

# Marketing your Business

Arguably, the most important function of any business is marketing. To many people marketing just means selling, but it is far more than that. Making a product or providing a service is relatively straightforward. The hard part is ensuring that your potential customers are aware that you exist. It is essential, therefore, to prepare a detailed marketing plan - a plan of action. You need to define your overall marketing objectives, you need to identify your target market and you need to know what 'marketing mix' you will use.

## Objectives

- segment your market, target your customers and position your business in the market place;
- understand the 4Ps;
- define your marketing objectives;
- write your marketing plan; and,
- consider future developments.

Marketing is inherently simple; it's about targeting customers, finding out what they want and giving it to them at a price they want to pay (and which makes you a profit). But it's not easy. There are limitless ways to tackle your marketing objectives and there's no formula for success. Except, perhaps, 'be your own customer'. In other words, try to see everything from your customers' perspective.

## 01. Definition of marketing

Marketing is a business discipline. The Institute of Marketing (UK) defines marketing as 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'. That sounds rather a mouthful; in simpler words, marketing is about finding and satisfying customers - identifying the need for a product or service and then providing it at the right time, in the right place and at the right price.

Marketing covers all aspects of your business, from defining your product or service to the identification of market opportunities and filling those opportunities at a price that covers your costs and generates a profit.

Most markets are too wide and too competitive for smaller businesses to enter with much certainty of success. So you will have to find a special niche and then cultivate it carefully.

Identifying the market you are really in and having a thorough understanding of it can also ensure that you are alive to changes in technology or customer preference. Conversely, if you do not understand what you are really providing, you can be overtaken by events.

Marketing is not the same as selling; rather, marketing creates the conditions for the sale to take place. It's not advertising either, although advertising might play an important part in your overall marketing effort.

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## 02. Defining your market

Too many businesses define their market by looking at the product or service they are providing; that is, they are product-led. Whilst sometimes that can be effective, in most cases businesses need to be market-led: they should be looking at, and planning, everything from the viewpoint of the customer, identifying what needs customers are seeking to fulfil when they buy a particular product or service.

The ideal starting point is to define quite precisely the market that you are targeting. For example, a small off-licence may only service the needs of a few dozen streets, whereas a specialist restaurant will have to call on a much larger catchment area to be viable. In what market is, say, Parker Pens? They see themselves in the gift business - so they compete against the likes of Ronson lighters, not BiC biro.

- You may eventually decide to sell to different markets. For example: a retail business could service a local area through the shop and a national area by mail order. A small manufacturing business could branch out into exporting.
- People often flounder in initial market research by describing their markets too broadly. For example, saying that they are in the motor industry when they really mean second-hand car sales in Donegal.
- It may help you to think about your market by using a technique called market segmentation. Start with the big picture and break it into logical segments that differ, for example, buying habits, buying ability, location, etc.

### Example

The Burton Group originally manufactured and sold men's suits through a chain of stores. But in the early 1980s, they started to think carefully about the market and began to segment it by age of purchaser, style, cost, etc, and then concentrated on offering well designed, value for money clothes which they marketed carefully. This was so successful that they eventually stopped manufacturing themselves and now subcontract it all.

**Burton Group Segmentation: Womenswear**

Age	15-24	25-34	35-44	45-54	55-64	65+
SE Group						
A	Top Shop	Principles for Women		Debenhams		
B						
C1		Dorothy Perkins				
C2						
D				D H Evans		
E						

The way they have segmented the market for womenswear is shown in the figure. Apart from Debenhams, a department store, all their shops are focused at a specific, single gender market. You too should segment

your market. You do not have to sell to more than one segment, but the process can help you to define your customers more accurately.

### **Segmenting your market**

Segmenting the market helps you to understand market composition, interpret and present statistical information and target the customers most likely to buy your products. The information you collect can be used in designing effective advertising, deciding on a suitable pricing structure, providing the right products, knowing the best location, and so on. It will help you to make informed decisions. Usually customers can be profiled by criteria such as age, occupation, home ownership, etc. For example, imagine your product is a luxury item, which can only be afforded by certain income groups. Of these, you are only able to supply people in your immediate area. Of these, female homemakers are the main purchasers. They must be able to drive, aged between 20 and 30 and have no children. It is not long before you have defined a quite precise group for whom a wide range of information is available.

Careful segmentation will help you define your market accurately. But segmentation alone is not enough for a business to be successful. Businesses must offer a top quality product or service; they must differentiate themselves from their competitors; and, most importantly, they must closely match their product or service to the specific needs of their customers.

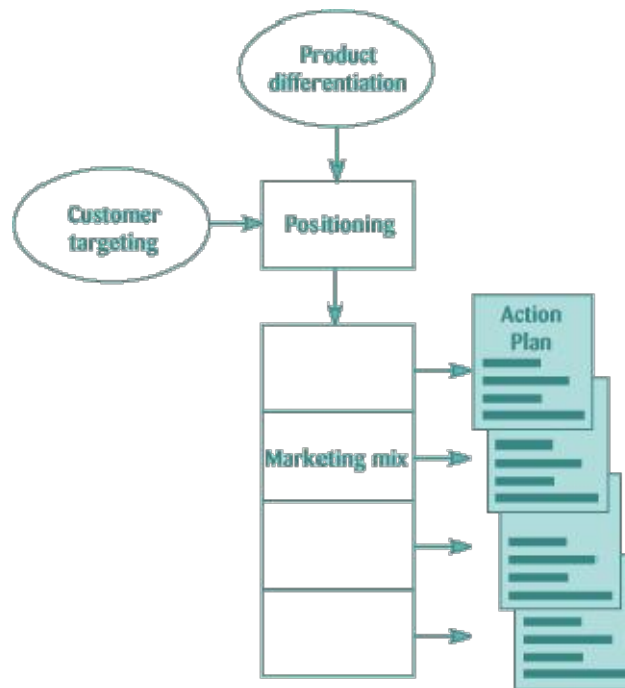
You will need to decide how to reach your customers, through advertising, point of sale material, etc. This should all be set out in a marketing plan.

## **03. Preparing a Marketing Plan (i)**

Careful planning increases the chances of successfully accomplishing what you set out to achieve. The principles of good planning can be applied to almost any project and remain the same irrespective of the task. However, the outcome of planning, the plan, can differ according to the nature and purpose of the task.

There are three stages in the process of preparing a marketing plan.

1. The first involves reviewing your overall strategy to confirm the definition of your target customer and decide on the positioning strategy you want to adopt. Positioning is generally concerned with how you differentiate your products and services from those of your competitors.
2. The next step is to determine the impact of your targeting and positioning decisions on your strategy for the marketing mix. The marketing mix deals with such issues as **product** specification and development, **pricing** policies, delivery systems (**place**) and **promotional** activity, and is sometimes referred to as '**the 4Ps**'. By this point you will be making decisions that indicate the need for specific action to be taken which, in turn, have implications for the operational resources you will need.
3. The last step is to review these needs and prepare an action plan that states, using 'action orientated' statements, what will be done and when - preferably with allocated responsibilities for each task.



When you have formulated your marketing plan it can be helpful to produce a written document. Actually writing out the plan and including justification for intentions will help crystallise your thinking and ensure that you have covered all the important points. If you will be seeking external finance to support your marketing development, any potential backer will insist on a written plan - possibly as part of an overall business plan.

If you take another look at the figure above you will see how the core elements of a marketing plan fit together. They are:

- Description of the products and/or services you intend to sell - what they do, how they work, the customer benefits they offer and how they differ from those of the competition. It may be helpful to incorporate here, or possibly as a separate section, a description and analysis of your chosen market including market size, market structure, competitors and market trends.
- Definition of your target customers, including an explanation of why you believe they will buy your products/services - the benefits they seek and the reason why they are likely to choose your products in preference to those of your competitors.
- A section dealing with each element of the marketing mix (see below) stating what you will do and why.
- An assessment of the resource implications of your plan - additional people, equipment, etc - noting why you need them and the costs involved.
- Summary action plan timetable.

Just as for any planning exercise of this nature, you will also need to cost your plans and produce a set of financial projections to test viability and enable you to assess the sensitivity of your plan to fluctuations in sales volumes, prices and critical cost areas.

## 04. Preparing a Marketing Plan (ii): Customer targeting and market positioning

The final outcome of your marketing plan very much depends on your approach to customer targeting and how you decide to position your products or services in the marketplace.

'Positioning' is a term used to refer to how you want customers to view your product or service in relation to those of your competitors. Take as an example the difference between mid-range cars sold by Ford and BMW. In most respects both models of car are similar. Their function is identical - they are both designed to be a mode of personal transport. What makes them different is the pricing structure, styling, and perhaps most importantly, their respective perceived images. Ford want people to think of their mid-range products as affordable cars for the mass of average people, whereas BMW want people to see their cars as the 'sensible' choice for discerning buyers amongst those who are 'successful'. What each company has done is choose positioning for the product defined by the target customer group and the means by which the product is differentiated from others.

Once you have a feel for your target market and what sets your product or service apart, you can consider which of what Michael Porter of the Harvard Business School calls 'generic strategies' you intend to adopt.

Businesses face the choice of going for a high volume mass market or a specific market segment or niche. In terms of product strategy, there are two primary choices - cost/price advantage or differentiation.

The combination of these choices leads to four possible positioning strategies, two of which (cost focus and differentiation focus) are very similar because both rely on inherent differences in the target sector<sup>1</sup>.

The key to success in any of the generic strategies is that the chosen strategy must be reflected in every activity of the business. For example, if you choose a differentiation strategy, the service you provide must be second to none and the customer must feel that the benefits they receive outweigh the premium price they have paid.

### **Cost leadership**

In adopting a cost leadership approach a firm aims for a high volume of sales by competing on price. The intention is to attain market leadership by undercutting all competitors - albeit marginally. That is not to suggest that the product is inferior. To ensure that customers will buy the product it must be of acceptable quality - either close to or as good as those of its competitors.

Successful use of this strategy depends on achieving, and maintaining, a significant cost advantage. The strategy of cost leadership is one that is commonly adopted, though rarely fully achieved. After all, it is difficult to make a reasonable profit unless you have a high volume of sales.

### **Differentiation**

A strategy of differentiation is based on identifying a unique benefit that is highly valued by a substantial proportion of the target market. In this case, businesses differentiate themselves by offering a product that is different, usually by providing greater benefit, and are therefore able to set their prices higher.

Some businesses, however, choose to focus on a particular niche market, product or service. The difference between this approach and the mainstream differentiation strategy is that it relies on an inherent difference in customer's preferences, attitudes and behaviour in the selected segment compared to the market overall. An example would be the TV market where, outside of the market's volume sectors, some manufacturers

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<sup>1</sup> Michael Porter, 'Competitive Strategy', Free Press, 1980.

have opted to serve a smaller segment such as the portable sector, or a specialist niche such as the big-screen units used in conference rooms. Here the customer requirements are quite different and cannot be met by minor adaptations of mainstream products.

Businesses that aim for a focused approach, however, are still likely to meet some competition and so need to decide whether, even within narrow target segments, to pursue cost leadership or differentiation.

Look, for example, at the market for personal computers. Many manufacturers attempted to emulate the IBM PC. Two stood out, offering a premium product at a premium price: Compaq and Apple. Apple further differentiated by not even offering a compatible machine, instead focusing on specific segments such as educational markets.

### **Choosing your positioning**

Many markets can have different companies each adopting one of the strategies and successfully co-existing. It is very rare for more than one or two businesses to succeed with a cost leadership strategy and, unless a market is particularly large, the same often applies for the high volume differentiation strategy. However, many markets contain small specialist sectors that offer good opportunities to adopt a strategy of focus. This is one of the reasons why, in many cases though by no means all, the focus strategy proves to be the most appropriate for a smaller firm competing in markets where the high volume ground is already dominated by large corporate businesses.

When choosing which of the generic strategies is most appropriate for your market you will need to consider the existing competitor situation:

- Are there many or few?
- What strategies have they already adopted (if any)?
- Do you have a notable advantage over existing players?

You will also need to apply the results of your research into customer attitudes and behaviour:

- Are there notable differences that have created obvious niches?
- Are there indications that it might be possible to create a new niche?
- Are there any identifiable requirements that are not currently being met which can thus be used as differentiation factors?

A good way of doing this is by using a positioning map of the competitors in your market place. Firstly, consider the two factors which are key to the chosen product or service. Then put each factor on an axis and plot where your competitors are in this grid. From here you can identify any gaps in the market.

Of course, markets are dynamic and subject to constant change. As you deliberate on the positioning you feel will be most appropriate, remember to look at market trends as well as the current situation.

Gary Hamal & C.K. Prahalad <sup>2</sup> point out that strategy has to be about more than just positioning. Otherwise, businesses are in danger of forever playing catch-up with more foresighted competitors. In other words, positioning should reinforce the overall strategic approach, not be the sole determinant of it.

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<sup>2</sup> Gary Hamal & C. K. Prahalad, 'Competing for the Future', Harvard University Press, 1994.

## 05. Preparing a Marketing Plan (iii): Marketing objectives

Once you are clear about your target market and about the position you propose to adopt in the market you can begin to define some marketing objectives. The first of these might be the purpose of the business: be as specific as possible regarding the business area in which you will operate, eg product type, customer groups, market needs, etc. For example:

- to provide toys and games for children under 12 years old.
- to provide an environmentally friendly range of packaging materials for use in the food industry.

This purpose can then be translated into marketing objectives and goals, which should be:

- quantifiable - for example:
  - to achieve sales turnover of £/€100,000 in the first year;
  - to achieve profitability of 10 per cent return on sales by year three; and,
  - to achieve market share of 10 per cent by year three.
- realistic but challenging. Never set objectives that are a product of wishful thinking; and,
- set in some sort of order of importance. If it is most important to achieve return on sales targets, then subsidiary objectives could be set to help achieve this; eg, 'to reduce production costs by 10 per cent'.

Typical objectives are sales, profitability, sales growth, diversification and market share improvement.

## 06. Preparing a Marketing Plan (iv): Marketing mix - the 4Ps

The marketing mix is made up of the following elements, often referred to as "the four Ps":

- **Product** (or service)
- **Place** (location and distribution)
- **Price**
- **Promotion**

For a business to succeed, you need to:

- get all of the elements right
- strike a balance between the elements

Differentiation of your business from your competitors can be achieved through adjusting the elements to make your product/business more attractive. For example, if you wanted to market a high profile brand, you would focus on promotion rather than price.

### Product

Satisfying the customer's needs or wants and in turn making a profit is your aim in providing a product/service. It is essential therefore that you get your product/service right.

There are various ways in which you can make your product stand out and be appealing. Use your senses in evaluating the product: ask yourself how does it feel and look.

### Key questions:

1. **Attractiveness** - is the packaging and the product itself visually appealing?
2. **Expectations** - does the product meet customer's expectations? For instance, they may have expectations in terms of product quality.
3. **Benefits** - does the product have benefits a customer wants or needs? Benefits describe what it is that a customer gets out of a product, and differ from features. For example, consider the following features and benefits of a car:

Feature	Benefit
Leather seats	Comfort
Anti-lock brakes	Safety
Central locking	Security
1400cc lean burn engine	Economy
Catalytic converter	Environmentally friendly
Convertible	Style

4. **Functionality** – how well does it do the job it's supposed to?
5. **Competition** - how does it fair compared to other similar products?
6. **Reliability** – is it reliable?

## Place

'Place' is the mechanism through which goods and/or services are moved from the manufacturer/ service provider to the user or consumer. It is also referred to as distribution, channel or intermediary.

Successful distribution of your product/service is not only dependent on the delivery mechanism. You must also consider your customers – where is it that they would expect to go to find products/services like yours? It is therefore essential that you choose the correct distribution channel(s).

### Key questions:

1. From where do your customers expect, or prefer, to buy the product or service?
2. What are the existing distribution channels in your chosen market?
3. Do you want to use direct or indirect channels? (eg 'direct' to a consumer, 'indirect' via an intermediary)
4. Do you want to use single or multiple channels?
5. If using an intermediary:  
Is the intermediary familiar with your target consumers?  
Is the intermediary appropriate for your business?

Intermediaries include:

- wholesalers
- agents
- retailers
- the Internet
- overseas distributors

## Price

You need to know what your customers would be prepared to pay in order to price something effectively.

Compare your products/services with similar ones belonging to your competitors. This should give you some idea of typical prices in the market.

You will then need to decide upon a pricing strategy. For example, you might use cost based pricing where total costs are calculated and a mark up is added to give the required profit. Or you might consider differential pricing, where you charge different segments of your market different prices for the same service. The strategy you choose will have an effect on the success of the product. (For a further discussion of **pricing strategies** see the link at the bottom of the page.)

Whichever strategy you choose, you need to distinguish between cost and price. To maximise your profits, you should aim to charge the maximum amount that people will pay, while seeking to reduce costs and increase productivity.

## Promotion

Promotion is about effectively communicating with your customers so that they are encouraged to buy from you. You need to promote to both existing customers and prospective ones, which may involve promoting to each in different ways.

To promote successfully, you need to take the following into account:

- You need to know as much as possible about your customers and their buying habits.
- You need to identify which are the important questions customers could have about your product/service, eg is this a reliable product? Your promotional activities should answer these questions.
- You need to identify your unique selling point (USP) and communicate it effectively to your customers.
- You need to identify the style of your promotional activities
- You need to decide when you are going to promote.

When you have answers to the above, you are in a stronger position to decide what to say, how to say it, when to say it, and which promotional method(s) to use.

### Promotions mix

The 'promotions mix' is the combination of promotional elements you use to promote your product/service.

The various elements which can make up the promotions mix include:

- Personal Selling
- Sales Promotion
- Public Relations
- Direct Mail
- Trade Fairs and Exhibitions
- Advertising
- Sponsorship

You would choose the appropriate elements for your product/service and integrate them to form a promotional campaign.

#### Note:

Sometimes you might see the marketing mix described in terms of the '**five Ps**', to include **People**. Alternatively, the '**seven Ps**' also include **Physical evidence** (eg uniforms) and **Process** (the whole customer experience).

## 08. Future developments

Whatever the stage of your business development, looking at the future may be helpful in defining your marketing objectives and your marketing mix.

The most common objectives are usually to achieve sales and profitability targets in year one and to increase sales and profitability levels in subsequent years. Bearing this in mind, how can you develop your product, service or customer groups to achieve this business growth?

By examining the product/market matrix below you can identify the major classes of growth opportunities:

	Existing markets	New markets
Existing products	Market penetration	Market development
New products	Product development	Diversification

- **Market penetration**  
This is where you aim to increase sales in current markets by increased marketing effort; that is, encourage existing customers to buy more by using publicity, advertising, special promotions, etc. You can also attract competitors' customers by attractive pricing, aggressive advertising, seeking extra distribution channels, etc.
- **Market development**  
This is where you introduce current products to new markets; for example, into different regions, countries or a new market segment. This can be achieved by seeking different distribution channels, different media advertising, or offering product ventures that appeal to each new market segment; for example, financial software for banks repackaged for accountants.
- **Product development**  
This involves developing an improved product for existing markets, eg:
  - Adding new features, highlighting other features or removing some altogether.
  - Producing new quality ranges, eg standard, extra and super versions.
  - Introducing new models or sizes, eg mini, midi, maxi.
- **Diversification**  
This involves identifying opportunities for new products in new markets, which will help achieve the business objectives; for example:
  - Adding new products that are technologically related to existing ones and will appeal to new customers.
  - Adding new products that are unrelated to your existing products and might appeal to new customers.

Producing a marketing plan is crucial. It is the point at which your preparation work is combined to create an action plan with the aim of taking those first important steps towards establishing a presence in your new market. Clearly, care and attention to detail is vital if you are to ensure that you are fully prepared. Producing a marketing plan is a fairly lengthy and detailed process and should not be rushed or treated half-heartedly if the risk of making expensive mistakes is to be avoided.

Nonetheless, you should retain a reasonable degree of flexibility within your plan. It is impossible at this stage to foresee all possible outcomes and, as experience will eventually confirm, there are always those customers who represent a worthwhile opportunity but unexpectedly want something to be slightly different. This is where, as a more adaptable and responsive small firm, you have an advantage. With the ability to adapt and respond quickly you will be in a position to grasp such opportunities where others may miss out.

## 09. Conclusion

A marketing plan should not be considered as being rigidly prescriptive, nor should you be averse to going back and making any necessary amendments - or even drastic changes - as your familiarity with, and experience of, your market grows.

## 10. Acknowledgements

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The 'Sales and Marketing' category will help you to:

- ensure you know your market and can target your customers effectively;
- understand all aspects of advertising;
- find out about service and customer relations;
- write your own press releases;
- learn how to sell yourself and your business;
- consider exporting for the first time; and
- understand the option of e-commerce and how to go about selling online.

The section on marketing your business has a series of assignments for the entrepreneur related to this article and also addresses follow-on issues such as:

- Naming your business
- Logos
- Marketing Agencies in the Republic of Ireland

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