

# Marketing *A* Small Business

Alberta Economic Development and Tourism

## Foreword

*Marketing for Small Business* is designed to help you develop a marketing plan for your own small business.

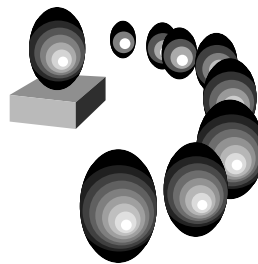
It is one in a series of guides which has been developed and published by Alberta Economic Development and Tourism (ED&T) to assist small business owner/operators in Alberta. The other guides are the following:

- Starting a Small Business
- Starting a Home-Based Business
- Managing a Small Business
- Recordkeeping for Small Business
- Financial Planning for Small Business

These publications are available at all ED&T offices listed in the back of this publication.

Before implementing your marketing plan, you may wish to consult with an accountant, lawyer, business mentor, business management or marketing consultant, government agency, educational institution, business or other association suitable to your type of business.

Various federal, provincial, and municipal agencies also provide counselling and advice on marketing a small business. Please check for services in your area.



*This Small Business Series is supported by Western Economic Diversification Canada (WD), the federal department responsible for leading and coordinating federal economic activities in western Canada. The business guides are available through WD's network of business services listed in the back of this publication.*

*Alberta Treasury Branches has also supported the production of this guide series. The guides are available at any of the Treasury Branch locations listed in the back of this publication.*

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# Table of Contents

<b>FOREWORD</b>	<b>2</b>
<b>TABLE OF CONTENTS</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>5</b>
The Importance of Marketing	5
Why Do a Marketing Plan?	5
How to Complete Your Marketing Plan	6
<b>ONE: ANALYZING YOUR BUSINESS</b>	<b>7</b>
What Business Are You Really In?	7
Developing a Mission Statement	7
Identifying Strengths and Weaknesses	8
Setting Company Goals	8
<i>Goals Checklist</i>	9
<b>TWO: ANALYZING THE MARKET</b>	<b>10</b>
Knowing Your Customers	10
<i>Defining Your Marketplace Advantage</i>	11
<i>Identifying Your Target Market</i>	11
<i>Building Customer Profiles</i>	11
<i>Segmenting the Market</i>	11
<i>Matching Market Segments with Your Product or Service</i>	12
<i>Identifying Your Market Niche</i>	13
<i>Customer Checklist</i>	13
Knowing Your Competition	13
<i>Collecting Information</i>	14
<i>Competition Checklist</i>	14
Estimating Your Market Share	15
Market Research	15
<i>Sources of Information</i>	16
<i>Market Surveys</i>	17
<i>Types of Market Surveys</i>	17
<i>Step-by-Step Market Research</i>	19
Overall Research and Analysis Checklist	20

Table of Contents (continued)

<b>THREE: STRATEGIC MARKET PLANNING</b>	<b>21</b>
Short and Long-term Planning	21
The Four P's: Product, Place, Price, Promotion	22
<i>Product</i>	22
<i>Place</i>	23
<i>Price</i>	24
<i>Promotion</i>	24
Company Image and Customer Relations	24
Strategies and Tactics	25
Strategies and Tactics Worksheet	26
<b>FOUR: PROMOTIONS AND ADVERTISING</b>	<b>27</b>
Determining Promotional Goals	27
Setting a Promotions Budget	27
Choosing Promotional Tools	28
<i>Advertising</i>	28
<i>Publicity and Public Relations</i>	31
<i>Sales Promotions and Specialty Advertising</i>	32
<i>Personal Selling</i>	33
Developing and Managing Your Promotion Action Plan	34
Promotional Mix Checklist	34
<b>FIVE: BUDGETING AND KEEPING TRACK</b>	<b>36</b>
Preparing Your Marketing Budget	36
<i>Company Goals</i>	36
<i>Percentage of Sales</i>	36
<i>Industry Averages</i>	36
<i>Forecasting</i>	36
Tracking and Evaluating Your Marketing Decisions	37
<b>APPENDIX A: MARKETING PLAN WORKBOOK</b>	<b>38</b>
<b>APPENDIX B: ALBERTA ECONOMIC DEVELOPMENT AND TOURISM OFFICES</b>	<b>40</b>

# Introduction

## The Importance of Marketing

Marketing is the general name given to all the actions you and your employees take that promote the sale of your product or service. Marketing affects everything about your business, including your company name and goals, your location, pricing, packaging, promotional activities, advertising, and sales techniques. Details including your business cards and the clothes you wear are part of your marketing.

Marketing is about building good relationships with customers. You will be able to keep the loyalty of your current customers and attract new ones if you do the following:

- Make customers aware of your product or service
- Supply them with what they want and need
- Provide good value, good service, and good follow-up, and do it better than anyone else

Whether you are in the service, retail, or manufacturing business, if you cannot present your product or service to the market (your customers) in a way that makes it more attractive than that of your competitors, your business has little chance of success.

Marketing, therefore, is vital to running a successful small business. Yet it is often neglected by small business owner/operators. Many say they do not have the time, the money, or the expertise to develop and implement a marketing plan.

## Why Do a Marketing Plan?

A marketing plan outlines everything you will do to market your business, in what order, and when. The time and effort spent developing your marketing plan is a good investment.

*An effective marketing plan does the following:*

- Identifies and explores the strengths and weaknesses of your company, its products, or services
- Examines, based on these strengths and weaknesses, the opportunities and threats that exist in the marketplace
- Forces you to focus on the needs of your customers and potential customers
- Allows you to anticipate and plan for changing market trends, consumer demands, and changes of your competitors
- Helps you reach company goals within your budget
- Forms an essential part of your business plan

## How to Complete Your Marketing Plan

This publication is designed to be a step-by-step guide to completing a marketing plan for your new or existing business. Each step comes with a list of either tasks for you to complete or questions for you to answer.

In *One*, you will define the business you are in, your goals for the company, and the company's strengths and weaknesses.

In *Two*, you will research and analyze the market, including market size and trends, and identify your customers and competitors.

In *Three*, you will develop marketing strategies and tactics to improve your market position and to meet your goals.

In *Four*, you will develop advertising and promotional strategies for your company and its product or service.

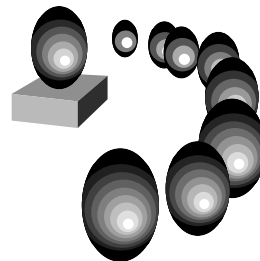
In *Five*, you will establish a marketing budget and a method of assessing the success of your marketing plan and strategies.

In *Appendix A*, you will find a Marketing Plan Workbook. This will help you draft a marketing plan for your own new or existing business.

*There are many other resources you can call on to help you complete your marketing plan. These include the following:*

- Employees and other trusted business associates
- Business and marketing consultants and other professionals
- The business sections of libraries and bookstores

Once you've developed and implemented a marketing plan, be sure to track the results. You will need to adapt your plan based on results achieved, new market trends and opportunities, and the activities of your competitors.



# ONE: Analyzing Your Business

Before you can develop an effective marketing plan for your business, you must know the answers to the following key questions:

- What business are you really in?
- What are the relative strengths and weaknesses of your company?
- What are the strengths and weaknesses of your products and services?
- What are your company's goals?

## What Business Are You Really In?

If you are already in business, you may think you know the answer to this question. However, many small (and not so small) businesses fail because their owner/operators do not clearly understand what business they are really pursuing and how they can best satisfy the needs of their customers.

Completing a detailed business plan is the best way of gaining a clear understanding of what your business is all about. For complete information on writing a business plan, refer to ED&T's *Starting a Small Business*.

## Developing a Mission Statement

A mission statement is a brief, clear statement which describes the purpose, key strengths, target customers, and long-term goals of your business.

For example, the mission statement of a local fresh pasta producer might be *“To prepare and provide the finest quality, all-natural pasta products, made without additives or preservatives, to individuals, restaurants and other organizations which choose to serve nutritious, delicious food.”*

*A company's mission statement can also serve as the following:*

- A declaration of the company's top priority
- A motivator for employees
- A pledge to customers
- A starting point for developing company goals
- A point of reference for marketing strategies

## Identifying Strengths and Weaknesses

When identifying the strengths and weaknesses of your company, it's important to consider all aspects of your business, including the following:

- Company image
- Products and services (including price)
- Benefits to customers
- The cost of producing these products and services
- Management skills
- Human resources
- Business location
- Facilities and equipment
- Financial situation, including financing, cash flow, and net profit

*For example, our pasta maker might have identified the following:*

Strengths	Weaknesses
Pasta product made from the highest quality, all-natural, organic ingredients	Lack of training for production staff
Excellent quality control standards and the latest equipment	No salespeople and no marketing plan
An excellent reputation with existing customers means positive word-of-mouth advertising	Consumers not aware of the health benefits of organically-produced, all-natural pasta

## Setting Company Goals

For company goals to be effective, they must be realistic, consistent, specific, and measurable within a certain period of time.

*The following are examples of effective and ineffective goals:*

**Unrealistic:** To be the leading pasta maker in Alberta.

**Realistic:** To increase market share in Edmonton by 10% within two years.

**Inconsistent:** To decrease management overhead and to increase managerial contact with customers.

**Consistent:** To decrease managerial overhead by 20% within three months and to increase sales personnel contacts with customers to twice annually.



## **TWO: Analyzing the Market**

Now that you have confirmed what business you're in, it's time to assess and plan your company's place (or potential place) in the market. There are two key components to understanding the market: knowing your customers and knowing your competitors. Market research will help you better understand both components.

Customer information and competitor information form an essential part of both your marketing plan and your overall business plan. For more information on developing a business plan, refer to ED&T's *Starting a Small Business*.

### **Knowing Your Customers**

A market, simply put, is a group of people with wants and needs, values, expectations, money to spend, and a willingness to spend it. They will exchange their money for products and services for one of three reasons:

- To satisfy basic needs
- To solve problems
- To make themselves (or someone else) feel good

You must know exactly who these people — your customers and potential customers — are; then you can give them what they want and need. This is the key to building a strong, profitable business.

*If you're selling to consumers, you need to know the following:*

- Where your customers, or potential customers, live
- Their age and gender
- Their occupation and level of education
- Their family size and description
- Their income (particularly their disposable income)
- Their consumer wants, needs, and current buying habits
- How they spend their leisure time

*If you're selling to another business, you need to know the following:*

- The type of industry and its location
- Its products, services, and annual sales volume
- The number of employees
- The specific needs of those who will use your product or service
- How purchasing decisions are made and who makes them
- Purchasing policy, including buying volume, seasonal buying patterns, and purchase orders

### Defining Your Marketplace Advantage

People become your customers when they believe your product or service is different and more beneficial than that of your competitors. Professional marketers call this your “differential”. To be successful, you must ensure that your customers know what your differential is. This is called “positioning”. Differential and positioning make up your competitive advantage.

For example, our pasta maker’s differential is that his products are fresh, better tasting, healthy, and made from organic ingredients. For his company to be successful, this essential difference from his competitors must be positioned clearly in the customers’ minds.

### Identifying Your Target Market

No business can be all things to all people. Also, promotion and advertising directed to all people— shotgun style— is cost prohibitive for small business. To build a strong and profitable company, you must identify specific groups of potential customers within your market area (your geographic area of doing business).

This is your target market. You should direct all your marketing efforts, including product design, pricing, advertising, and promotion, toward this target market.

Some business owners may feel uncomfortable with the concept of targeting, fearing they might choose the wrong target group and then see their sales decrease. Here’s where the 80/20 rule comes in: 80% of sales normally come from 20% of customers. Customers patronize companies which specialize, so it’s important to be a specialist and concentrate on the customers you can serve well.

For example, the target market for a local maternity clothing store is obviously pregnant women. But does the store sell high-fashion maternity clothes or inexpensive, practical maternity clothes? This will have a big effect on the business’ target market. A clear understanding of what this means will assist greatly in selecting promotional vehicles and advertising mediums (see also, *Advertising* in chapter Four)

### Building Customer Profiles

Customer profiles are simply descriptions of the common characteristics of the most likely buyers of your product or service. Customer profiles describe and define your target market.

### Segmenting the Market

Once you’ve defined your existing or prospective market area, you can divide it into segments based on potential customers, with similar characteristics. This is called market segmentation, and it will help you build your customer profiles.

Use any of the following methods, or any combination of these methods, to segment (divide) the market.

### **1. Customer Benefits and Behavior**

Ask yourself what people want and can get from your product or service. Ask yourself who is going to buy your product or service and why. Are they buying it primarily to feel good or to look good? Are they primarily concerned with convenience, easy access, or fast delivery? Is high quality of most importance to them. Are they more concerned with service or price?

### **2. Demographics**

You can also segment the market based on age, gender, education, income, marital status, number and age of children, and ethnic or religious background.

### **3. Psychographics**

*You can divide the market into segments based on the following:*

- Lifestyle: (for example) conservative, exciting, trendy, economical
- Social class: lower, middle, upper
- Opinion: (for example) followers or leaders, easily-led or opinionated
- Activities and interests: (for example) sports, physical fitness, shopping, books
- Attitudes and beliefs: (for example) environmentalists, the security-conscious

### **4. Geographic Variables**

*Within your overall market area, you can segment the market based on several geographic variables, such as*

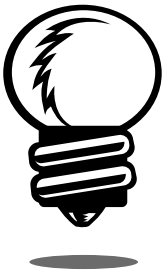
- The size of the country, region, or city which defines your overall market area
- Market density
- Urban, suburban, or rural
- Climate and terrain

## Matching Market Segments with Your Product or Service

Matching your product or service with the segment of the population that wants or needs it the most will help you define your target market. This matching is both a creative and a logical process.

*Here are a few tips:*

- Start with a wide range of possibilities
- Don't be too quick to exclude any groups
- Decide which market segments are the most realistic and promising (these are your most likely target markets)
- A test market survey can confirm just how realistic and promising each of these target markets actually is



### Identifying Your Market Niche

A niche is an even smaller segment of the market. Because you will most likely share your target market with your competitors, it's important to find, in the market, a niche that will allow you to serve customers in a way that no one else can or has. Your market research will help you identify possible niches based on product quality or uniqueness, service delivery, customer service, distribution, etc.

For example, our maternity store's market niche may be to supply fashionable yet comfortable maternity clothes to business women.

When you have identified your market niche, you can direct your marketing plan and strategies to serving and reaching this very specific group of people. Serving a market niche means thinking small to win big. But remember, your market niche must be large enough to support your business.

### Customer Checklist

1. What is your geographic market area?
2. In the eyes of your customers, what are the advantages and disadvantages of your product or service?
3. What are the important common characteristics of the people who make up your target market?
4. What is your market niche within your target market?



### Knowing Your Competition

Knowing who your competitors are, as well as their strengths and weaknesses, is an essential part of assessing the market for your product or service.

*Understanding your competitors will help you do the following:*

- Better understand your customers and potential customers
- Anticipate and effectively counter your competitor's moves and strategies
- Identify your strengths and weaknesses relative to those of your competitors
- Identify ways of improving your product or service
- Be aware of any new threats or challenges to your business
- Identify, or create, a market niche not being served by your competitors
- Predict market trends and estimate your future market share

Most businesses have direct and indirect competitors. For example, our pasta maker's direct competitors are other local fresh pasta makers and dry pasta manufacturers. His indirect competitors include other health food producers, as well as producers of rice, potatoes and fries.

### Collecting Information

Before you can analyze your competitors, you must collect information about them. You can acquire valuable information about your competitors by:

- Keeping individual competitor's files that contain ads, articles, brochures, newsletters, annual reports and other information about them
- Reading local newspaper ads and articles and scanning the classified ads
- Checking the Yellow Pages for basic information
- Visiting the stores of your competitors
- Buying and testing their products and services



### Competition Checklist

Getting to know your competitors in a way that will benefit your business means knowing the answers to the following questions.

1. Who are your direct and indirect competitors?
2. What are their products and services, and what makes them different from each other?
3. Are they successful? What is their market share and is it increasing or decreasing?
4. Do they offer a broad or narrow range of products and services?
5. Do they target a specific segment of the market?
6. Is their profit based on quality or volume of sales?
7. What is their average selling price and profit margin?
8. Do consumers think their prices are low, high, or just right?
9. How often do they offer discounts and what kind?
10. How much do they spend on advertising?
11. Where and when do they advertise?
12. What types of special promotions do they use?
13. Is their product or service known by its brand name?
14. How large is their sales force?
15. Where are they located?
16. What is their distribution method? (Do they use brokers, agents, wholesalers, salespeople, direct marketing?)
17. What are their overall strengths?
18. What are their overall weaknesses?

## Estimating Your Market Share

With a clearer understanding of both your customers and your competition, you can more accurately estimate your market share. If you have an existing business, your market share is simply your portion of the total market for your product or service, usually expressed as a percentage of total sales.

*If you are starting a new business or launching a new product or service, estimating your market share involves three main steps:*

**First**, estimate the total market (total sales in dollars) for your product or service in your market area.

**Second**, consider your competitors and how much of the total market each competitor has now.

**Third**, decide on a figure for your market share.

Your goals may be to take part of your competitors' market share, expand the market, or develop a different market. Keep these goals in mind when you estimate what portion of the total market your business expects to secure.

Market share estimates are valuable because they establish clear, measurable goals for company performance, are often used in budget projections, and are of great interest to potential investors and lenders.

## Market Research

Market research is an organized, ongoing way of gathering information to help your business to be successful. It is an essential part of understanding both customers and competitors. It is an important step in starting any new small business. It is also an important tool to help existing businesses solve problems and take advantage of opportunities as they arise.

*Market research focuses and organizes marketing information. It is not an exact science, but does allow you to:*

- Gather information in an orderly, objective way to help you make more informed business decisions
- Determine how things really are, not how you think they are or should be
- Find out what people want to buy, not just what you want to sell them
- Reduce business risks by spotting problems and potential problems in your current market
- Identify and profit from sales opportunities
- Target your marketing plans to specific problem areas or opportunities

### Sources of Information

#### ***Internal Sources***

Doing market research (gathering information) does not need to be expensive. Your business has many internal sources of valuable market information.

*Before looking at outside sources of information, make sure you:*

1. Examine company records, including sales records, sales receipts and customer complaints that will help you determine where your customers live and work and how and what they buy.
2. Ask your employees about customer likes and dislikes, complaints, and product or service requests your company cannot presently meet.
3. When in contact with customers, ask them about their likes and dislikes and how you can serve them better.

#### ***External Sources***

When you need more detailed market information, you will have to turn to outside sources. There are two main ways of acquiring outside market research information.

**Primary research** involves acquiring first-hand information directly yourself, and **secondary research** involves acquiring already existing information, usually prepared and published by other sources. Secondary information is usually easier, cheaper and less time consuming to acquire. In most cases, it is advisable to obtain readily available information first and then supplement it by obtaining original information about your customer's patterns of behaviour if necessary.

*Sources of secondary information:*

- Statistics Canada
- Other government publications
- Trade magazines and journals associated with your type of business
- Newspapers and magazines
- Chambers of Commerce
- Competitors' annual reports and other literature
- Libraries and resource centres
- Books on the industry.

*Sources of primary information:*

- Telephone and personal interviews
- Mail questionnaires
- Focus groups

- Test marketing
- Observations of consumers and competitors
- Distributors, retailers, agents, brokers
- Professional consultants.

### Market Surveys

You may want to gather market information by doing a market survey which asks questions of potential customers so that the answers guide business decisions. Market surveys are used by existing businesses to get information about their customers, what they like or don't like about the product or service, and how the company can better meet their needs. New businesses use market surveys to test market reaction to a new product or service.

If you have thousands of potential customers, it is too costly and time-consuming to question all of them. Instead, you will have to take a random sample. While individual responses will vary, you can assume that the average response for the sample group will generally be true for the entire group as well.

Designing a market survey can be challenging. The most effective questions have these things in common: they use ordinary language; they are clear, concise, and relatively short; they are straightforward, fair and unbiased. Personal questions, such as age or income, are less likely to offend participants if they appear towards the end of the questionnaire.

You can design and carry out market surveys yourself, although this aspect of your market research may best be left to professional market research experts, who know the right questions to ask and how to ask them to get the most useful information. Alternatively, you could ask nearby colleges or university business schools for help.

### *Types of Market Surveys*

Personal interviews, telephone interviews, mail-out questionnaires, focus groups, and test marketing are all types of market surveys. You can decide to use any one of these methods, or any combination of them, to meet your specific needs.

*Before you decide which type of market survey to use, consider the following:*

1. Personal interviews are generally effective and give more detailed results, but are time-consuming. If you conduct the interviews yourself, people may not want to hurt your feelings and may respond the way they think you "expect" them to answer.
2. Both telephone interviews and mail-out questionnaires are less expensive than personal interviews, although the answers may not have as much depth or detail.

3. The rate of return of completed mail-out questionnaires is generally low, usually between three and 25 per cent.
4. Focus groups are in-depth group interviews with about six to 12 people who have been invited to discuss your product or service. Focus groups last about two hours and are conducted by an experienced moderator who asks prepared questions.
5. Test market surveys are used to determine the market potential of new products. Depending on the test marketing results, the product may need to be changed or improved before going into full production.

### ***Test Marketing Survey***

Take a sample of your product or a description of your services to at least 20 people. The larger the sample size is, the better results it will yield. Use people who will be honest and NOT only say what they think you want to hear. If you have a target market in mind, make sure they are represented in your sample.

What are their first reactions? If most of them like the product or service, and would be willing to pay for it, you may be on the right track.

*Ask questions such as these:*

- would you buy this product or service? Rank them *definitely, maybe, no*
- would you be more likely to buy it if changes were made to it? What changes?
- do you buy a similar product or service now? Are you satisfied with it? What problems do you experience with the present product or service?
- how much do you pay now?
- how much would you be willing to pay?
- how many times per year would you buy this product or service?

Add other questions specific to your product or service.

Collect demographic data (age range, occupation, marital status, address, education, income level) so you can build a customer profile later.

Analyze the information to identify any trends. Note especially the range of answers regarding what potential customers would pay for your product or service. This will help you to establish a price and, ultimately, to know whether sales at this price will produce a profit and make your idea worth pursuing.

How many people will buy your product or service? Presuming your sample is a reliable indicator, add the number of people who would “definitely” buy it and one half of the “maybe’s”. If this number is only 50% of your total sample, your chance of success is marginal. An acceptance of 85% is ideal. If less than 50% would buy your product or service, you should either reconsider pursuing your venture or be prepared to change your product or service. If you aren’t satisfied with the results of your small sample survey, you can resample or contract a professional agency to sample larger numbers of people in a wider geographic area.



## Step-by-Step Market Research

### ***Step One: Setting Terms of Reference***

At this stage, it is important that you clearly define why you are doing the market research. This involves identifying the following:

- The specific problem or opportunity you want to address in your market research
- Your objectives: the facts and information you wish to acquire
- What business and marketing decisions you wish to make based on the results of your market research

### ***Step Two: Choosing the Method, Time and Budget***

Most successful companies regularly plan, schedule, and budget for market research as part of company operations. Specific research is often done before major marketing decisions are made or after an advertising campaign, to measure results. The method of market research you choose should be based on what you need to find out, how much detail you need, and how much time and money is available to complete the research.

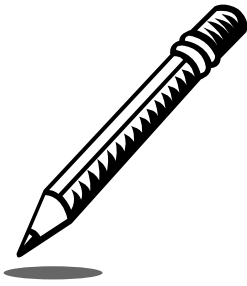
### ***Step Three: Collecting the Information***

Once you have chosen the methods you will use to complete your market research, go ahead and collect the information. Be flexible. If you are not getting the information you need, change your research methods, and adjust your timelines and budget accordingly.

### ***Step Four: Analyzing the Information***

Look at all the information you have collected from every source; then answer the following questions:

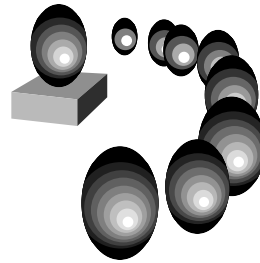
- Do you have enough information to make knowledgeable decisions?
- If not, what information is missing?
- Are there any contradictions or inconsistencies that need further clarification?
- What conclusions can you draw from the results?
- What business decisions can you make based on these conclusions?



## Overall Research and Analysis Checklist

Congratulations! You've completed the analysis and research stages of developing a marketing plan. But before you move on, complete the following brief checklist. If you can honestly answer "yes" to the following questions, then you're fully prepared to tackle the actual strategic planning stages of your marketing plan.

	Yes	No
1. I clearly understand what business I am in and what I am really selling.	<input type="checkbox"/>	<input type="checkbox"/>
2. I know the strengths, weaknesses, and goals of my company.	<input type="checkbox"/>	<input type="checkbox"/>
3. I know my target market. I know who my customers and potential customers are, and I understand what motivates them to buy (or not to buy) my product or service.	<input type="checkbox"/>	<input type="checkbox"/>
3. I know who my competitors are and their relative strengths and weaknesses.	<input type="checkbox"/>	<input type="checkbox"/>
4. I feel that I have done enough market research.	<input type="checkbox"/>	<input type="checkbox"/>
5. I found answers to my research questions.	<input type="checkbox"/>	<input type="checkbox"/>



# THREE: Strategic Market Planning

## Short and Long-term Planning

Now that you have completed your market research and analysis and understand your company's present (or future) place in the market, it's time to complete the actual planning and implementation stages of your marketing plan.

*There are two types of strategic market planning:*

1. **Long-term market planning** sets out to achieve the long-term goals of your company through regularly-scheduled day-to-day business operations and marketing activities. Long-term marketing activities are ongoing, and they encompass all aspects of your organization. If you are starting a new business, comprehensive, long-term market planning will form an essential part of your business plan.
2. **Short-term market planning** is the process of setting specific goals and developing specific action plans (marketing strategies) as well as tactics to meet these goals. Specific, short-term marketing strategies and tactics are often developed by existing businesses in direct response to something unexpected or new in the marketplace. For clarification of these terms and examples, see the *Strategies and Tactics* section later in this chapter.

*New or unexpected events in the marketplace might include the following:*

- One of your competitors is either introducing a new product into the marketplace or making major improvements to an existing product or service
- You're introducing a new product or service into the marketplace
- Your sales and your market share are decreasing
- You've identified a new market, or new market niche, for your product or service
- Customer complaints have been increasing
- Economic recession and layoffs in your market area have made your product or service too expensive
- A change in government regulations is affecting your industry

Both types of strategic market planning focus on your company's strengths and your competitors' weaknesses. Both are designed to produce the same results: to help you outperform your competitors, to improve your market position, and to increase sales and profits for your company.

## **The Four P's: Product, Place, Price, Promotion**

### **Product**

The product or service you sell is the core of your business and the key to its success. It is critical that you develop your product or service in order to meet the needs of your target market. Regularly compare your product or services to that of your competitors. Take note of customer feedback (both compliments and complaints). Always be looking for ways to improve your product or service in areas such as design, quality, packaging, and presentation.

#### ***Product Life Cycle***

Products, not unlike people, have life cycles. They move from birth through a period of growth to maturity, then level off somewhat before declining towards death. Be aware of the stage of a product in its life cycle before proceeding with production. Some products have a short life cycle (pet rocks, hoola hoops), while others enjoy a more prolonged life.

#### ***Five stages:***

1. **Introduction:** At the launching of your product, the challenge is general lack of awareness of the product and its features. Promotional emphasis will be on getting people to try the product. Sales will rise slowly, and costs will be high.
2. **Growth:** The product gains acceptance, sales rise rapidly, and a flood of competitors enter the market. Prices probably fall, which translates into even higher sales.
3. **Maturity:** Sales growth begins to decline, and competitors modify their products, stressing design and style. Model changes become more frequent. Smaller firms fall by the wayside at this stage, overcome by larger, higher volume dealers who can offer lower prices and better service.
4. **Saturation:** Sales level off as most people who want the product have it. Selling costs increase.
5. **Obsolescence:** Sales drop off, never to regain their former levels. Prices are cut and advertising is reduced considerably. Many firms drop the product.



You can use this information to adjust your marketing mix, matching it to the stage of the product's life cycle. This will help you to compete effectively and maximize profits. You can also differentiate your product through design changes which extend its life cycle or even start it on a new cycle.

### Place

For many businesses, the **location** is also a factor which can dramatically affect its success.

When choosing a location, make sure it satisfies the following requirements:

- Is convenient and accessible to customers, suppliers, and staff
- Suits your company's image
- Meets your business needs and is affordable

For more specific information on choosing the proper location for your business, refer to ED&T's *Managing a Small Business*.

### ***Distribution***

The location you choose will greatly affect how you will distribute your product or service to your customers. At the same time, you may be in a business where location is not as important as having an efficient distribution system. Is your distribution system fast and reliable? Does it meet the needs of you customers? Are special distribution methods, such as exhibitions, trade shows, or mail order services, effective for your product or service?

*Manufacturers, in particular, are concerned with physically distributing their products to ultimate users. Channels to be used are the following:*

- Direct channel: goods move directly from the manufacturer to the consumer. To effectively achieve this, the manufacturer requires a direct sales force (door-to-door, for example), catalogue sales, or electronic sales campaigns.
- One-stage channel: products move from the manufacturer to the customer through retail outlets. The manufacturer may own the retailers (e.g. Firestone), but this is uncommon.
- Traditional channel: products move from manufacturer to wholesaler to retailer to consumer. This is the most common method of distribution.
- All-aboard channel: this approach includes an agent acting as intermediary between the manufacturer and the wholesaler.

Middlemen are used because of their expertise in marketing and distribution. This approach also allows the manufacturer to focus staff and other resources on manufacturing the product. At the same time, each partner in the distribution approach you choose will require compensation, which will affect both the price you can set at the end of manufacturing and the ultimate price for the consumer.



### Price

The selling price you set for your product or service is one of the most important marketing decisions you must make.

*Before setting prices, consider these factors:*

- What does it cost to produce your product or service?
- What is your break-even point (when revenues equal expenses)?
- What are your profit goals? What kind of return do you want on your investment?
- What prices are your competitors charging?
- Is there a high or low demand for your product or service?

Once you've set your base price, be aware that it will have a direct impact on your sales volume and revenue, your market share and competitive position, and your company image.

If your customers react negatively (or positively) to your pricing decision, you can adjust it accordingly.

*You may also want to adjust your base price in order to do the following:*

- Attract new clients
- Encourage volume sales
- Encourage off-season sales
- Offer student or senior discounts
- Support a special advertising or promotional campaign

For more complete information on setting prices, refer to ED&T's *Managing a Small Business*. Your accountant or business consultant can also help you through this sometimes complicated process.

### Promotion

This broad marketing tool includes a wide range of elements, including advertising, public relations and publicity, sales promotions, and personal selling. See chapter *Four: Promotions and Advertising* for more detail.

### **Company Image and Customer Relations**

All of your marketing methods and strategies are designed to present a positive image and to improve your relationship with your customers. In all your customer relations,

remember that a positive image takes time to build, but a negative image or perception can develop quickly and be hard to overcome.

*Your company image is based on your customers' perceptions about the following:*

- Price and quality of your product or service
- Place (location), appearance (including signs), and convenience (including parking) of your store or office
- Product packaging and presentation
- Promotional and advertising campaigns
- Appearance of your business cards, stationery, etc.
- Personal, telephone, or written contact with you and your employees. This includes your appearance and attitude
- Customer service, including delivery, warranties, follow-up service, and convenient repair service

There is a great deal of written material, as well as several training programs, such as ALBERTA BEST, which can help you establish your own customer service program. For more information regarding ALBERTA BEST customer service training in your area, contact the Alberta Tourism Education Council.

## Strategies and Tactics

Strategies and tactics can help your company do the following: secure a place in the market, improve its long-term market position, or respond to a particular challenge or opportunity. A marketing strategy is an idea or approach that will help you achieve a particular marketing goal. A tactic is a specific, concrete activity undertaken to make a strategy work.

Strategies and tactics should be based on specific, measurable goals and should be easily adaptable to changing circumstances, particularly the actions of your customers and your competitors.

### *Example One*

***Situation:***

A recession and layoffs in the market area for our maternity clothing store have made its products too expensive for the usual customers.

***Goal:***

Maintain sales level and market share.

***Strategy:***

Lower product prices to consumers.

***Tactics:***

Conduct a sale; lower overhead costs by reducing staff; introduce lower-cost maternity wear to the store.

### *Example Two*

**Situation:**

One of the major competitors of our pasta maker is going out of business.

**Goal:**

Increase his market share by 20%.

**Strategy:**

Aggressively pursue his competitor's customers.

**Tactics:**

Embark on an advertising campaign incorporating introductory coupons.

### *Example Three*

**Situation:**

A small manufacturer's market share has been decreasing because her competitors have made major product improvements.

**Goal:**

Restore her market share.

**Strategy:**

Invest in improving her product and introducing new product lines.

**Tactic:**

Do market research, develop a prototype and test market it.



## Strategies and Tactics Worksheet

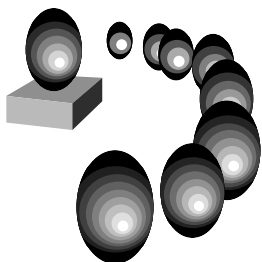
1. What are your company's long-term marketing goals, in order of priority?
2. What are its short-term marketing goals, in order of priority?
3. Potential strategies and tactics:

Strategy 1: \_\_\_\_\_

Tactic 1: \_\_\_\_\_

Strategy 2: \_\_\_\_\_

Tactic 2: \_\_\_\_\_



4. Identify any market trends which will require you to rethink and adapt your marketing strategy.

## **FOUR: Promotions and Advertising**

Promotions are a key part of your company's marketing program. Promotions, including advertising, are your way of communicating your message directly to your target market.

How and where to promote your company and its product or service are decisions that will influence your budget, your work schedule, your company's image, your company's success in the marketplace, and, ultimately, its very survival.

Some businesses hire professional marketers or advertising agents to coordinate and plan promotional and advertising activities. Advertising representatives from radio, newspapers, and other media might also be of assistance.

*There are four essential steps to developing a promotion plan:*

- Determine your promotional goals
- Set a promotions budget
- Choose promotional tools
- Develop and manage your action plan

### **Determining Promotional Goals**

Because promotion is an integral part of your overall marketing strategy, your promotional and advertising goals, strategies, and actions must be integrated with the company's overall marketing goals and strategies.

*Promotional goals might include the following:*

- Increasing sales to current customers
- Taking advantage of a new market
- Changing your business image.
- Announcing a new product, service, or location
- Publicizing your role in the community

### **Setting a Promotions Budget**

Successful businesses recognize that promotion is a regular, ongoing activity and a necessary cost of doing business. Build it into your business plan and budget projections like any other cost. If and when the unexpected happens and you must respond to changes in the market, be prepared to increase your promotional budget. Some companies plan for this unexpected cost in their regular promotion budgeting.

### **Choosing Promotional Tools**

Once you know what your promotional and marketing goals are and how much money you have to spend, you must choose from several promotional tools, or channels, to help you achieve your goals. The combination of promotional channels you decide to use is sometimes referred to as your company's *promotional mix* and can include the following:

### **Advertising**

*The purpose of paid advertising is to communicate the following information to potential customers (your target market):*

- Benefits of your product or service
- Location where, and at what price, they can buy your product or service
- Positive image of your company

*Media advertising:* depending on your goals and your budget, you can choose from a wide variety of media, including newspapers, magazines, local and national television, radio, Yellow Pages, billboards, and your local community cable channel.

*Direct mail advertising* bypasses the media and communicates directly with potential customers. Direct mail includes letters, newsletters, postcards, brochures, and flyers.

***Comparison of Advertising Mediums***

<b>Medium</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Television:</b> national & local	Creative & persuasive. Large audience. Can target groups, e.g. children.	High cost. Short exposure. Competing with other ads for attention.
<b>Cable TV</b>	Lower cost. Can target area and audience, e.g. ethnic programs.	Limited audience. No statistics on viewers to calculate cost-benefit.
<b>Radio</b>	Can reach a wide area. Can target e.g. youth market.	Somewhat limited audience.
<b>Video/audio cassettes</b>	Can provide more information. Very targeted. Customer less intimidated; can review at leisure.	Higher cost (video). Still need to connect with consumer to interest.
<b>Daily newspapers</b>	Large audience. Can target timing.	Short life. No targeting. Competing with other ads. Higher cost.
<b>Weekly newspapers</b>	Good local coverage in smaller communities. Relatively low cost.	Short life. Less coverage in larger communities.
<b>Magazines</b>	Longer life. Multiplier effect. Good ability to target groups.	Not very flexible: long lead time needed for preparation.
<b>Direct Mail</b>	Flexible timing. Very good targeting. Can be personalized.	High disposal rate. Some audience hostility. Competing with many other direct mail pieces.
<b>Coupons</b>	Attract first-time customers.	High cost of production & distribution.
<b>Brochure</b>	Colour helps image. Possible lasting value. More info. may help close sale. Possible multiplier.	Moderate cost. Material can become dated. Often thrown away.
<b>Newsletters</b>	Relatively low cost. Can target. Less resistance than direct mailers.	Same as direct mail: getting consumers to read.
<b>Catalogues</b>	Very targeted. Encourages repeat customers.	Need to develop & maintain effective mailing list. Relative high cost per unit.

## Promotions and Advertising

<b>Sign</b>	Visual impact attracts attention. Longer life. Good for image.	Can be costly. Not flexible. Short exposure. Effectiveness depends on location, size, ease of reading by passing traffic.
<b>Billboard</b>	Longer life for repeat exposure. Good for corporate image	Message must be short. Location is important.
<b>Posters</b>	Appealing to eye. Good for image.	High cost. Finding places to post. Willingness of walking traffic to stop & read. Competition with other posters. Short lifespan. Vandalism.
<b>Transit:</b> interior & exterior	Captive audience. Repeat exposure.	Exterior: short exposure.
<b>Yellow pages blue book</b>	Long life. Users normally potential buyers. Good for specialized services.	Limited size and content. Relative high cost. Restricted to active shopper.
<b>Computer on-line</b>	Low cost. World-wide market potential. Targets computer browsers.	Limited users yet. More future-oriented.
<b>Consumer &amp; trade shows</b>	Good for targeting. Access to volume walking traffic.	Time consuming. Booth & staffing can be expensive. Challenge: getting people to stop and talk.

The most effective advertising brings in the most sales for the least amount of money spent. You can make your advertising more effective by doing the following:

*Planning your advertising.* Advertising is usually more effective when it is consistent and when it appears in more than one place. For example, you may want to run both radio and newspaper ads for better coverage. All your advertising should be written and designed with the same message, focus, ideas, and themes. You may want to enlist professional advertising people to write your ad copy and design your ads. This may also be a service that is provided by the media from whom you purchase advertising.

*Planning and evaluating every ad.* Your ads should convey a clear message and be simple, uncluttered and original. They should include your business name, address, phone number and logo. Also make sure that each ad will do the following:

- grab the reader's attention with a strong headline
- interest the reader in the benefits of your product, service, or store
- provide an incentive to buy (low price, improved quality, etc.)
- set a deadline for the reader to take action

*Using cooperative advertising.* Investing in joint advertising with other businesses is an effective way of getting your message out to your target audience at a reduced cost. Joint advertising with other businesses in the same location or mall or with the manufacturer of products you sell is also an option.

*Evaluating results.* Compare sales before, during and after your advertising campaigns. If the goal of your advertising is to sell more products or services, you will measure success through increased sales. If it is to promote your corporate image, sales may increase more slowly over time. Remember that one ad presented one time is not enough; it takes repetition to get through to customers.

*Keeping records.* Keep copies of all your advertisements and document such details as when you ran the ad, time of day, day of the week, weather conditions, economic conditions, and so on.

*Evaluating your competitors' ads.* Keep a file on each competitor, and track what your present and potential customers are seeing and hearing from them every day.

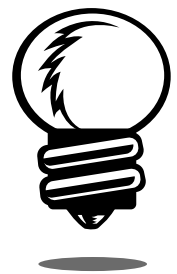
## Publicity and Public Relations

Publicity is free promotion. Newspapers, magazines, trade journals, radio, and television are always looking for newsworthy public interest stories. Think about activities or potential activities of your company that might both be newsworthy and improve your public relations.

*For example, it is potentially newsworthy if your company is doing the following:*

- Awarding or receiving a prize
- Marketing a unique product or service
- Opening a new store or factory, therefore increasing employment
- Offering unique employee performance incentives
- Doing special or particularly valuable community work

Positive publicity gives potential customers a favourable image of your company. Contact your local editors and news directors, and tell them what you're doing. You might write a general interest article. Newspapers frequently need general interest material as "filler". Remember, however, that you have no control over the media. What they choose to cover and how they choose to cover it is entirely up to them.



### Sales Promotions and Specialty Advertising

Sales promotions are short-term promotional offers, such as reduced prices or more value or product for the same price. The following are typical promotional offers:

- Two for the price of one
- 50% off everything in the store
- Pay no GST
- Be eligible to win a prize with any purchase

Sales promotions are used to get a quick response from consumers, to promote impulse buying, and to increase awareness of your company and its products and services. Running several promotions at once is effective for companies launching new products or services.

*Sales promotions include the following:*

**Samples** are free gifts of your product. These are often given by manufacturers to encourage consumers to try new products. Giving free samples to business buyers can stimulate the trial use of your product or service.

**Coupons** are usually inserts or clip-outs offering discounts which are redeemed by consumers when they purchase your product or service. Coupons are used to stimulate sales, and they encourage people to pay more attention to your advertising.

**Contests** are designed to either increase the number of potential customers visiting your location or increase customer awareness of your product(s). Consumers will often try new products or make repeat purchases if they have a chance at winning cash, merchandise, or free trips. Be sure to check with your lawyer for legal restrictions.

**Trade shows** include both trade-only shows for commercial buyers and consumer shows for the public. Trade shows are used to test new products, generate new sales, establish contacts, and keep in touch with existing customers.

**Point of Purchase (P.O.P.) Displays** In-store product displays (usually at reduced prices) draw attention to new products and merchandise, highlight existing stock in new ways, and encourage consumers to stock up on products they already buy.

**Specialty Advertising** Advertising specialties are gifts for your consumers which show your name and logo, and usually your address, phone number, and slogan. They are used to create and maintain consumer awareness of your company, as well as its products or service. Such gifts might include calendars, pens and pencils, key chains, scratch pads, and matches, as well as other novelty items.

### Personal Selling

Personal selling (sometimes called the original promotional tool) remains perhaps the most important element of promotion. Types of selling include retail, wholesale, industrial, door-to-door, telemarketing, and manufacturer's representative or agent. Successful personal selling is based on both the quality of your product or service and the quality of your sales staff.

*Training salespeople is a vital part of your personal selling strategy, and it involves the following three components:*

#### ***Information***

Your salespeople need to know about the company they are representing and its goals as well as the most attractive features (or selling points) of your product or service. They also need to know your target market, customer needs and preferences, and the strengths and weaknesses of your competitors.

#### ***Personal Appearance and Attitude***

Your sales staff should always be neat and well-groomed, and they should wear what your typical customers wear. For example, the person selling blue jeans should wear blue jeans, and the person calling on executives should dress like an executive.

The grammar, language and expressions of your sales staff must also be suitable to your target market. For example, sales people in a snowboard or skateboard shop must be able to communicate with their young customers; fine furniture salespeople must reflect the language and tone of their customers as well.

#### ***Sales techniques***

*Demonstrate and have your salespeople practice how to do the following:*

- acknowledge and greet the customer
- ask questions and determine needs
- negotiate and close the sale
- handle objections and complaints

Knowledgeable, trained salespeople are a tremendous asset to your business. Besides representing your company and selling your product or service, they can help you collect and analyze the market and develop new and innovative promotional and advertising strategies.

## **Developing and Managing Your Promotion Action Plan**

Once you've decided which promotional tools you will use in your promotional mix, you must develop an action plan that includes timelines. Plan carefully what you intend to do, as well as how, when, and who will do it.

Make sure your promotion plan is consistent with your overall marketing goals and activities. For advice and assistance in developing your promotion plan, contact any office of *ED&T*.

For your promotion plan to be successful, you must carefully manage and track every part of it. Buy a large calendar and block off key promotional activities and key advertising times. Resist the temptation to cut your promotional budget in response to a market slow down or a drop in your sales and profits. Remember that advertising and promotion are essential if you want to maintain your market position.

If you do not feel as if you have the time or the expertise to manage your promotional activities, you can hire professionals to do it for you. If you're assigning promotion and advertising responsibilities to another member of your staff, make sure you share the same vision.

### ***Measuring Results***

To enable you to better plan future marketing and promotional activities, it's important to understand what worked, what didn't work and why. There are several ways of measuring success:

- Sales increased, and by how much
- Marketing and promotional goals met
- Reaction from your customers

### **Promotional Mix Checklist**

1. What are your promotional goals?

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2. How much of your budget will you commit to promotion and advertising this year? In the next five years?

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3. How much of your promotions budget can you assign to each promotional tactic, and is it enough to achieve your desired results?

4. Which promotional tactics reach your target market most effectively and at the least cost?

5. What special features of your business should you promote?

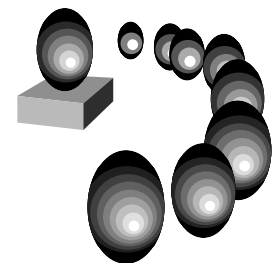
6. Should promotions be concentrated at certain times of the day, month, or year?

7. How do your present customers find out about your business? (Advertising, personal sales calls, brand awareness, referral, walk-in, direct mailings, sales promotion, or word-of-mouth?)

8. What messages should be sent to your target markets? How will these messages set you apart from your competition?

9. Are your advertising messages clear, concise, simple, and consistent? Do they describe benefits for customers, and do they give your address and phone number?

10. What training do you offer salespeople? How do you evaluate their performance?



## **FIVE: Budgeting and Keeping Track**

### **Preparing Your Marketing Budget**

Prepare your marketing budget as carefully as you prepare your overall company budget. Make sure you consider the size and type of your business, company resources and financial situation, marketing goals, and target markets.

Small companies usually base their marketing budget on one, or a combination, of the following approaches.

#### **Company Goals**

Decide on an action plan to meet your marketing goals, and then decide how much money you will need to make it happen. This approach emphasizes the importance of thinking through your marketing plan. It recognizes that marketing expenditures are a necessary company investment that will help secure the company's future success. This approach can be inexact, however, because many of the expenses must be estimated.

#### **Percentage of Sales**

Base your marketing budget on a percentage of current or projected sales. In retailing, for example, most stores spend between 1% and 7% of total sales on advertising. While this method is simple, it is also inflexible, and not based on your company's actual marketing needs.

#### **Industry Averages**

Base your marketing budget on what the industry is spending as a whole or on what your specific competitors are spending. Industry averages can be obtained from market research, trade associations, etc., and are usually expressed as a percentage of total sales. This is a defensible budgeting approach because it recognizes and responds to what your competition is doing. It does not, however, consider your company's marketing goals or special requirements. It is also based on historical information and is not a reliable guide for reaching new markets.

#### **Forecasting**

To make sure that your marketing budget makes economic sense, you must take into account projected sales, costs, and profits. These figures make up part of your financial statement and should be estimated and analyzed carefully. If your cash flow forecasts show that you may not have enough funds to meet all your marketing goals, list your goals in order of priority and then divide the marketing budget accordingly.

## Tracking and Evaluating Your Marketing Decisions

Tracking and evaluating your company's marketing plans and actions should be done at least once a year, as well as after any specific marketing initiatives you undertake.

This will help you:

- Identify problem areas
- Keep up with marketplace changes
- Spot weaknesses in your marketing program
- Spend marketing dollars more effectively
- Recognize ineffective or outdated strategies
- Amend unrealistic or conflicting goals
- Anticipate future opportunities and problems

*Monitoring and evaluating your marketing program involves four stages:*

**Stage 1** - Find out what happened to your sales during and after your sales promotions and advertising.

**Stage 2** - Compare actual results to your marketing goals and budget. Did your advertising and promotional activities produce the desired results?

**Stage 3** - Find out what worked and didn't work. Determine what specific factors in your marketing program accounted for or contributed to which marketing results.

**Stage 4** - Make changes to improve results. Make the necessary adjustments to your overall marketing plan and your promotional and advertising strategies. Treat your promotions effort as a "work in progress", and be prepared to continuously update it to reflect results and new information.





## **APPENDIX A: Marketing Plan Workbook**

### **Your Company**

1. What is the key idea or concept behind your business?
2. What products or services do (or will) you sell?
3. What are your company's strengths and weaknesses?
4. What are your company's major goals?

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### **Your Customers**

5. What is your target market? Who are your primary customers and what are they like?
6. Why do (or will) customers buy your product or service?
7. How can you encourage them to buy more of your product or service?
8. What is your company's current or projected market share?
9. What warranties, guarantees, and special services do you provide for your customers?

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### **Your Competition**

10. Who are your major competitors?
11. What are their major strengths and weaknesses?
12. Why do consumers buy their product or service?
13. Is their share of the market increasing or decreasing?

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## Location

14. Why did you choose your present business location?
15. Does your location meet the needs of your customers, suppliers, and staff?
16. Does your location suit your company image?

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## Price

17. How do you set product or service prices?
18. How do these prices compare with your competitors?

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## Promotion

19. How do (or will) you sell your product or service
20. What is your primary message to your customers and potential customers?
21. What image do you want customers and potential customers to have of your business?
22. What media do (or will) you use to advertise? Why?
23. What direct mail advertising methods do (or will) you use? Why?
24. What sales promotions and publicity methods do (or will) you use? Why?
25. How do (or will) you train and encourage your sales staff?
26. What is your promotional and advertising budget, and how was it determined?
27. What methods do you use to monitor and evaluate your marketing program?

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