



# UNIT-3

## Creating a Marketing Strategy

### Learning Outcomes

**By the end of this unit the learner will be able to:**

- ✓ Discuss how to create a marketing strategy for your business.

## Unit 4

### Creating a Marketing Strategy

#### Introduction to Marketing

##### The Purpose of the Plan

Marketing processes may vary in terminology or process depending on the material you read. They may include more or fewer steps than this session will cover. What is common, however, is that marketing is a cyclical process, and it uses very particular terms. We will also use those terms here so that you can plan, speak to, and perform these functions within your business.

A marketing plan can be so complex (as a reflection of the business, your environment, your staff, or a blend of all of these) that it is created separately from the business plan and then incorporated later, but it is still an essential function of the business planning process.

Your marketing plan may undergo many revisions until all stages work effectively. This frustrates people who do not like working in a fluid state, or have trouble dealing with change. As a result, you need to recruit marketing professionals who love their work and have a strong track record.

##### Cycle Overview

Marketing uses the following steps:



## Consumer and Market Analysis

This is the research segment of the process, as you carefully consider your customer and what they need. You have to be honest with yourself and look at their needs in direct contrast to what you may think of as your ideal customer. People don't all have the same needs and wants. Your goal is to identify groups of people (called **segments**) who have related or similar needs so your marketing dollars can be directly pointed at them. There are several questions to ask yourself as you work on this portion of your business plan:

- What do they need?
- Who is buying our product? Who is using our product?
- What is the buying process?
- How can I leverage segmentation?

### What do they need?

The answer to this question may seem simple to you, but we want you to take a deep look so that you get the real answer. When answering this question, you can potentially uncover a segment of the marketplace that has been overlooked or underserved until you arrived. IKEA has a tremendous market presence for furniture and home furnishings, which has led to businesses who now concentrate on recovering and upholstering IKEA's old furniture. How did the aftermarket business get started? They knew that people don't like to get rid of their IKEA furniture and were able to capitalize on their consumers' energy for repurposing.

### Who is buying our product? Who is using our product?

Babies don't buy diapers, their parents do. Dogs don't really care what their food looks or tastes like, but their owners do. Who does most of the purchasing in the market segment you will serve? There is no point marketing an item in a men's magazine if the item is normally purchased by women and given to men; you need to market to the women in their own spaces.

### What is the buying process?

Grocery and corner stores place candy and chocolate bars at the cash register because so many people purchase those items on impulse. Staple items such as bread and milk are often located at the back of the store to force shoppers to walk past and view all of the other items on display.

Large items like a car or truck take more time to consider. They are a significant investment of money, and are an item that the buyer wants to have for a long period of time. As a result, people may do some research on the internet and they will visit a car lot to see the features of the vehicle for themselves. Then, they will take it for a test drive (or two or three test drives) before they make the decision to purchase. The buying process generally follows the steps below:



## Test Your Knowledge

Write out the buying process for one of your major products.

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## How can I leverage segmentation?

Once you know which segment of the marketplace is interested in your products, how will you make the most of their interest in buying from you? Will you offer supplementary services or products? If you own a training business and teach people how to use computers, can you also offer them soft skills training?

In considering market segments, you need to evaluate the following:

- **Measure:** Can you gauge the size of your segment?
- **Access:** Can you reach the segment through advertising and then distribution?
- **Growth:** Is the group growing, shrinking, or maturing? Are they sizeable enough to bother with?
- **Profit:** Is the profit potential enough to make it worth going after?
- **Retention:** Are you capable of servicing and retaining these customers?
- **Defend:** Can you defend yourself and stand out from the competition?

The segment of the market that wants your product can be identified through research, so that you know exactly who you are targeting. For example, if you are selling a new organic dog food, your sample demographic could look like this:

- 35 to 60 years old
- College educated
- Full-time employment
- Childless households
- Household income is more than \$65,000 per year

There are plenty of dog food companies out there, so you've got to make sure that there enough people in the demographic to support your company and to meet your goals for profit and growth. You will have to review the idea of your market segment several times to determine the number of people within the group who have dogs, who prefer to purchase organic foods for themselves, and for those who have the disposable income to apply to your products.

## Analyzing the Competition and Yourself

You must have a plan that sees you exceed the competition, and you will need to take an honest look at your operation in order to do this. We can hide all kinds of things in an analysis to make things look better than they are. Be honest with yourself to protect the integrity of your business.

Some of the questions you will want to ask include:

- What are your advantages?
- What are your core competencies (the things you do well)?
- What are your weaknesses?
- Where are your shortcomings?
- What can you do to capitalize on your strengths?
- What can you do to exploit the competition's weaknesses and shortcomings?

### SWOT Analysis

We recommend that you use a SWOT analysis to address each question in the list above. SWOT stands for strengths, weaknesses, opportunities, and threats. It is a method of analyzing external factors (opportunities and threats) and internal factors (strengths and weaknesses) in a methodical way.

In addition to using SWOT analysis to answer the questions about your company, you will repeat the process to consider your competition.

### Next Steps

Once you have gathered your information, there are several ideas that you can use to help lessen the impact of the competition. For example, perhaps you have eliminated barriers that the competition has not been able to minimize for themselves. If you have partnered with a great distributor and the competition is struggling to get their product out to stores, you have eliminated a barrier.

As you decide what makes your product stand out from the competition (your unique selling proposition, image, or brand), you can decide how to position your product. You also need to create a name for what you have, because names stick in people's minds. For example, when Apple Computers was ready to evolve, their product was called a Macintosh. They have moved from fruit branding to making their items personal through their "i" branding and products like the iPod, iPhone, and iPad.

## Analyzing Distribution Channels

There are plenty of options for getting your product to your customer. Deciding which ones to use will have an impact on pricing, profit margins, servicing, and timing. There are plenty of options available, and in choosing yours you may need to consider what your goals are and how many layers of people are involved.

In a product that is typically used by an individual purchasing in a retail store, the product can go from your production facility to a wholesaler, and then to smaller distributors to be sold to a retailer. Each step in the process has to produce a profit, just as it does when you sell a service. In a complex system, you may be surprised at how many people are involved. The flow below is common:



At each stop on the chain, the participant does something that adds value to the product (packages, labels, or advertises, for example) and earns a profit.

### Test Your Knowledge

Where does your product or service start within the process?

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Where does your involvement end?

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**Is the method that you are using the most efficient one, or are there other possibilities?**

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## Creating a Marketing Plan

Your marketing research gets applied in a marketing plan based on the P's of marketing: product, price, place, promotion, and packaging. All of these P's influence the **positioning** of your product (how your product compares to similar products from other companies).

### Product

Marketing your product includes differentiating it from other products in the market place. There are lots of ways to do this, and you will want to pick a few that make sense. Some ideas:

- Capabilities
- Style
- Warranties/guarantees
- Service
- Labeling
- Size

Here is an example. When Lululemon was first established, they were looking for a name that was attention-grabbing and that people would remember. They also wanted something that had appeal around the globe. Their made-up word, with three l's, helped them to stand out.

## Price

Even a non-profit or not-for-profit company has to make a certain amount of money in order to continue. If you own a for-profit company, you've got to be making money. This means that no matter who you are, you need to understand every aspect of your business when establishing price. If you forget to allow for certain costs and sell the product at a loss, your stakeholders won't stand for it.

On the other hand, some products are deliberately priced at a "deal" price (also known as a **loss leader**) to draw people in to the store where they will be sold other products. A car can be priced below cost, but by the time that the extended warranty, roadside service, fabric protection, and chrome package are added, there is no loss for the company any longer.

**Psychological pricing** is what has stores using prices that end in 95 or 99 cents. The idea is that people will pay \$39.99 for a product they won't pay \$40.00 for.

In a competitive market, you will see marketing strategies that will meet or beat a competitor's price in order to gain (or regain) market share. If you pick up a flyer and see the phrase, "We will match any competitor's advertised price and beat it by 5% on all our products," you are witnessing **meet or beat competition** in action.

**Price** and **quality** are things that must always be considered in pricing services and non-tangible products. If you have a service and price it very cheaply, people may not value what you offer in terms of the knowledge and expertise that is required to develop that service.

**Penetration** refers to introductory pricing that is deliberately low in order to gain market share. The idea is to price products at a low per unit amount and then sell a high number of units with the objective of gaining recognition in the market.

## Place

This is all about how you will distribute and provide your product. Your analysis of distribution channels will help you flesh out this part of your plan. Will you be a wholesaler, distribute products through a franchise, have brick and mortar retail outlets, or be an online-only store? You can also choose several methods to create a big presence.

## Promotion

Promotion refers to the way that the market sees your product. It is very difficult to get shelf space in a retail store, so you have to decide how you will draw your potential purchasers' attention. Pizza shops might send staff members to stand on the corner with a sandwich board describing this week's deal. Cupcake stores might have someone dressed in a giant cupcake costume waving to passersby. Coupons, flyers, newsletters, and special deals are also part of a promotion strategy.

**Public relations campaigns** are another form of promotion. **Internet marketing** is another form of promotion that can use programming and keyword techniques to ensure that a search for products like yours will lead to your company’s website.

**Packaging**

The esthetic value of your packaging can draw a customer’s eye or can turn them away. Designers and marketing firms aim to create the best packaging possible to attract consumers or at least create some kind of reaction. In addition, items must also be packaged in a way that protects the contents. Cardboard boxes, protective materials (like Styrofoam), labeling, color, and appeal must all be considered to present your product appropriately and protect it from damage.

**Test Your Knowledge**

**Sketching Out the Plan**

Use the space below to sketch out your ideas for a marketing plan that incorporates what you are learning and uses the 5 P’s.

**Product**

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**Price**

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**Place**

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**Promotion**

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**Packaging**

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**Evaluate, Review, and Revise**

You may recall that earlier we said that marketing is a cyclical process. At any time in the cycle, the marketer can be forced to return to an earlier stage to remedy some kind of problem. If you are in the midst of pricing and determine that the product as it exists is not going to be affordable to your market segment, then you've got to step back and see what can be done.

In other instances, the product will be launched and will sell in greater volume than you could have imagined. Then, you will need to consult with production to make sure they can keep up with the demand. Then the competition may launch a generic version of your own masterfully created and marketed product, underpricing you and even taking a loss in order to gain part of your hard-won marketplace. It's back to the marketing drawing board, and possibly even a review of the company's strategic plan.

## Leveraging Social Media

Lots of companies will say that they have a social media strategy. Will you be one of them? Will your business need one to be successful and widen your exposure?

There is plenty of debate about the value of social media in order to widen the exposure of your products and services. People around the world have embraced social media, and it has become a very popular and even a normal way of doing business. However, we don't want you to be fooled into thinking that spending all your time on social media is the best way to market your product. Social media is simply another way to get your message out. It's not the only way, or the best way, nor the worst. You probably need to include social media as a part of your marketing strategy (although it depends on where you live and what products and services you sell), but we have a few guidelines for you so that it works for you and your message gets heard.

Here are seven strategies for using social media in your business.

### Stretch

Work with people who have a deep digital reach. Traditional marketers focus on what they know in order to help you establish a niche in the marketplace. They rely on tried and true methods for design and marketing campaigns. (Think about flyers, brochures, contest entries, or contact forms on a website.) If your usual marketing is not getting you the results that you need, make sure you increase your bench strength by bringing on expertise that gets you what you need.

### Build a Community

What you really need is to get people talking about you in a way that they promote your brand independently of you. Seth Godin has written about this as **tribes**. The Grateful Dead, a wildly successful band for more than 40 years, focused on providing their fans with experiences at their concerts rather than selling albums. Fans (called Deadheads) went to the concerts because they knew that each one was different from the last. Think of the things that you can do for your customers that are different than what everyone else is doing.

### Watch Out for Social Media Experts

Social media is constantly evolving, and it is one aspect of marketing, but it is not all there is to marketing. Marketing consultants who are also specialists in social media understand its fluidity. They

can help you navigate and establish your brand in the social stream as one aspect of your marketing plan. However, make sure that they can do what they say they can do. Ask for references and look at what they've done in the past.

### **Be There**

Whichever social channels that you use (and there are more coming out all the time), make sure that you participate **with** your community. Don't ask a question on Twitter, for example, and then not be around or available to reply to people's answers, or you will turn them off. Better still, give them something they have not even thought to ask for yet.

### **Find Your Customers**

When you conduct your market analysis, be very clear about where your customers are. Make sure you reach them and their friends so that they are able to talk about you. This doesn't mean that you need to sign up on every social platform there is, because you won't have time. Focus on methods of reach that work for your customers.

### **Be a Person**

There is a lot of artificiality in social media. While systematizing and pre-planning updates makes sense, you look like a robot if you come off like something that has been automated. Make sure that some of your personality and character shines through the things that you say.

### **Follow Others**

It's not appropriate to be a one way machine in social media. For example, if you are on Twitter and have 2500 followers, and you only follow 20 people, you will not be able to reply to people who are speaking with and about you. We know you cannot read comments from 2500 people a day, but we also know that you can organize people into categories and lists and that you can participate in that community you are trying hard to build, instead of being a sandwich board on the street corner that simply makes an announcement. If you are blogging, make sure that you reply to people's comments on your blog posts and that those posts provide people with information they can use, rather than just writing them as a billboard for your products.

### **Further Reading:**