you can be overtaken by events.

Too many businesses start from the product or service they are providing, that is, they are product-led. Whilst sometimes that can be effective, in most cases businesses need to be market-led; they should be looking at, and planning, everything from the viewpoint of the customer, identifying what needs customers are seeking to fulfil when they buy a particular product or service.

The ideal starting point is to define quite precisely the market you are targeting. A small coffee shop may only service the needs of a few dozen streets. A specialist restaurant may have to call on a much larger catchment area to be viable.

Segmentation

People often flounder in initial market research by describing their markets too broadly. It may help you to think about your market using a technique called market segmentation. Start with the big picture and break it into logical segments that differ, for example, in buying habits, buying ability, location etc.

Define your customers as accurately as you can. Usually customers can be profiled by criteria such as age, occupation, home ownership etc. Careful segmentation will help you define your market accurately, but segmentation alone is not enough for a business to be successful.

Businesses must offer a top quality product or service, they must differentiate themselves from their competitors and, most importantly, they must closely match their product or service to the specific needs of their customers.

Demographic variables			Geographic variables		
1. Age	2. Ethnicity	3. Occupation	1. Region	2. Urban	3. Suburban
4. Gender	5. Income	6. Family size	4. Rural	5. City Size	6. County Size
7. Race	8. Education	9. Family life	7. State Size	8. Climate	9. Terrain
10. Religion	11. Social Class		10. Market Density		
Psychographic variables			Behaviouristic variables		
1. Personality Attributes	2. Motives		1. Volume Usage	2. End Use	
3. Lifestyles			3. Benefit Expectations	4. Brand Loyalty	
			5. Price Sensitivity		

You will need to decide how to reach your customers, through advertising, point of sale material etc. This should all be set out in a marketing plan.

Careful planning increases the chances of successfully accomplishing what you set out to achieve. The principles of good planning can be applied to almost any task and remain the same irrespective of the task. However, the outcome of planning the plan can differ according to the nature and purpose of the task.

There are three stages in the process of preparing a marketing plan:

Customer targeting and market positioning.

This involves reviewing your overall strategy to confirm the definition of your target customer and decide on the positioning strategy you want to adopt.

Marketing Mix.

The next step is to determine the impact of your targeting and positioning decisions on your strategy for the marketing mix. The marketing mix deals with such issues as product specification and development, pricing policies, delivery systems and promotional activity.

Action Plan.

The last step is to review these needs and statements, what will be done and when preferably with allocated responsibilities for each task.

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Customer targeting and market positioning

The final outcome of your marketing plan very much depends on your approach to customer targeting and how to decide to position your products or services in the marketplace.

Positioning is a term used to refer to how you want to think of your product or service relative to those of competitors. Take, for example, the difference between mid-range cars sold by Ford and BMW. In most respects both models of car are similar, their function is identical – they are both designed to be a mode of personal transport.

What makes them different is their pricing structure, styling and, perhaps most importantly, their respective perceived images. Ford want people to think of their mid-range products as affordable cars for the mass average people, whereas BMW want people to think of their cars as the 'sensible' choice for discerning buyers amongst those who are 'successful'. What each company has done is choose a positioning for the product defined by the target group and the means by which the product is differentiated from others.

Businesses face the choice of going for high volume mass market or a specific market segment or niche. In terms of product strategy, there are two primary choices – cost/price advantage or differentiation. When choosing which strategy is most appropriate for your market, you will need to consider the existing competitor situation:

1. Are they many or few?	2. You will also need to apply the results of your research into customer attitude and behaviour.
3. What strategies have they already adopted (if any)?	4. Are there any indications that it might be possible to create a new niche?
5. Are there notable differences which have created obvious niches?	6. Are there any requirements that are not currently being met which can thus be used as differentiation factors?
7. Do you have a notable advantage over existing players?	

Once you are clear about your target market and about your position to adopt in the market you can begin to define some marketing objectives. The first of these might be the purpose of the business; be as specific as possible regarding the business area in which you will operate, for example: 'To provide an environmentally-friendly range of packaging materials for use in the food industry'. This purpose then can be translated into marketing objectives and goals which should:

1. Be quantifiable, for example: to achieve sales turnover in the first year of £100,000 or to achieve profitability of 10% return on sales by year 3.
2. Be realistic but challenging. Never set objectives that are a product of wishful thinking.
3. Be set in some sort of order of importance.

Typical objectives are sales, profitably, sales growth, diversification and market share improvement.

Marketing Mix

The marketing mix describes all those aspects of business which happen after production and which combine to market that product. These include product strategy and market development, packaging design and merchandising, pricing, sales promotion, advertising public relations and distribution.



Often these are grouped in what are known as the 4Ps – product (used to mean both products and services), price, place and promotion. These four elements are the variables that you can adjust to make you different from your competitors, and thus more attractive to your target customers:

Product

Getting the product or service right is all about making sure it satisfies customers' needs or wants and can be produced and delivered at a profit. There are an enormous number of ways you can make your product different and more appealing. The sort of factors you could consider are:

1. Does it look right, feel right and how well does it do the job?
2. What special features does it have and how do those translate into benefits that customers need and/or want?
3. Is it attractive enough, both visually and functionally, to appeal to sufficient customers in preference to the offerings from competitors?
4. Is it appropriately and attractively packaged?
5. How reliable is it?
6. Does it meet the expectation of the target market in terms of perceived quality and value for money?

It is important to remember that the seller pays for the features and that the customer buys the benefits.

Price

Good pricing policy relies on knowing what customers will be prepared to pay, rather than simply working out the cost and adding an arbitrarily chosen mark-up. You have to be able to get an indication of typical market pricing by comparing your products with equivalent competitive products as part of your research and this will help you to decide where to pitch your prices.

Fixing a price is a juggling act between strategy, costing and cash flow. It is important not to charge too little at the outset, otherwise the income may not cover all the costs and it may be difficult to raise prices later without deterring customers.

Also take care not to devalue your product or service by offering it at too low a price – there are certain products and services that customers will equate a low price to inferior quality, for example, customers may be fearful of buying a motorbike helmet which is perceived as 'too cheap'.

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It is also important to distinguish between cost and price. Price should relate back to the market research. The price should be the maximum amount that people will pay for the product or services. Businesses should continually seek to reduce costs and improve productivity. Keeping the price high and cost low will, therefore, maximise profit.

Place

Place is used as a synonym for distribution because marketing practitioners wanted a word that started with 'p'. The question of distribution is not just about the method of delivering the product to the customers. It is important to recognise that customers may tend to expect to go to, or look, in certain places they want to buy products or services of your type. Therefore, sales success also depends on your products or services being available in the right place and/or sold through the right distribution channels.

When setting your distributing strategy, key factors to consider include:

1. What distribution channels already exist in our chosen market?
2. Are there signs of any new approaches to distribution of your type of product or service emerging?
3. Do buyers in the next stage of the supply chain have a preference to buy from a local distribution point?
4. Do buyers of your products or services tend to purchase from a distributor, wholesalers etc., or prefer to deal direct?
5. Are there locations of service outlets or distribution points appropriate to customers' demands for quick response at acceptable cost?

Promotion

The primary role of the promotion element in the marketing mix is to let your customers know that you and your product or service exists. It is about effectively communicating the necessary information to your prospective customers, so that they are encouraged to make a purchase decision in your favour. In this context 'promotion' is used to mean all types of informative communication with customers including: advertising, social media activity, exhibitions, telesales, face-to-face-selling, sponsorship etc.

For promotion to be effective, you need to know as much as possible about your customers' typical purchase decision making process. How do they go about making purchase decisions? What stages do they go through? At what times? Who or what can influence their deliberations?

In much the same way as products and services are designed to meet customers' requirements, the method and content of your promotional activity needs to be focused on providing the important information they want. Also at what is it about your product or service that is unique?

What is it that differentiates your product from those of your competitors?

When to promote depends what you are trying to achieve and at what stage the customers are in the purchase decision making process (particularly if it is a lengthy process). For most businesses, effective use of promotional and selling activity requires it to be continual from the time the customers recognised the need to make a purchase, to the point at which the decision is taken.

Action Plan

By stating how you intend to deal with each of the 4Ps, you will have begun to create a set of task objectives. You are likely to find that, as with any other form of project planning, there will be some tasks where it either makes sense to complete one before another, or one task cannot be started until another has been completed, or progressed past a certain point. When you have worked out all aspects of your action plan, you may find it helpful to summarise in the form of a Gantt chart. For example:

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
Select new cover materials	■						
Obtain material samples		■	■	■			
Produce mock-ups			■	■	■	■	
Revise packaging designs			■	■			
Get translations for packaging				■			
Arrange test-run of packaging				■	■	■	■

Producing a marketing plan is crucial. It is the point at which your preparation work is combined to create an action plan with the aim of taking those first important steps towards establishing a presence in your new market. Clearly, care and attention to detail is vital if you are to ensure that you are fully prepared. Producing a marketing plan is a fairly lengthy and detailed process and should not be rushed, or treated half-heartedly, if the risk of making expensive mistakes is to be avoided.

Nonetheless, you should retain a reasonable degree of flexibility within your plan. It is impossible at this stage to foresee all possible outcomes and, as experience will eventually confirm, there are always those customers who represent a worthwhile opportunity but unexpectedly want something to be slightly different. This is where, as a more adaptable and responsive small firm, you have an advantage. With the ability to adapt and respond quickly, you will be in a position to grasp such opportunities where others may miss out.

Your marketing plan should be seen as a guiding reference tool. It will help you monitor what you are offering, who is doing what and when, giving you a direction and a set of goals. You should not regard it as being rigidly prescriptive, nor be averse to going back and making any necessary amendments – or even drastic changes, as your familiarity with, and experience of, your market grows.

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