



Developing a Marketing Plan

Learning Outcomes

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

- ✓ Explore the process of developing a marketing plan.

Developing a Marketing Plan

Creating a Marketing Plan

Years ago, we started working with four “P’s” of traditional marketing. However, in a quickly evolving marketplace, we know that there are more things that we now need to focus on, so we have supplemented the four “P’s” to bring them up to date.

Products

This is what you sell to people, be it goods or services. In order to sell the right product, you must know your market. To know your market, you must know what your customers need and want.

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.

Place

This is where you sell your product to your customers and how you get it to them. Do you have a traditional retail store? Do you have an e-commerce website? Perhaps you operate a telephone order service... or maybe you’ve combined all three.

Price

This seems like the easiest part but in fact, it can be the hardest. If you price too high, customers may be turned off. Price too low and your product will lose value, and you could go out of business. It takes time, trial and error, and patience to develop the right pricing model for your product.

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. 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 business won’t last.

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 how deeply into the marketplace our product or service can go. Are we providing something to end users, to everyone, or are we a business-to-business seller who provides something very specific? It also 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.

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.

Remember that when we sell today, we sell to people who trust us. If our customers don't trust us, they will not buy from us.

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.

Bringing it All Together

To make sure the marketing P's are working their best for you, you need to develop an overall strategy for taking aim at your target markets: you need to develop a marketing plan.

A successful marketing plan is not accidental. It is usually a result of carefully scrutinizing where you are now and where you want to be in the future and deciding how best to get there. The marketing plan is an essential element of your business plan. Marketing objectives, strategies, and activities that you will undertake in a defined period of time (such as six months or a year) are all detailed. A budget is also required, along with the tools you will use to measure your impact and success.

Every marketing plan must take four things into consideration:

- Your personality
- Your budget
- Your business
- Your time

For example: Perhaps within your marketing budget, one of your goals is to upgrade your website. Can you identify how you want your website to look? What kind of traffic do you need to attract? How can you achieve that? What steps will you take?

Remember:

- Choose methods you will look forward to trying out.
- Choose methods that will provide you the easiest and least costly access to the specific people you want to reach.
- Never rely on only one method at a time.
- Select activities that complement one another.
- Review the methods your competition are using, and find out what is working best for them.
- Track the results of your marketing efforts.

Identifying Marketing Strategies

Key Marketing Strategies for Small Businesses

If you have a small business that you want to grow large, there are some key things that you are in complete control of, in spite of economies, finances, and even perhaps in spite of your products and services.

Know yourself.

Make sure you are very clear and honest about your strengths and weaknesses, as well as those of your company and your staff. You should also be aware of the things that make you distinct and the influences of your region.

Develop several income streams.

You'll need to have multiple places that you can charge for your time and services so that if one area is ineffective, you have options. This is not just a suggestion – it is essential. Multiple income streams also allow you to recover quickly if one stream is adversely affected.

Don't compete against yourself within the same market segment.

Be specific as you define what you do and don't do. Avoid competing against yourself (for example, if I offer package A to my customers, they will like package B even more). Be clear on what you offer to each segment, what differentiates you, and the value you are offering to your customers.

Aim high.

Foster a high level of trust for your customers that keeps them close and deters your competition. Create these high levels by delivering what you promise and by creating products and services that truly meet their needs (not what you think they should need). Foster strong relationships by being the person (or company) they can count on. Establish and maintain patents, copyrights, trademarks, and alliances.

Be a collaborator.

Consider partnerships and collaborations to market with other businesses that you are not competing with but that offer complementary services. For example, a company that sells hiking gear and camping equipment could advertise along with a company that sells travel packages to interesting and exotic locations.

Make sure that any agreements you take part in protect your interests, including intellectual property and liabilities.

Getting the Most Bang for Your Buck

There are some strategic ways we can make and save money, and any business must do so strategically in order to make more money than you are spending.

There are some lessons we can learn from large companies who typically work with bigger budgets in marketing. **Loss leaders** are items that a company sells at a loss in order to gain customers, and then the company sells those customers more profitable products and services. For example, we can purchase a personal printer so cheaply that the company takes a loss until we start buying ink cartridges. Ink refills can cost almost as much as replacing a printer!

Retailers use loss leaders too. **"BOGO"** stands for "Buy One Get One" and are popular in competitive grocery markets. This strategy is commonly employed in time for Thanksgiving dinner, and gets consumers into the retail store where they will also purchase all the trimmings to go with that turkey. It is the purchase of trimmings and additional items where the seller recovers from their loss and encourages customer loyalty.

As a small business, you may not be in a position to operate at a loss, but there are ideas here that you can leverage. Bundling can be very effective, where you offer something at a set price and then offer a discount when the customer buys in bulk. Clothing retailers do this with T-shirts, for example, where the T-shirts are priced at \$20 each, but buy four and you pay just \$70 (a \$10 discount for multiple purchases).

Service operators can also sell their services in bundles and packages. Instead of selling coaching or consulting for \$500 per hour and having to sell one hour at a time, it can be much more effective to market your services over a period of time (such as four hours a month for \$2000) that works out to the same hourly rate but looks more palatable to the client. It also saves you marketing and sales effort because you have a commitment about how long they will work with you.

Top Ten Strategies for Success

Remember that marketing is dynamic; your customers’ likes and dislikes are constantly changing. Be alert for the changing market!

To help you establish where your marketing efforts currently are, go through the list on the following pages and identify at least ten things that you are currently doing. Be prepared to share with the group how you are doing them and if you think you are doing them well.

| | | | |
|-----------------------------------|--|---------------------------------|--|
| A consistent look | | News stories | |
| A service attitude | | Newspaper column | |
| Ad agency | | Paid staff | |
| Advisory board | | Pamphlets | |
| Affinity credit cards | | Parades | |
| Annual reports | | Partial payment plans | |
| Anniversaries and birthday cards | | Partnerships with business | |
| A-thons | | Partnerships with the community | |
| Audio files (MP3’s), Video, DVD’s | | Phone calls | |
| Awards and award dinners | | Phone-hold marketing | |
| Billboards | | Plaques | |

| | | | |
|--------------------------------|--|------------------------------------|--|
| Blogging | | Postcards | |
| Board of Directors | | PR Agency | |
| Bookmarks | | Press releases | |
| Books | | Printers | |
| Brochures | | Public Service Announcements | |
| Business cards | | Referral programs | |
| Books | | Renewal campaigns | |
| Bumper stickers | | Reprints of ads and press releases | |
| Catalogues | | Satisfied customers | |
| Celebrities | | Signs inside | |
| Certificates | | Signs outside | |
| Challenge/matching fundraising | | Social networking | |
| Comp tickets | | Speakers Bureau | |
| Co-op advertising | | Special projects | |
| Days of operation | | Speed | |
| Direct mail letters | | Statement stuffers | |
| Door-knockers | | Stationery | |
| Easy to do business with | | Telemarketing | |
| e-Newsletters | | Testimonials | |
| Experts and Colleagues | | Thank you cards and notes | |
| Frequent buying cards | | Thank you gifts | |
| Friend referrals | | The company mission statement | |

| | | | |
|------------------------|--|---------------------------------|--|
| Grocery bags | | Trade associations | |
| Guarantee | | Trade shows | |
| Having an 800 number | | Vehicles with signs | |
| Incentives | | Volunteer staff | |
| Lost client campaigns | | Volunteer training | |
| Mailing lists | | Website | |
| Major gifts and givers | | Window displays | |
| Marketing calendar | | Workshops & seminars | |
| Marketing plan | | Your clients | |
| Membership cards | | Your history | |
| Memberships | | Your personal mission statement | |
| News conferences | | Your URL on everything | |

Test Your Knowledge

Choose ten strategies from this list that you are not using but that you believe might work for you.

Test Your Knowledge

Determine how you might be able to effectively use the strategies that you chose in the previous session.

| Strategy | Ways To Use It |
|----------|----------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

A Simple Marketing Plan for Small Budgets

In *Grassroots Marketing: Getting Noticed in a Noisy World*, Shel Horowitz tells how to work your budget.

The minimal marketing budget:

- Free e-mail and a free website
- A series of press releases faxed, e-mailed, or hand-delivered
- Appearances as a talk or radio show guest
- A flier posted on bulletin boards (including the electronic ones)
- Free classified ads on sites like Craigslist, Kijiji, Facebook, etc.

The small marketing budget:

- Same as above but with an Internet domain and a newsletter
- A wider geographic reach for press releases and articles
- Conducting a small local seminar
- Walking the floor at one or more trade shows
- Ad swaps with other newsletters

The big marketing budget:

- Same as above plus sponsorship of targeting e-zines
- A Yellow Pages and or online ad (put them where your clients look)
- An active program of appearances as a radio guest
- Bigger seminars
- A brochure
- Getting out and noticed in the community because of what you provide to your clients, or the community as a whole
- SEO (search engine optimization) for your website to make the most of your site rankings

Implementing Your Plan

What is a Marketing Budget?

What is a Budget?

A budget is a plan for what you plan to spend. When you set a budget, you are granting the department that gets it a contract to conduct the business they need to within the limits you set. In small business, you might not have separated out a marketing budget before, but there is good reason for doing so.

Your business has to continue to run, whether you are running a marketing campaign or not. Having a budget dedicated to marketing also means you should be able to track and measure the results of your marketing efforts more easily.

Crashing Your Own Budget

Running a business is not for the faint of heart or everyone would do it. Your budget is not something to be messing around with. If you establish a budget for marketing your small business, make sure you are

not going to cut it three months from now, or you will upset business operations beyond your wildest nightmares.

Business owners will sometimes set a budget, run into a problem, and respond by cutting spending. If the budget was set up and people are conducting your business affairs with the money being spent (just as you would expect), and then you come back with a budget cut, there may be things in place that are very difficult for you to stop. Marketing takes time and strategy, as you have likely already figured out. You cannot simply establish a budget one week and expect a return within the following week.

Instead, you must establish a realistic budget, with some buffer space available to respond to crises that you cannot predict, and make sure that you are applying sound accounting practices.

Four Rules for Establishing Your Budget

Test all assumptions.

Budgets are not just about numbers; they are also about assumptions. After you set the budget, you may need adjustments because things were missed, expenses are going up, or there were unexpected delays or cost overruns. In order for the budget to be as accurate as possible, it's important that your numbers can stand up to the assumptions that you made in establishing the budget.

How was last year?

As a new business, this question is unfair, because you need to have time in business to know how much things will cost. Establishing a budget for a new business is part science and part shot in the dark, so you need to be sure that you have all the available information. Make sure you are able to gather the details you need, and if you have been in business for less than a year, be cautious as you plan for spending this year. Everyone will be asking for resources. Make sure you have them available, and that you are not throwing all your hard earned money out the window.

How's the marketplace doing?

Budgets are created for internal use, but your business is heavily influenced by external forces. What happens when the economy takes a beating? Can you thrive through bad weather, an economic downturn, stiff competition, transportation, or labor disruptions? How will you do it?

What's it costing?

Your accounting should be able to explain every dollar you spend on marketing efforts, including hiring a consultant, contracting a writer, and printing postcards. Remember to ensure that overhead costs like mortgage, rent, utilities, and departments that do not produce direct revenue (like IT, human resources, and training) are all worked into the numbers. Know how much you are spending, where you are spending it, and when.

Managing Your Budget

If you don't follow the budget, your people won't either. You've got to manage spending, and you need to come in at or slightly below the budget. Resist any urge to go even slightly over budget. Instead, consider what things you can economize on, which priorities can wait. Set an example of fiscal responsibility within the company. Always keep in mind that if you go over budget by three percent and so does everyone else with budget responsibilities, you are creating a deficit that has to be overcome by immediately increasing sales.

Know Your Accruals

Cash is pretty easy to count, because it's either there or it isn't. The thing that gets new business owners into trouble are the accruals. If you pay cash for something, the amount is debited from your bank account. However, if you purchase something on a credit card or using a purchase order, you don't pay for it right away, even though you can use whatever you purchased. If you have several orders placed in one month but do not intend to pay the bill until next month (or in the next business year), you may be stunned by the accumulation of those costs, just like the hidden ice under an iceberg.

In accruals accounting, you count the money for those credit card or deferred payments right away, so there is no delay in seeing what money is going to come out of your bank account.

Accruals on purchases counts the same way on your sales. Cash accounting will only show you received a payment when it arrives. Accrual accounting, however, will count the same now even if delivery to the customer will take seven days and their check won't arrive for 14 days after that.

Accruals accounting gives you an accurate picture of what is happening in the business, although it takes some adjusting to if you are used to cash accounting. There is also some discretion with accruals accounting as you debate whether something is considered "sold" at the time of the order or with delivery.

There are challenges with both types of accounting. If, for example, revenues look short at the end of the year, managers may be inclined to report revenues and wait to recognize costs in the next year. This puts a slant on your reporting that will have to be fixed later anyway, so make sure that your auditing functions are clear and tight, whichever method you use.

Implementing and Evaluating

Once you have decided what you are doing and take action, you'll start to evaluate results, make revisions as needed, and keep going. Remember that marketing is a cyclical process. At any time in the cycle, you may need to return to an earlier stage to fix some kind of problem. If you are in the midst of pricing and realize that the product is not going to be affordable for your market segment, you'll have to step back and adjust.

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 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.

Reviewing and Revising

Staying on Track

Wherever you are in the marketing cycle, you should be reviewing continually. Know where your money is being sent, and keep the budget on track. Evaluate the results of each marketing campaign by asking:

- Was there an increase in the number of customer interactions that can be traced to the campaign?
- Was there an increase in sales that can be attributed to the campaign?
- If the results are not as desired, in the time frame defined, what changes will you make? (We have to be very careful here. If you implemented a campaign and didn't get results that were expected, or you phased your campaign so that you could control spending and resource utilization, it can be tough to calculate actual results. This difficulty can be eased to some degree if you are monitoring electronically, but other things are harder to measure.)
- Ask yourself frequently: If you cannot measure it, did it actually happen?

Adapting and Evolving

Given the fluidity of the Internet, you may be making more changes than ever. This can be frustrating for people who are not used to working in such a changeable state. It will help you tremendously if you work with marketing professionals who are good at what they do and have a clearly demonstrated track record.

Case Study

Some retail and service organizations will offer a customer loyalty program, like Air Miles, Aeroplan, or a free product after a certain number of items are purchased. One-person operations can keep track of referral sources in some instances, but as business picks up, this gets challenging. The use of barcodes on products helps to track sales, and QR codes can help to direct and track as well. The more you intend to use these programs, however, the more intensive your marketing becomes, which will require people and money to keep it going.

Further Reading:

- ✓ *Marketing Plans, By Malcolm McDonald, Hugh Wilson,(2011)*
- ✓ *DEVELOPING MARKETING PLANS ,By Lynette Petersen,(2007)*