

MARKETING PLANS TO TARGET PROFITS

MARKETING, ADVERTISING, SALES

By Albert S. Lerman

MARKETING STEPS

Marketing analysts do not all use the same terminology, nor do they divide marketing research into exactly the same categories. The categories used here may overlap somewhat, but each pinpoints a specific area relating to the marketing program.

1. Product or Service

What service or product will be offered? What position will be taken in the market place? What experience has the prospective business person had in this particular enterprise?

2. Location

Is it suitable for the product or service? Does the business or service depend on traffic? Car or pedestrian? Local or tourist? Is there ample parking? Other support features?

3. Market Size

What is the market size for the product or the service? What is the estimated sales volume needed for profit? Check all sources such as Chambers of Commerce, banks, utility companies, census, and others.

4. Customers

Who are the potential customers? Does the product or service depend on special groups such as ethnic, age, income? Will the needs of the available customers be met?

5. Market Segmentation -- (Mix)

Is the business or service specialized? If so, to what extent? Will there be a variation in the quality offered?

6. Competition

How much competition is there? Where is it located? Can it be overcome to make a profit?

7. Distribution

A. Purchasing -- What sources or suppliers are available? Have they been carefully checked for quality, services, price, discounts, and assistance in promotion?

B. Selling -- Has a policy been established on type of sale? Cash, credit, or a combination of both? What sales assistants will be needed and who will train them? Has a system been established to check the sale of products -- fast and/or slow movers?

8. Price

Can the product or service be offered at a competitive price? What markup will be needed to provide a profit?

9. Promotion

Is it directed to the needs of the customer? Have you decided what types of advertising to use for the promotion of your product or service? Has the cost been figured in the budget?

10. Financial

Has the market size and price for the product or service been estimated in dollars? If so, has it been checked against expenses for a break even point and profit?

PRODUCT OR SERVICE

In dealing with this particular marketing step, the direction and emphasis is on the small retail business.

Decision -- What will it be?

This decision has been made if one buys a business that is operating. If a new business is started, the decision must be made by the owner/manager. Whichever is the case, the selection of the business product or service should be based on prior knowledge or experience. If not, and the decision is based only on enthusiasm to go into business, it is recommended that a "second thought" be given. According to SBA statistics, nearly 80% of new businesses fail within five years. Four out of five is not a good ratio. This high attrition is due to many reasons, but one of the most important is that the product or service that was offered did not attract customers. The product or service must satisfy the customer -- not just the owner/manager.

Demand -- Is it there?

In making the decision on the product following questions must be answered: (1) Does the area need it? (2) Will it be supported? (3) What is the competition? The demand for a product or service will change as the needs and desires of the customers change.

Constant Evaluation -- Is it needed?

The product or service must be constantly evaluated because people's buying habits are .always changing. One could still be offering horse collars for sale when there are no work horses. If the evaluation shows a change is needed because of lack of sales or lack of interest in the product, a change is a must to stay in business. Test new ideas before stocking large inventories.

Control -- Is it possible?

Control of the product or service is the greatest strength of a small business because purchasing can be done with greater selectivity aiming at a specific market and not in broad, mass purchases to cover everyone. Purchasing can be adjusted to meeting the demand -- increased or decreased.

Manufacturing

Selecting a product for manufacturing is a major decision, and the problems are somewhat different from those for the retail business. Some important considerations are: (1) Where is the market? (2) What is the trend ,for your product in the present and future? (3) Is there enough capital for manufacturing and distribution? (4) Where is the supply for the raw materials? (5) Is the labor supply adequate? In manufacturing a product, it is better to start small and build as growth demands.

Franchising

If interested in franchising a product or service, reputable franchisers have established marketing policies that have proved successful. Before contracting for a franchise, check advantages and disadvantages.

LOCATION

An important decision for any business to make is location. Here many questions must be answered to make a sound judgment. When buying a business, the location is usually resolved but, if it is a new business, the owner has a choice.

Traffic Patterns

If the business relies on traffic for customers, such as retail stores which need both car and pedestrian traffic, a rough count can be made by observation. This should be done over a period of time, selecting different days of the week and different times of the day. Be sure to check with neighboring business people and other available sources. All businesses are not in need of heavy traffic e.g., antique shops, lumber yards, repair shops. People have a way of finding these.

Commercial Location

Small manufacturing plants, wholesale outlets, implement dealers and businesses of this type should check commercial sites within or outside the corporate city limits. Be sure to check city, county, or township zoning laws before a location is chosen.

Other Considerations

1. Parking is essential regardless of location.
2. Cheap rent is not always best because certain businesses flourish in the "high rent" district. It must be within the financial limits of the business, however.
3. Supporting features should be considered, such as transportation (bus, rail, truck), street lighting, fire and police protection, neighborhood stores, and access to the area.
4. The "visibility" of the retail outlet is important.

MARKET SIZE

Potential

When a new business is started, the market must be measured as to the potential for the product and/or service. If buying an established business, the same strategy must be developed, and the results can be checked against the seller's records. The seller may have misjudged the market size when he started the business.

The old saying, "You can't make money in business if the customers are not there", is the basic reason for measuring the market. When checking market size, '-check against the estimated volume for the product or service needed to make a profit.

Example: A man wants to open a third-shoe store in a town of 15,000. To measure the market for profit, he must project the volume needed against all expenses, fixed and others, including interest, debt, salaries, and the cost of merchandise sold. If the figures or break even point and opportunity for profit are not there, he should forget it. (This problem will be developed later under the financial step.)

Sources of Information

Many sources of information are available and should be used.

Banks -- Information can be obtained as to growth of the area by checking the banks' financial statements. Also get the banks' ideas concerning growth in the area and, in a general way, how related businesses are doing.

Census -- Check census figures for the past years as to growth or decline of population (available from the Bureau of . the Census in the U.S. Dept. of Commerce as well as from various local and state agencies). A census check in large population areas is a must.

Stable or Seasonal -- Is the product or service dependent upon local customers or tourist trade? If it is local, the product can be quite accurately measured for market size to determine potential success. Depending upon seasonal or tourist trade is more of a gamble. This is where the Chamber of Commerce and other sources are helpful in estimating the market size.

CUSTOMERS -- WHO ARE THEY?

Background

The education and background of the area is a yardstick that should be used in measuring the potential need for a product or service.

Ethnic Groups

A survey of the area will determine if this is an important consideration. The product or service must be directed to the group that populates the area.

Customers

A rule of thumb regarding customers is that 20-30% of the regular customers account for 70-80% of the sales. This does not apply to all business but it does highlight the importance of meeting the needs of the best customers.

Danger Signals to Watch For

1. Customers walk out without buying.
2. Old customers no longer return.
3. Few new customers come in.
4. Customers return more merchandise than normal.

MARKET SEGMENTATION (Mix)

Market segmentation is a decision that must be made in relation to the market place but is subject to change at all times.

Check

Surveys can constantly be made by observation of customers and their purchases. The segmentation theme always should be, "Do we have what the customer wants?" Sales records should be checked against inventory and compared with previous months and yearly sales.

Change

If sales in certain items are dropping off as shown by records, a change must be made. If new products are added, the area should be checked for competition. Newspapers and trade magazines can be reviewed for new lines that are compatible to the business.

Test

When a decision is made to change the mix, a small inventory of the new product is recommended to test the market. If it sells, more can be added providing the wholesaler has not tested the market with a small inventory. Example: When the hula-hoop was marketed, some stores purchased only a few. When the sales took off, replacements were not available at the wholesale level. The store that gambled on a large inventory made a good profit. However, this is the exception. The rule should be "to test the market before a large amount of money is committed."

Display

When new products are added, space is needed. For any new product, a prominent location in the store should be used for its promotion. This means taking space from something else and requires a considered decision. Normally, a proportion of products in a store are high markups: and correspondingly, others are lower markups. It is "good business" to set up the store so the-traffic pattern leads the customer through the high markup items to the low markup ones. Your success is determined by the "average sale".

Inventory

New products must be carefully purchased. Don't be influenced by the enthusiasm of the salesman. If the new product or products are changing the mix, consideration must be given to reducing the inventory of the replaced products through stock control and special sales.

A Thought

Two-thirds of all sales are generated from one-third of the products. If this estimate is reasonable, the one-third is the "bread and butter" of the business and the entrepreneur must give this important segment his constant attention. The other two-thirds of the products are related and are needed to enhance the image of the business. This group can be altered to improve sales by experimenting with the mix.

COMPETITION

Where is it and What is it?

Is it local? Nearby? Within driving distance? Shopping mall? Catalog sales? Large or small business? All these competitive possibilities must be considered when you look for your share of the potential market for product or service.

Survey

The best survey or check is an in-depth study of the entire area for competition. Sources of information would be Chambers of Commerce, city and county offices, even a visit with the competition. (It is surprising the information that may be offered.) Other important sources are the newspaper, radio, and TV. You need to know what is being offered and promoted by the competition. When a new business is started, you must expect the competition to change to meet the new threat. If your marketing strategies prove successful, the competition will probably adopt some of the same practices.

Need

Competition is not all bad. In some ways it helps to promote the product which helps everyone. Of course, there are limits, and this can be determined by a careful survey of the competition.

Big Business

If this is the competition, the small business has the advantage of being able to give more personal service and the "friendly touch" to offset the price factor.

Evaluation

How are you doing compared to the competition? Are you trying to operate in the market place like your competitors, or are you developing a uniqueness all your own something no one else has or does?

PROMOTION

Promotion is the vehicle used to promote growth, advertise products, and develop new customers. Creative ideas in promotion are always being sought. This takes many forms depending on the product and the store. In promotion, "cheap is not always good, nor is expensive always bad".

Sources

Ideas for promotion may be suggested by the supplier, trade magazines, competition, and the customers.

For Promotion

Local newspapers, radio, TV, signs, billboards, handbills and/or flyers are methods of promotion. Satisfied customers are best of all. Depending on the size of the business and territory that is served, the owner/manager must survey all types of advertising and choose the ones that return a profit on his advertising investment. Can this investment be checked to see if it is profitable? In many cases, it can.

Newspaper

Most small business people agree the greatest return for the investment is the local newspaper. This is probably true if the local business person directs the promotion to local customers:- A simple check for newspaper advertising is to use different size ads and check the increase in sales against the cost of the ads. If the percentage of gain in sales justifies the extra cost, "the promotion was profitable -- if not, take a second look and rethink your method or ad and also the product".

Short radio ads or TV spots may be profitable, but this type of promotion depends on the area, product, and the customer you cannot reach otherwise. If used, a regular check should be made as to sales and cost.

Cooperative promotion is sometimes available and should be used whenever possible. Some examples follow:

1. The supplier or manufacturer shares the cost of advertising, particularly if the product is being promoted at the national level.
2. Advertising in conjunction with some other related but not competitive business in the area.
3. A competitor might share an advertisement of a product provided the territories are widely separated.

Types of Advertising

Which will be more effective at a given time?

1. Creative -- Imaginative and novel methods of directing the attention of customers to the product. May attract the "emotional buyer".

2. Competitive -- Try to convince the customer that this product is the best one to buy and to buy now.
3. Directive -- May be informative and creating desire for the product. Directed to customers who will buy in the future.

Other Considerations

Do you know what can and cannot be said in ads? (Truth in advertising requirements)

Are the promotional efforts fairly regular?

Are they seasonal? ..

Do customers expect sales at certain times?

Word of Mouth

Word of mouth is probably the most important form of advertising. The satisfied customer is the basis of any successful business. This is what all distributors of products and/or services must develop to stay in business. It takes time but once developed, you have the best advertising that money can buy.

Surveys

Does the store or service really fit the customers? These questions and others must be constantly considered because of changes in buying habits, products, and mobility of people.

Survey ideas for the small business can be as follows:

1. Ask the customer. This can be helpful and may give you good ideas. Also, makes the customer feel important and part of the business
2. When people come into the store, especially new ones, ask how they heard about the store. Referred by a steady customer? Ads (newspapers, etc.)? Signs? Billboards? Exterior or window displays? These are all good checks and should be constantly used.
3. Other surveys can be by telephone, handbills, and a written questionnaire.

Cost

In starting a business, approximately 5% of the budget should be planned for advertising. Average cost per year for a small business is approximately 3%. These amounts will vary with the business and area and are given only as a "rule of thumb" to aid the counselor.