

DIRECTORS' BRIEFING



**CONSTRUCTING
EXCELLENCE**

Planning your marketing

- Successful businesses focus on getting the basics of marketing right.

Marketing is based on identifying and satisfying customers' needs — profitably. It encompasses market research, pricing, promotion, distribution, selling, customer care, and much more.

This briefing will help you plan and monitor your marketing. It covers:

- ◆ The basic objectives of all marketing.
- ◆ Reviewing your market and how you fit into it.
- ◆ Creating a marketing strategy.
- ◆ Setting out your marketing action plan.

1 Basic marketing objectives

Every marketing activity you undertake should help you to achieve at least one of the four results below — which, in turn, will lead to increased profitability.

- A** You **retain** your existing customers, provided they contribute to your profitability.
- ◆ A poor retention rate means you have to spend heavily on promotion and sales, to replace the customers you have lost.
- B** Your customers make **larger purchases**.
- ◆ Replacing two £1,000 orders with a single order for £2,000 improves your profitability, as you halve the cost of selling and administration.
- C** Your customers purchase **more products** from your range.
- ◆ It is generally much easier, and therefore more profitable, to make an additional sale to an existing customer than to make a first sale to a new customer.

- D** You win **new customers**.

- ◆ Identify your best customers (see **4B**) and target new customers with similar profiles.

2 The market

Understanding the market allows you to target promising market segments which suit your strengths.

- A** Who are the **users** of products like yours?

- ◆ Divide them into different categories (segments), to help you spot the best opportunities.

For example, a pet products company might use three levels of segmentation: pets generally, type of pet (eg dog), and breed (eg labrador). The corresponding

FURTHER HELP

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name and by the code given to each briefing. For example, the marketing briefings have the codes MA 1, MA 2, etc.

Updated 01.12.02 (A)

Sponsored by



We can help you advertise
and market your business.

Call us free on 0808 100 6767
to find out how.

Working Harder For Your Business

products are feeding dishes (for all pets), dog leads, and a labrador video.

- B** What do the users **value most** in products like yours?
- ◆ How do they choose between different suppliers?
- C** How can you **reach** the customers? Or, put another way, how do your customers purchase your product?
- ◆ The obvious channels might include direct sales, wholesalers, retail, agents and distributors and the Internet.
 - ◆ Consider alternative channels and influencers. For example, one accounting software company built its success on using the accountancy profession as a channel to reach smaller businesses.
- D** What **size** is the market? Is it expanding or declining? What are the key trends?
- ◆ Be realistic.
For example, the market for a high street shop is probably restricted to people who already visit the town centre.
- E** What is the **competition** doing?
- ◆ Profile your competitors and their products. Ask their customers why they prefer the competitor's products to yours.
- F** What other factors influence your **business environment**?
- ◆ For example, government expenditure, imports, new technology or quality

Barriers to entry

Barriers to entry prevent new businesses competing with you, and vice versa. Three common barriers are:

A Product differentiation.

- ◆ For example, a specialist prepared meats supplier can thrive alongside the major food companies (which service the mass market).

B Access to distribution channels.

- ◆ For example, if you want a retailer to stock your product, you may have to displace an existing product to win shelf space.

C Customer loyalty.

- ◆ For example, a firm of accountants with good customer service should have excellent customer retention (even if its prices are high), due to the personal nature of the relationship.

standards.

3 SWOT analysis

SWOT analysis reveals your strengths, weaknesses, opportunities and threats. It is a good way of summarising your position in each key market segment vis-à-vis your competitors. (See **SWOT analysis**, ST 1.)

- A** Identify the **critical success factors** for you and your competitors. Give each factor a weighting (out of ten) according to its importance.
- ◆ Critical success factors might include product performance, range of products, speed of order fulfilment, customer service and low costs.
- B Score** your business for each factor and multiply the score by its weighting. Then repeat the process for each competitor.
- ◆ By listing the results in a table you can present a clear picture of your relative strengths and weaknesses.
- C** Identify opportunities and threats by **brainstorming** ideas using two headings:
- ◆ Organisations (and individuals) that directly affect your business.
 - ◆ The broader business environment (eg new technology, tax, legislation).

4 Marketing audit

Your marketing audit pulls together the key information. It gives you a clear understanding of your market, how you fit into it, and how effective your previous marketing has been.

- A** Analyse each **market segment** you sell into (see **2** and **3**).
- B** Rank your **customers** in order of their importance to your business.
- ◆ Your top customers are those which account for the most sales and profit — or which will in the future.
 - ◆ Consider the opportunities to grow customer accounts by selling them additional products in your range.
- C** Rank which **products** (or parts of your business) are the most profitable.
- ◆ Once you have accounted for their proper share of overhead costs, some activities may turn out to be loss-making.
- D** Analyse the reasons **why customers buy** from you, and from your competitors.

“When segmenting your market, consider factors like age, gender, income, location, occupation and interests. Or, for business customers, factors like size and industry sector.”

*Mike Ewart-Smith,
Whitegrove Group*

“Research shows that it can cost up to 30 times as much to get a new customer as it does to keep an existing one. It pays to stay very close to your customers, so you know their exact needs, today and tomorrow. Your aim is to be irreplaceable as their supplier.”

*Mike Johnston,
Chartered Institute of
Marketing*

**DIRECTORS’
BRIEFING**

BRIEFING MA 5

- E** Review every **marketing initiative** you undertook in the previous period, to see what worked.
- ◆ Most marketing can be measured (see **8**).

5 Your marketing strategy

Successful strategies take a deliberate step-by-step approach, focusing on a limited set of well-defined objectives.

- A** Which market segments, and which individual customers, will you **target**?
- ◆ Aim to consolidate your position in your existing market segments before you try to enter a new one.
- B** What adjustments will you make to your **product range**, to increase sales and profitability?
- ◆ Almost all products (and services) have a product life cycle.
- For example, a product can quickly go out of fashion (eg a garment), or be overtaken technologically (eg software). By contrast, Cadbury's Dairy Milk has sold well since 1921 with little change.
- Many products need to be constantly updated, to maintain their position in the market.
- ◆ Re-packaging, re-sizing, and discovering new uses and new users is all part of this innovative process of renewal.
- Extending the life cycle of an existing product is preferable to regularly developing and launching new ones, as the latter is risky and very expensive.

A month of marketing

Your marketing action plan helps you to plan ahead, like a calendar. In any one month it will probably include a range of activities at different stages. For example:

- ◆ Completing preparations for the next month's trade show.
- ◆ Sending out fulfilment packs after last month's mailshot.
- ◆ Updating your sales forecasts.
- ◆ Writing your quarterly newsletter for customers.
- ◆ Writing a press release (or briefing a PR agency) about a new product.
- ◆ Completing the design brief for press ads to appear in three months' time.
- ◆ Starting a pricing review, with a view to improving your margins.

(See **Innovation**, ST 14.)

- C** How will you **price** each product?
- D** How will you **distribute** each product?
- E** How will you **promote** each product?
- ◆ Personal recommendation is often a key source of new customers.
- Consider ways to increase the number of introductions, starting with thanking each person who recommends your business.
- ◆ Consider all the options. For example, direct mail, telemarketing, PR, advertising, and the Internet.
- F** How will you **sell** each product?
- ◆ Include a review of terms and conditions (eg credit terms) for each customer.
- G** How can you improve **customer service**?
- ◆ This can have a major impact on customer retention and sales, at minimal cost.
- H** How will you **fulfil** the orders?
- ◆ This might require new production capacity, or new skills.
- I** How will you **measure** the effectiveness of each marketing activity? (See **8**.)
- ◆ When considering any marketing strategy, start by testing to see what works on a small scale.

6 Marketing action plan

Your marketing action plan takes each element of your marketing strategy and allocates detailed budgets, responsibilities, targets and deadlines.

In its summary form, the marketing action plan forms part of your overall business plan.

- A** Include a communication calendar that prompts you to contact each customer **regularly**.
- ◆ Most businesses need to do this at least once every 90 days to maintain 'front of mind awareness'. This excludes the actual sales process (eg asking for orders, checking on delivery) and routine communication (eg newsletters, Xmas).
 - ◆ Keep asking your customers for feedback on your performance and on any new developments in the marketplace — including their own news.
- Ask them for ideas to improve your products and your customer service.
- B** Focus on being **visible** to your hottest prospects.

◆ Directors' Briefing titles are available on **Effective PR**, MA 11, **Pricing**, MA 8, **Building customer loyalty**, MA 4, **Direct mail**, MA 3, **Writing a mailshot**, MA 7, **Marketing with your database**, MA 6, **Advertising strategy**, MA 9, **Writing an advertisement**, MA 10, **Exhibitions**, MA 2, **Marketing on the Internet**, IT 18.

"Small firms can't sell to the world. They should identify and chase the heavy users, those who will bring large and profitable business."

Dave Patten,
Merry Marketing

"Involvement of everyone in the company in seeking customer preference is a pre-condition of successful marketing."

Roger Davies,
Key Results Associates

"A new product may be purchased quickly by the 'early adopters', but expect a considerable time-lag before it is purchased by others. If you supply larger organisations, they may wait until you have built up a complete range of products and a solid track record."

Eric Peacock,
Business Link
Hertfordshire

DIRECTORS'
BRIEFING

BRIEFING MA 5

page 3

- ◆ With your best customers (and potential customers), you might want regular meetings, or at least regular phone contact, as well as doing mailshots. Corporate entertainment can also help you to build stronger relationships.
 - ◆ Your less important customers might receive mailshots by post and fax.
- C** Get to know the **purchasing cycles** of your customers.
- ◆ For example, customers whose new budgets start in April may plan the budget the previous October, so you would need to approach them before then.
- D** Plan your **promotions** for the year.
- ◆ For example, what mailshots will you do to which market segments? Who is responsible for implementation, including the fulfilment and measuring the results against your budget?

Communicate your marketing plan to all your employees, including those on the shop floor. They can then help you to make it work.

7 Sales and profit forecasts

Draw up a budget for the year ahead, showing what you aim to achieve in terms of sales and profits. Then prepare forecasts showing what you expect to achieve. These forecasts should be updated monthly, looking 12 months ahead.

- A** Base your sales budget and forecasts on last year's **sales figures**, so you start from a basis of solid fact.
- Then make adjustments, allowing for changes in the market and taking into account the impact of each aspect of your marketing activity.
- ◆ If the previous year included exceptional one-off sales, assume they will not be repeated this year.
- B** Focus on the sales you expect to make to your **main customers**, as these are usually the best indication of overall sales levels.
- C** If you understand what the **'drivers'** are behind the sales figures, it is easier to forecast sales.
- ◆ For example, the number of sales leads may be crucial for one business, but the morale of staff may be crucial to another.
- See **Key performance indicators**, ST 12.
- D** At the start of each year do **three forecasts** — pessimistic, realistic, optimistic. Plan how

you would handle each scenario.

- ◆ State the assumptions behind each forecast. For example, major orders, weather, exchange rates, fashion trends, or growth in your sales force. If an assumption turns out to have been optimistic, you are immediately warned that the sales will be lower as a result.
- ◆ Sales forecasts for new product launches and business start-ups are notoriously difficult — be extremely conservative until results prove you wrong.

(See **Writing a business plan**, ST 6, and **Managing your cashflow**, FI 18.)

8 Measuring marketing success

Track your progress for every monthly (or quarterly) period, for each salesperson and each product area. Check you are achieving your objectives and reaching the targets you have set.

- A** Use a standard **sales enquiry form** to record how people heard of you.
- ◆ Use codes to identify the sources. For example, 'PR EX 7/5/02' for an article in The Express on 7 May 2002, and 'MS 20/5/02' for a mailshot on 20 May.
- B** Calculate the **conversion rates** for each type of marketing.
- ◆ Track both leads and orders.
 - ◆ Analyse the acquisition cost per new customer. Contrast the cost to the revenue you earn for the first sale, and the revenue you can expect to earn over the lifetime of the customer.
- C** Monitor how many **customers** you have acquired, and how many you have lost.
- ◆ Contact customers who have stopped ordering and find out why.
- D** Monitor the **average value** of a transaction, and how many transactions were completed in the period.
- ◆ Focus on chasing the most profitable business — typically large orders, or high margins, or repeat-order business.
- E** When reviewing the effectiveness of your marketing, take into account all the **external factors**.
- ◆ For example, a heatwave during the week you advertised your paddling pools.

EXPERT CONTRIBUTORS

Thanks to **Liz Morrison** (Tactics Management Consultants, 07860 637449); **Richard Beevers** (Beevers Consulting, 01332 840422); **Rob Collinson** (Allery Scotts management consultants, 020 7486 6023).

FURTHER READING

Strategic Marketing Planning, Malcolm McDonald (£18.95), **The Marketing Plan**, John Westwood (£16.99), **Successful Marketing For The Small Business**, Dave Patten (£12.99), Kogan Page.

© Business Hotline Publications Ltd 2002. ISSN 1369-1996. All rights reserved. No part of this publication may be reproduced or transmitted without the written permission of the publisher. This publication is for general guidance only. The publisher, expert contributors and distributor disclaim all liability for any errors or omissions. Consult your local business support organisation or your professional adviser for help and advice.

DIRECTORS' BRIEFING

BRIEFING MA 5