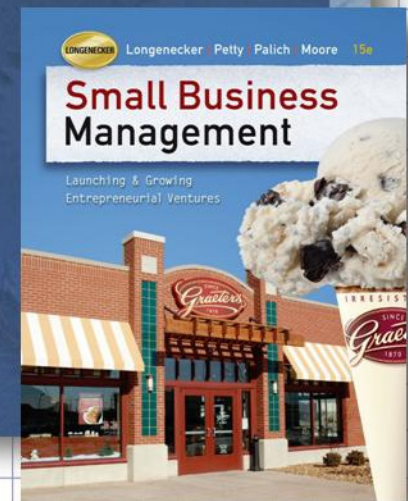


chapter 7

# The Marketing Plan

PART 3  
Developing the New Venture  
Business Plan



PowerPoint Presentation by Charlie Cook, The University of West Alabama

# What is Small Business Marketing?

## Small Business Marketing

Business activities that direct the creation, development, and delivery of a bundle of satisfaction from the creator to the targeted user and that satisfy the targeted user.

## Small Business Marketing Activities

1. Identification of the target market
2. Determining target market's potential
3. Preparing, communicating, and delivering a bundle of satisfaction to the target market

# What is Small Business Marketing?

## Another Definition

There is only one valid definition of business purpose: to create a satisfied customer. It is the customer who determines what the business is. Because its purpose is to create a customer, any business has two – and only two – basic functions: marketing and innovation

**Peter Drucker, 1954**

## Changes in Marketing over 50 years?

- Companies used to “decide” upon combinations of marketing mixes (not the customer)
- Today often the customer “decides” and “chooses” most appropriate combination



- Check out:  
<http://www.mytwinn.com/index.html>

# Marketing Philosophies Make a Difference

- **Production-Oriented**
  - Emphasizes development of the product and production efficiencies over other activities.
- **Sales-Oriented**
  - Favors product sales over production efficiencies and customer preferences.
- **Consumer-Oriented - The Right Choice**
  - All marketing efforts begin and end with customers
  - The focus is on consumers' needs, which is most consistent with long-term success of the firm.

## Exhibit 7.2 The Marketing Plan and Supporting Marketing Activities

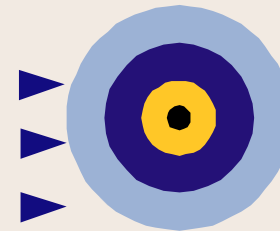


# Marketing Research Activities

## Market Analysis



Evaluation Process  
Marketing Research  
Market Segmentation  
Sales Forecasting



Entrepreneur

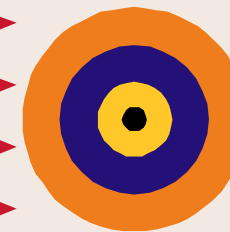
Target Market

## Develop Marketing Mix



Develop Combination of:

Distribution  
Promotion  
Pricing  
Product



Entrepreneur

Target Market



# The Nature of Marketing Research

## Steps In the Marketing Research Process

1. Identifying the informational need
  - ❖ Why do we need to know this?
2. Searching for secondary data
  - ❖ Who has researched this topic already?
3. Collecting primary data
  - ❖ Who do we ask and what do we ask them?
4. Interpreting the data
  - ❖ Got the information, now what does it mean?



## Interpreting Data Collected . . .

“ He uses statistics as a drunken man uses lamp-posts . . . for support rather than illumination”

Andrew Lang - Scottish author (1844 - 1912)

Be careful that your research does not simply support your assumptions – learn from it instead



# Methods for Collecting Primary Data

- Observational Methods
  - Human
  - Mechanical
- Questioning Methods
  - Surveys
    - ❖ Mail
    - ❖ Telephone
  - Personal interviews
  - Experiments



Which would you use?  
Why?

# Market Segmentation

## Market Segmentation (Customer profiles)

- A description of potential customers (a target market)
- Description must be “measurable”
- For consumer or industrial markets (see handout)
  - ❖ Demographic
  - ❖ Geographic
  - ❖ Psychographic
  - ❖ Benefit/ End Use

# Segmentation

## **Demographic** **Personal Characteristics**

Age, Race, Gender,  
Hair Color, Height, Weight,  
Income, Home Owner

## **Psychographic** **Personal Attitudes**

Golfers, Sports enthusiasts,  
Parents, Read types of magazine,  
Watch types of movies

## **Geographic** **Physical Characteristics**

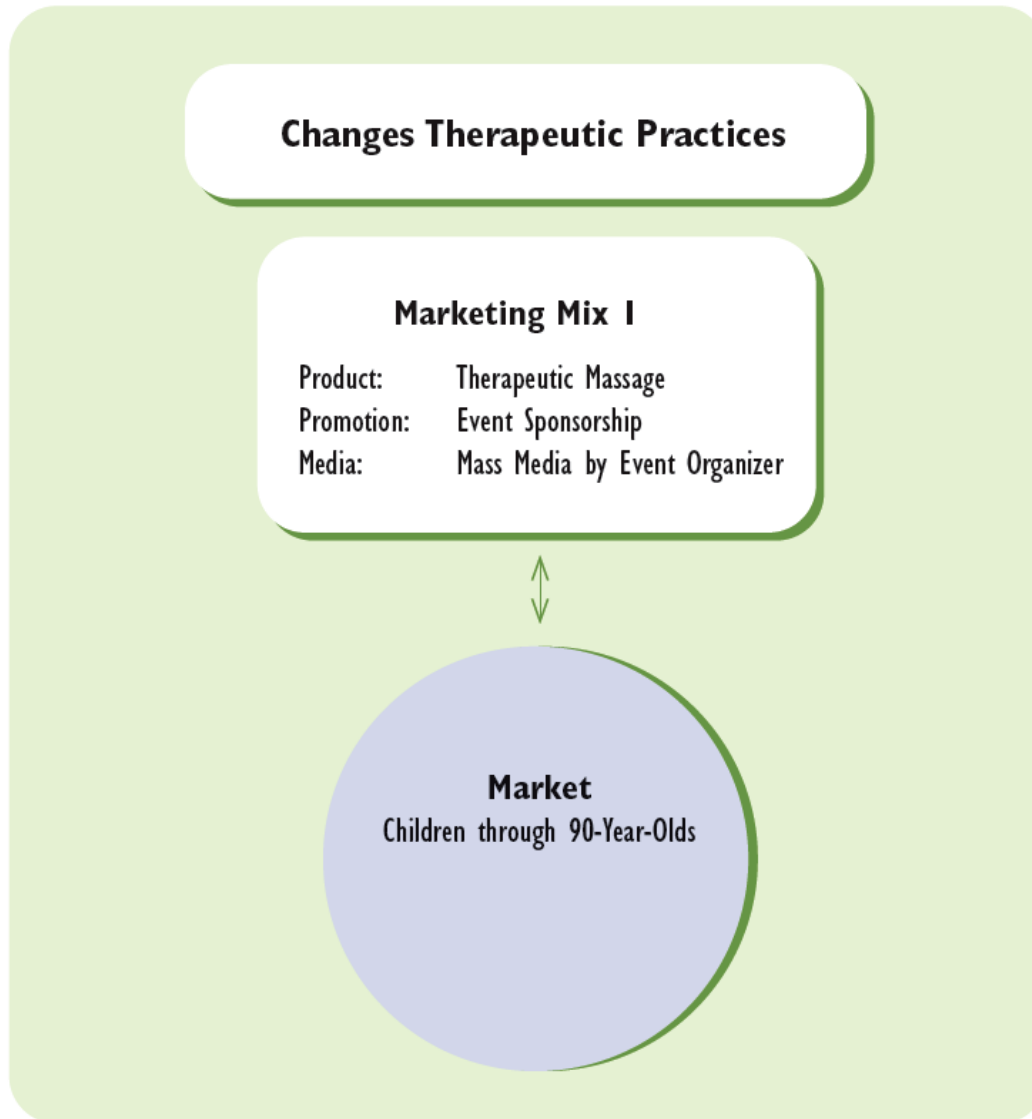
MSA-metropolitan statistical area  
City, State, Country, County  
Climate, Terrain, Zip code

## **Benefit & Volume Related** **Product use Aspects**

Frequent user, occasional user,  
Re-order vs. First-time buy,  
Quantity vs. Single units

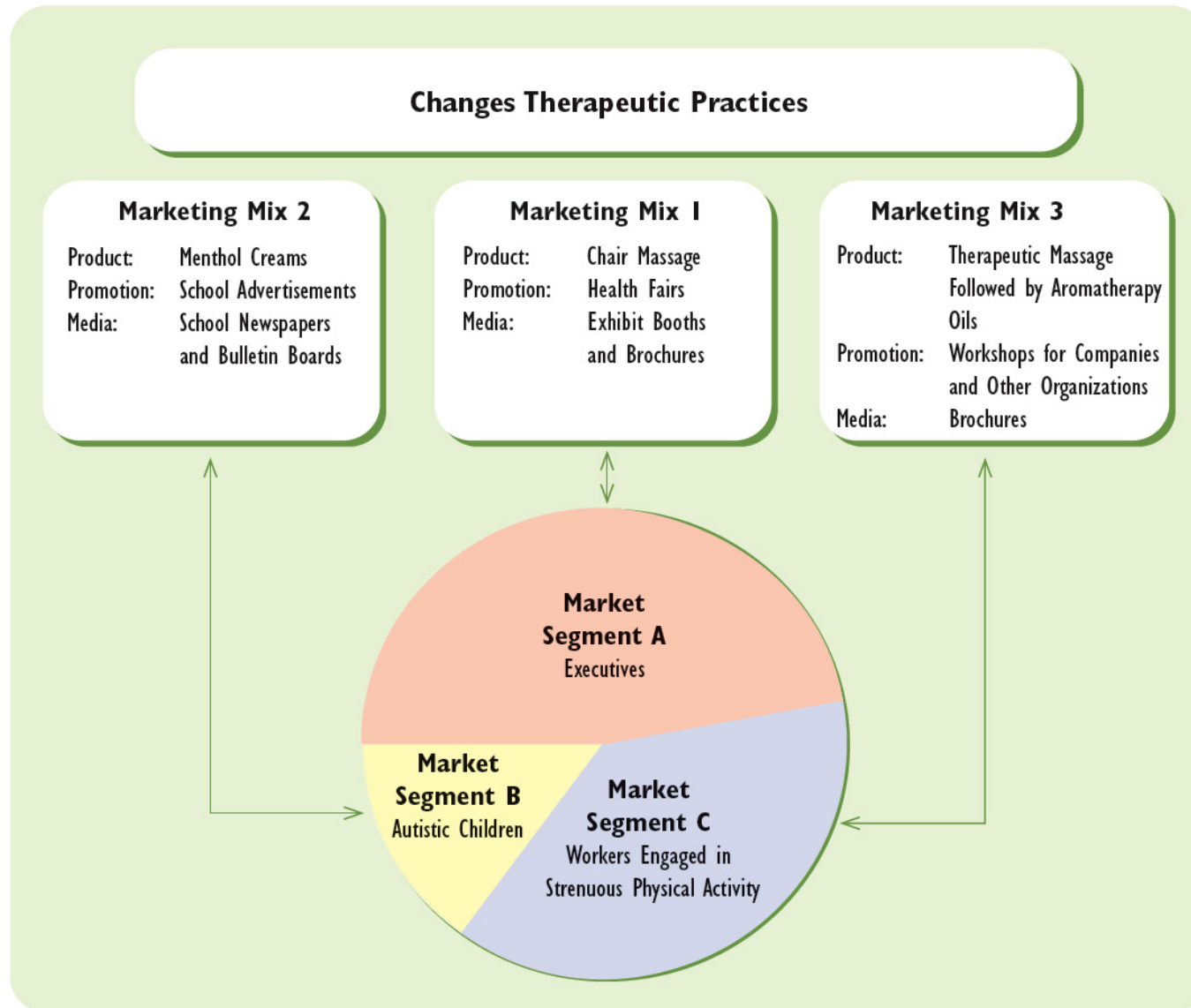
## Exhibit 7.4 An Unsegmented Market Strategy

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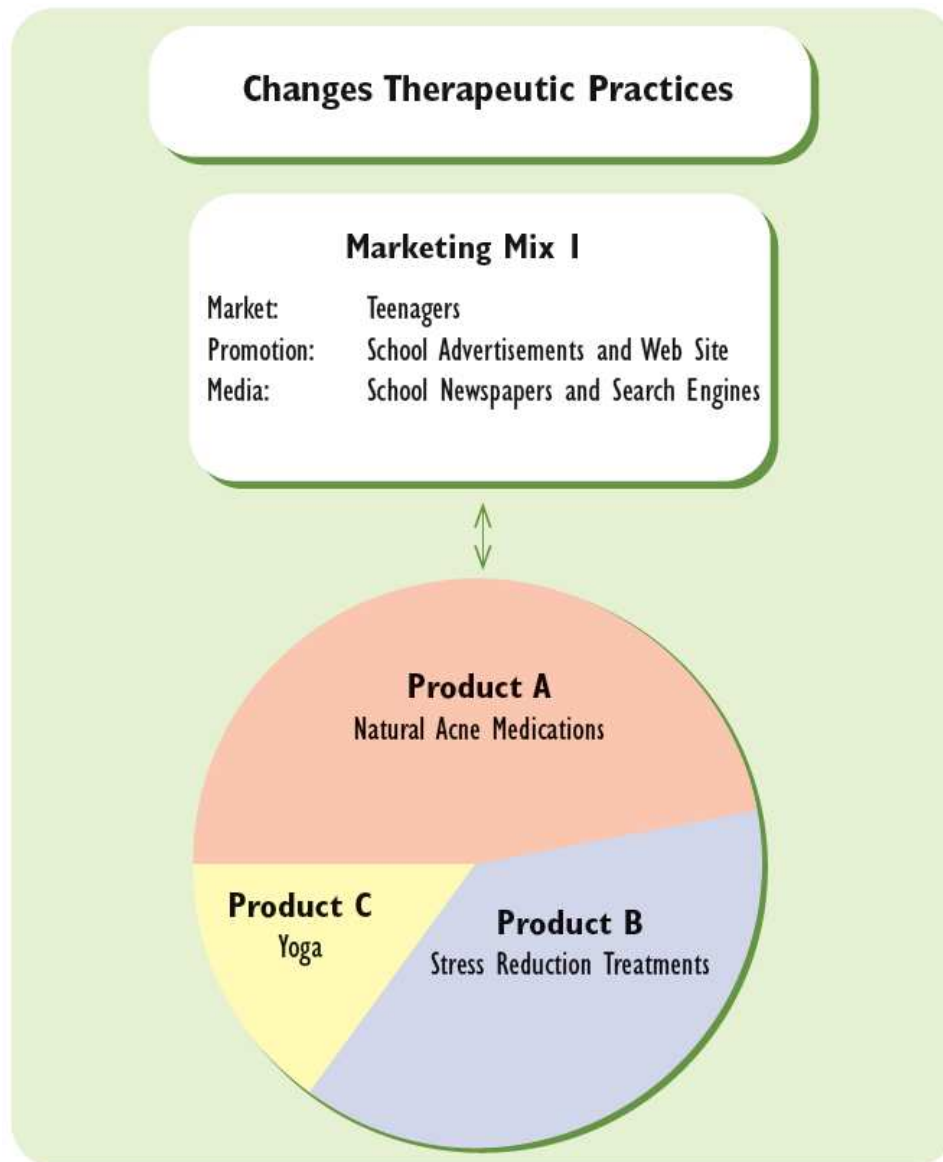
**Target Everyone  
- Use One Mix**

## Exhibit 7.5 A Multisegment Market Strategy



**3 Targets  
with a  
Distinct Mix  
for Each**

## Exhibit 7.6 A Single-Segment Market Strategy



**3 Targets,  
but choose  
only one  
with a  
Distinct Mix**



## Segmentation in Use

### Short Video on Segmentation at Best Buy

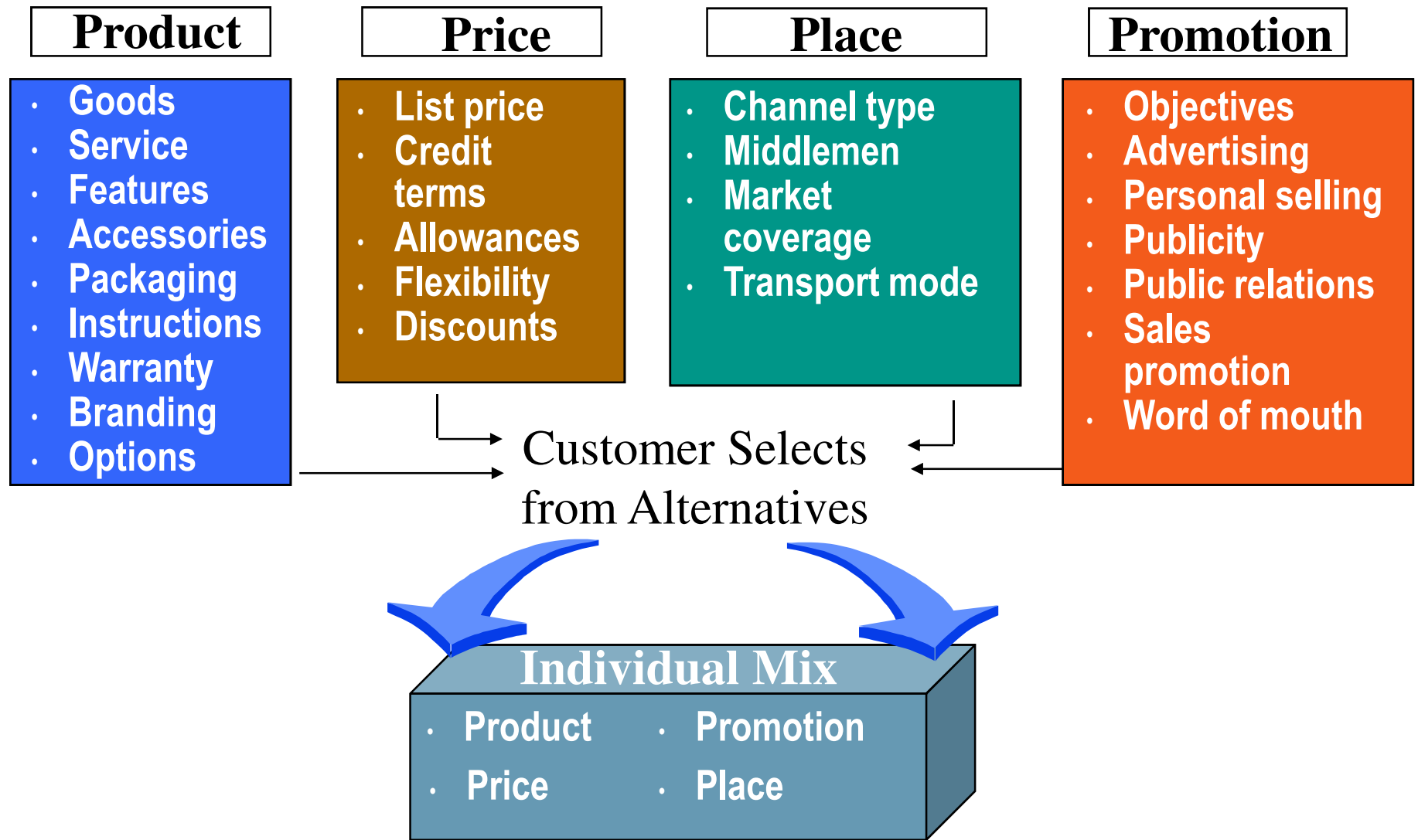
#### Best Buy Segmentation

While watching this film, think about:

1. What are the 4 segments identified?
2. How does Best Buy use these segments?
3. How can you adapt this method for a small business? What would you do?

# Think of a personal computer to buy...

As a consumer, what Can You Choose within each “P”?



## Cater to Different Types of Customers OR Show Dual Use of product/service

Show more than one customer benefits of your product/service ...

- Mousetrap and Cheese

Appeal to your segments, separately

- “What’s in it for me?”

## Competition? An exercise . . .

You have \$500 to spend on a dinner – where will you go?

How about . . .  
Beverly Hills



Hollywood



Pico Rivera



# Competition? An exercise . . .

How about . . .  
Staples Center –  
Guest Services  
(213) 742-7-FAN

Candlelight Pavillion  
Dinner Theater  
(909) 626-1254



LOOSE PARTS

BY DAVE BLAZEK

**Remember:**  
**Substitute**  
**Products/Services**



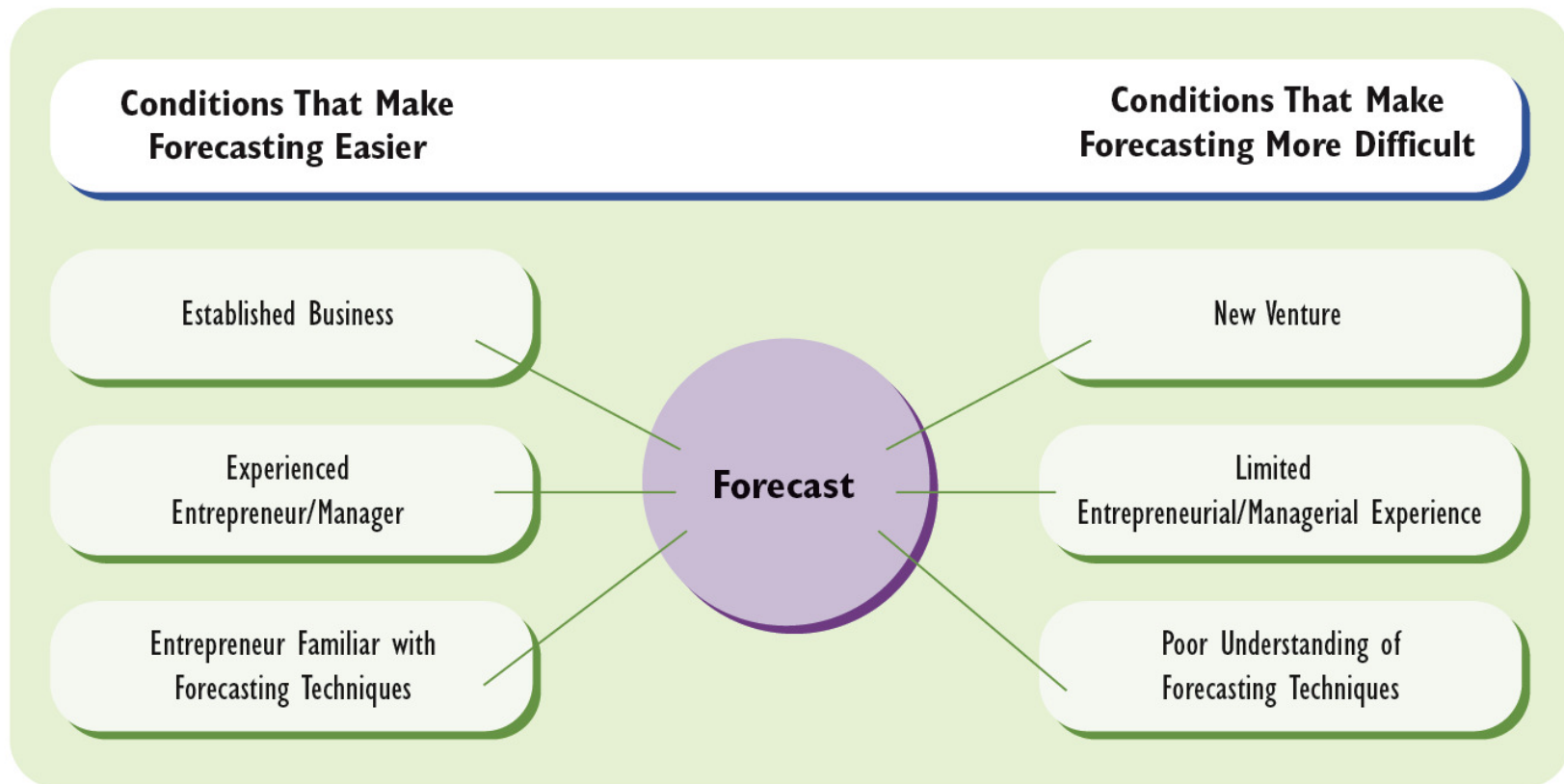
# The Formal Marketing Plan

- Sales forecasts
  - “Most likely,” “pessimistic,” and “optimistic”
- The Competition
  - Profile of key management personnel
  - Assess strengths and weaknesses
  - Related products being marketed or tested
  - Competitors’ entry into target market
  - <http://www.scip.org>
  - <http://www.fuld.com/Tools/> (SCIP Founder)



## Exhibit 7.7 Dimensions of Forecasting Difficulty

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# The Forecasting Process: Two Dimensions of Forecasting

## 1. The Starting Point

- Breakdown process (chain-ratio method)
  - ❖ Forecasting begins with a macro-level variable and works down to the sales forecast (top-down).
- Buildup process
  - ❖ All potential buyers in various submarkets are identified and then the estimated demand is added up (bottom-up).



# EXAMPLE

## Sales Forecasting with the Breakdown Method

Linking Variables	Sources	Estimating Values	Market Potential*
1. State population	U.S. census of population		1,429,096
2. State population in target age category	<i>Sales &amp; Marketing Management Survey of Buying Power</i>	12%	171,492
3. Target age enrolled in colleges and universities	State Department of Education	30%	51,448
4. Target age college students preferring convenience over price	Student survey in a marketing research class	50%	25,724
5. Convenience-oriented students likely to purchase felt-tip pen within next month	Personal telephone interview by entrepreneur	75%	19,293
6. People who say they are likely to purchase who actually buy	Article in Journal of Consumer Research	35%	6,753
7. Average number of pens bought per year	Personal experience of entrepreneur	4	27,012

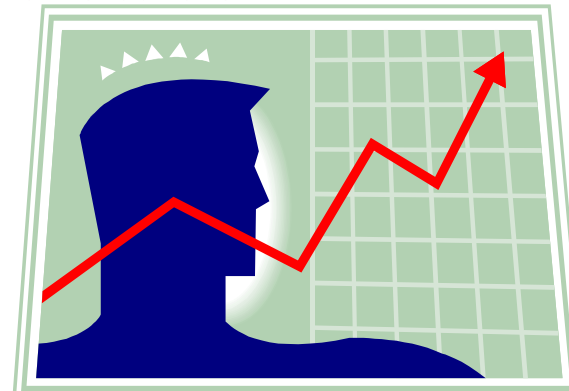
↑  
SALES FORECAST FOR STATE

\*Figures in this column, for variables in rows 2-7, are derived by multiplying the percentage or number in the Estimating Value column by the amount on the previous line of the Market Potential column.

# Forecasting and Predicting Variables

## 2. The Predicting Variable

- Direct Forecasting
  - Use of sales as the predicting variable
- Indirect Forecasting
  - Use of related variables related to sales as proxies to project future sales



## BUSM 66 Project

Follow instructions on the Project handout sheet

- Write ONLY in 1<sup>st</sup> person “I ...” (Not “Mrs. Jones ...”)
- Type input into text file, then edit your work for content
- Provide detailed responses – ask for more details

Look at Grading Rubric (on syllabus)

- Screen your own paper through the rubric (to maximize pts.)
- After editing again, please copy and paste into web form
- **Verfiy** that your project posted correctly