

## **Marketing Overview**

Marketing starts with finding out what prospective customers think and what they need. These needs are then fulfilled by the products and services that you sell. The pricing, promotion, and distribution of these products and services determine who will be willing and able to buy them. This process ends with an evaluation of all marketing activities and a new outlook for the future of the business.

## **Selecting Your Target Market**

One of the first steps in developing a marketing strategy for your business plan is to identify your target market. When selecting your target market, ask yourself these questions:

- What is the product or service used for?
- Who benefits most from the use of the product or service?
- What is the unmet need your product or service fulfills?
- Who does not know about the product or service, but may be interested in it?
- Who buys the product? Who uses the product? Are they the same person?

Once you have answered these questions and narrowed down your target market, you're ready to do some research.

## **Marketing Research**

Before writing the marketing portion of your business plan, you'll need to research your customers, your industry, and your competitors. The easiest way

to get the information you need is to first obtain data from other sources and then fill in the gaps with your own research.

Consumer research involves finding out who buys the type of products you'll be selling, how much they expect to pay for the product, where they see advertisements, and where they buy these products.

Demographics are important in marketing research, and they are usually fairly easy to find. Identifying the age, gender, marital status, family size, income level, education, occupation, and ethnicity of people that buy your products will help you to determine your target market and how you can reach them. Web sites such as [www.census.gov](http://www.census.gov) and [www.iaprofiles.iastate.edu](http://www.iaprofiles.iastate.edu) are just a couple of examples of sources of demographic information. This data is valuable when it comes time to advertise, because you can match the demographics of your customers with the demographics of the advertising medium, such as the listeners of a local radio station and the readers of a trade magazine.

Doing some research of your own is also beneficial. You can compose a survey asking customers what features they like to see in a product or service similar to yours, how much they might expect to pay for the product or service, how they feel about your competitors, and where they receive information about such products and services. Locating survey participants can be as informal as talking to people that have visited your competitors' locations or it can mean holding a focus group with people that are included in your target market.

Researching the industry you're in will give you a better idea of what to expect now and in the future. Statistics such as average sales, average number of

employees, and average salaries can be found for every industry in the Economic Census, which can be viewed at [www.census.gov](http://www.census.gov). Industry associations often have web sites that can provide information on current and future trends. Trade magazines are also excellent sources of industry information.

If you're selling your product or service in a business-to-business market, it's especially important to include the following information in your business plan:

- Major companies in the industry
- Length of the sales cycle
- Trends among top companies
- Industry outlook
- Size of companies in terms of sales dollars and employees
- Size of the market in your target market's geographic area
- Realistic estimate of your company's expected market share
- Frequency of product purchase
- Purchasing process

Researching your competitors and getting to know their marketing capabilities is essential to know when writing your business plan. Competitors usually fall into four categories:

**Brand competitors** are in direct competition with your product or service.

Their product/services features, pricing strategies, and target markets are the same or similar to yours.

**Product competitors** sell in the same general product or service class, but may market to another group of people based on differing prices, features, and methods of distribution. For example, Timex and Rolex both sell watches, but their pricing strategies are different and therefore they have different target markets.

**Generic competitors** sell different products that serve the same functional purposes or satisfy the same need. Vehicle owners must decide whether they want to buy a car, truck, SUV, or van, but any of these will get you where you need to go.

**Total budget competitors** may have very different products and services, but compete for the limited resources of consumers. Usually these competitors sell high-priced items. For instance, a consumer may have to decide whether he or she wants to buy a new car or build a new house in a given year, because not enough resources are available to do both. Even though these items have very different functionalities, they are still in competition.

There are several different ways you can find information about competitors:

- Find the names of competitors by looking in local phone books and business directories.
- Read newspapers and trade magazines to monitor the activities of competitors.
- Talk to your competitors' customers to gain insights from a consumer point-of-view.

- Visit your competitors' facilities and observe customer-employee interactions, the layout of the store or building, and the presentation of products and services.
- Collect competitors' marketing materials, annual reports, and any other items that may give you information on the products and services they offer.
- Visit competitors' web sites to gather any additional information that may be offered. If they have an email list or online newsletter, just sign up and valuable information about the company's marketing strategy will be sent straight to your inbox.

### **Conducting a SWOT Analysis**

A SWOT analysis is a breakdown of the company's strengths, weaknesses, opportunities, and threats. It takes into account both the internal and external environments of the company. A SWOT analysis provides a fairly simple, low-cost way of assessing the company's position. It provides information that is important in developing business and marketing plans, as well as setting organizational goals and objectives. It tells you where the company currently sits, and where it needs to go in the future.

When conducting your SWOT analysis, you should:

- Examine your company's strengths, weaknesses, opportunities, and threats from a customers' perspective. If you're having trouble viewing issues that way, ask customers what they think or conduct surveys.

- Separate internal issues from external issues. The company's strengths and weaknesses are internal; opportunities and threats are external. The key test to differentiate the two environments is to ask, "Would this issue exist if the firm did not exist?" If the answer is yes, the issue should be classified as external.

Some things to consider about your company when determining your strengths and weaknesses are:

- Size of company
- Financial resources
- Human resources
- Costs
- Customer Perceptions
- Patents and trademarks

You will probably have to do some research on your competitors, your industry, and the environment in order to complete the opportunities and threats portion of your SWOT analysis. Some issues to consider are:

- Industry trends
- Technological advances
- Sociocultural trends
- Competitive actions

The next step in the SWOT analysis is to match your company's strengths with opportunities in the environment to create capabilities. For example, if one of

your strengths is that you've patented a cure for cancer, you can match it with the opportunity of helping thousands of cancer patients.

Your firm's weaknesses may be able to be converted into strengths by investing time and resources in certain areas. For instance, if your staff is not well trained in customer service, have them attend classes and offer incentives for superior work.

## **Pricing**

Researching the average industry price of the product or service, as well as the prices of competitors will give you a price range to work with. Visit industry web sites and gather marketing materials from competitors to aid in developing your pricing strategy.

Once you have considered your competitors, you must take your customers' perceptions into account. What is your product's or service's position in the customer's mind? Does it seem more luxurious or higher in quality than your competitors'? If so, charging a higher price is necessary to maintain that image. However, focusing the production of products and services on value requires charging a low price. Think about the objectives you want to reach through your pricing strategy.

Price elasticity is another important consideration. Will people still buy your product, even if the price is high? Or do significantly more people buy the product if the price is low? If you have a product that responds significantly to a change in price, careful consideration must be made when choosing a pricing strategy. If

the item is more expensive than competitors', be sure there are added features and benefits to make up for the difference.

In your business plan, you may want to describe the rationale for your pricing strategy. What do you hope to accomplish by setting a lower/higher/average price?

Also describe how you will be able to charge that price. Do you have a unique, low-cost method of manufacturing or distributing that allows you to keep prices lower than competitors'? Do you have a product that is customized, and therefore can command a premium price? Describe to the reader the internal and external factors that helped you to determine your pricing strategy.

### **Advertising and Promotion**

Before deciding on how you'll promote your business, consider the pros and cons of each marketing and advertising method:

#### Newspapers

##### *Advantages*

- Your ad has size and shape, and can be as large as necessary to communicate as much information as you need.
- The distribution of your message can be limited to your geographic area.
- Fast closings – the ad you create today can be in your customer's hands in the next few days.

##### *Disadvantages*

- Clutter. Your ad must compete for attention against many others.

The short shelf life of newspapers means your ad will likely be thrown away the next day.

- Newspapers do not allow you to narrow down a target market, therefore you pay to send your message to people who will probably never be interested in buying your products or services.
- Newspapers are a highly visible medium, so competitors are able to react quickly to ads for sales, etc.

### Magazines

#### *Advantages*

- Readers are highly involved so they will likely pay more attention to your advertisement.
- Magazines have a targeted audience, so ads won't be wasted on uninterested individuals.
- Better quality paper permits better photo reproduction and full-color ads.

#### *Disadvantages*

- Long lead times (as much as 90 days) mean you have to plan your ad months in advance.
- Costs are higher than that of newspapers.

### Yellow Pages

#### *Advantages*

- Many people use the yellow pages.
- Ads are reasonably inexpensive.
- Consumers generally keep the yellow pages for a year or more.

### *Disadvantages*

- Most of your competitors will also be listed.
- Ads must follow a certain format, so creativity is limited.
- Some people do not use the yellow pages; they look up the number for the desired business in the white pages.

### Radio

#### *Advantages*

- Most people listen to the radio at some point during the day, whether it's at home, work, or on the road.
- Most radio stations will provide you with demographics of their audiences, so you can target your message to the appropriate market.

#### *Disadvantages*

- If listeners miss part of the ad, they can't refer back to it.
- Radio is a background medium. Most listeners are doing something else at the same time, which means your ad has to work hard to be listened to and understood.
- Because radio listeners are spread over many stations, to totally saturate your market you have to advertise simultaneously on many stations.

### Television

#### *Advantages*

- Permits you to reach great numbers of people on a national, regional, or local level.

- Independent stations and cable now offer opportunities to advertise to a specific market.
- Very much an image-building medium.

#### *Disadvantages*

- Ads on network affiliates are concentrated in local news broadcasts and on station breaks.
- Preferred slots are often sold out far in advance.
- Creative and production costs are high.

#### Direct Mail

##### *Advantages*

- Your advertising message is targeted to those most likely to buy your product or service.
- The message can be as long as necessary to fully tell your story.
- Direct mail is a “silent” medium. It will likely stay hidden from your competitors until it’s too late for them to react.
- Great for testing different ads or offers.

##### *Disadvantages*

- A lead time of a few weeks or more is required for printing and mailing.
- Mailing lists must be updated often to keep up with changes in addresses.
- Postage costs can be high given the rate of response. These costs can be avoided by replacing traditional direct mail pieces with direct e-mail.

#### Newsletters

##### *Advantages*

- Maintains contact with regular customers without pressuring them.
- Increases customer loyalty by helping clients get to know the company better.
- Provides useful information that builds the company's credibility.

#### *Disadvantages*

- Can be time-consuming if you create it yourself.
- Can be expensive if you hire professionals to help you write and design it.
- Must publish regularly and keep the content useful to maintain effectiveness.

#### Brochures

##### *Advantages*

- Provides in-depth information to interested prospects.
- Can be kept for reference.

##### *Disadvantages*

- Must continually be updated to allow for changes in product information and pricing.

#### Web Sites

##### *Advantages*

- Combines text, graphics, sound, and movement to provide information.
- Interactivity allows customers to choose the information they want and give you feedback.
- Web sites are a global medium.
- It's easy to update information as needed.

### *Disadvantages*

- Web sites aren't of much value if your target audience does not use the Internet.
- Must be promoted so that customers know they exist.
- Regular updates must be done to attract repeat visitors.

### Outdoor Advertisements

#### *Advantages*

- Low cost per thousand.
- High reach and frequency for general audiences.
- Can be hard to ignore.

#### *Disadvantages*

- Extremely limited message length.
- Product costs can be expensive.
- Not usually targeted.

### Trade Shows

#### *Advantages*

- Exposure to targeted customers who are ready to buy.
- Can demonstrate and offer samples.

#### *Disadvantages*

- Exhibiting is expensive.
- Detailed preplanning is required, with inflexible deadlines.

### Public Relations

#### *Advantages*

- Relatively inexpensive if you do it yourself.
- Builds credibility with customers.
- Provides feedback about your company's image, position, and trends.

#### *Disadvantages*

- May be time intensive.
- PR agencies can be too expensive for many small businesses.

Once you've narrowed down the media you will use in promoting your products and services, you must concentrate on the message. Ads must make an offer to the customer that is consistent with the positioning strategy of the company.

Your ads may emphasize:

- Price
- Customer service
- Trendiness
- Professionalism
- Safety
- Timeliness
- Popularity
- Luxury

and many other product- or service-specific attributes. Describe the promotional angle you intend to take in your business plan.

Some additional questions to answer in this subsection of your business plan are:

- Will you hire promotional personnel to do some of the work in-house, or will you outsource it to an ad agency?
- Who will be in charge of making sure campaigns are done correctly?
- How will consistency (in the look of ads as well as the offers) be maintained from ad to ad?
- What are your goals? What do you hope to accomplish through promotional activities?

### **Evaluating Your Campaign**

Evaluating marketing efforts is just as important as running a promotion itself. Include in your business plan a method of measuring the success of your campaign. Some ways you can evaluate your marketing efforts are:

- Ask new customers how they heard about your company.
- Monitor sales figures before, during, and after the campaign and record changes.
- Use a numbering system on coupons and direct mail pieces. Have consumers bring them into the store to redeem a discount and then match up the number on the piece with the name of the customer. This is a good way to determine who is responding to promotional campaigns and who is not.
- Survey customers and noncustomers
- Ask for the opinion of a marketing consultant
- Check to make sure you've met your goals and objectives

### **Summary**

The most important thing to remember when developing the marketing section of your business plan is that the customer comes first. All research, planning, and evaluating should be done from the customer's perspective and with the customer's needs in mind.