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DEVELOPING A MARKETING STRATEGY

INTRODUCTION

Your MARKETING PLAN is a focused and functional plan for all your marketing activities. Remember your marketing plan cannot be developed in isolation. The marketing plan has to support the STRATEGIC PLAN. The marketing strategy is the starting point for your Marketing Plan and is derived from the GENERAL STRATEGY of a business. NB. Also see the articles on "Strategic Analysis" and "Strategy Development". No effective functional strategy can be developed on its own. Remember the business is a system built up from various functional systems that have to support one another. For example, marketing has to support production and visa versa. The only way this will happen is when both functions are derived from and in support of the **general business strategy**, which is the main driving force of any successful business.

You should therefore kick off by making sure that the marketing strategy supports your general strategy. Your MARKETING STRATEGY can then be formulated by using the information you gathered in your MARKET RESEARCH.

WHAT IS A MARKETING STRATEGY AND MARKETING PLAN?

A ***MARKETING STRATEGY*** in general sets a target market and a marketing mix. It is a "big picture" of what a company will do in some market in order to gain a competitive advantage. A ***MARKETING PLAN*** is a detailed breakdown of your marketing strategy. It is a written statement of a marketing strategy with the time - related details as well as the marketing budget for carrying out the strategy.
It should spell out the following in detail: -

- what marketing mix will be offered;
- to whom (target market);
- for how long;
- what company resources will be needed at what rate;
- what results are expected (sales and profits).

DEVELOP A MARKETING STRATEGY

By now you should already:

- have decided on the nature of your business and you know that your business idea is
- feasible;

- have also identified your market and decided on your target market;

- know what the needs of your customers are and you have identified and assessed your
- Competition.

Now you need to decide on:

- the Product and Service to offer your customers;

- how you will make your Products available to customers;

- how you will communicate the benefits of your Products and persuade customers to buy
- them;

- the price you will charge.

These four decision variables are the ingredients of the so-called marketing mix. Your task is to create these elements effectively in order to market your product/service to the target market in an optimal way.

CREATE AN EFFECTIVE MARKETING MIX

The **MARKETING MIX** consists of all the controllable variables the company puts together to satisfy its target market. A typical **MARKETING MIX** includes decisions regarding the product, the price of the product, how to promote the product and how to get the product to the right customer at the right time and place.

All these variables are controllable elements in the marketing mix and can be reduced to four basic ones, each starting with a P (also known as the four Ps):

- **P**roduct.
- **P**lace.
- **P**rice.
- **P**romotion.

The four Ps are those factors that you can control directly, for example, you develop your product, you decide how to get it to the customer, you determine the price and you choose the promotion mix. **The four Ps are, as you will realize now, with the selection of your target market are the basic ingredients of your marketing strategy.**

All four Ps are needed in a marketing mix and should therefore be tied together. When a marketing mix is developed, all final decisions about the P's should be made. All four Ps should be in harmony and aimed at satisfying the customer's needs in an optimum way.

You do have control over the marketing mix and can vary it to suit the needs of your customers and the resources of your business. Customers are continuously matching their needs with the products offered by you and your competitors.

You should now know your target market and the needs of your potential customers. From analyzing your competitors, you can identify what they offer the target consumer through their marketing mixes. This determines what your marketing mix and your competitive advantage will be. All of the marketing mix elements must reinforce the image of the product or service that the business portrays to the potential customer.

Let’s discuss each P in the marketing mix in more detail.

FOCUS ON THE PRODUCT

This area is concerned with developing the right product for the target market. This offering may involve a physical product, a service, or a blend of both. Remember that a product is not limited to a physical good. The important thing is that your product and/or service should satisfy a specific customer need.

At the most fundamental level we normally talk about the core product. The core product answers the question "what is the buyer really buying?" The woman buying a camera is not buying a mechanical box, she is buying the opportunity to take photo's, when she want to have and keep forms of "immortality" or precious moments. The marketers' job is to sell these core benefits of the product or service.

Branding means the use of a name, term, symbol, design, or a combination of these, to identify a product. It includes the use of brand names, trademarks, and practically all other means of product identification. A brand name is a word, letter, or a group of words or letters. Examples include Nike, IBM, and Kellogg's. Trademark is a legal term and includes only those words, symbols, or marks that are legally registered for use by a single company.

Brand promotion has advantages for sellers as well as for customers. A good brand name speeds up shopping for the customer, if the customer can immediately recognize the product, and it will reduce the seller's selling time and effort. When customers repeatedly buy by brand, the seller is protected against competition from other companies. Good brands can improve the company's image, and thus speed up acceptance of new products marketed under the same company name.

Packaging involves promoting and protecting the product. This can be important to both sellers and customers. It can make a product more convenient to use or store. It can prevent spoiling or damage. Good packaging makes products easier to identify and promotes the brand at the point of sale and even in use.

In addition to branding and packaging if the formal product is a physical object, the market may recognize it as having characteristics like a quality feel, specific features, as well as styling. If it is a service, it may have some or all of these facets in an analogous manner.

The total product can also consist of elements like free delivery, installation, warranties, services, maintenance systems, customer advice, financing and other things that customers perceived to be of value.

MAKE YOUR DECISIONS ON THE PLACE ELEMENT OF THE MARKETING MIX

Place is concerned with all the decisions involved in getting the right product to the target market's environment. A product isn't of much use to a customer if it's not available where and when it is wanted, or needed.

A product reaches its target market through a channel of distribution - any series of companies or individuals, from producer to final user/consumer. Sometimes a channel system is quite short. It may run directly from a product to a final user. This is especially common in business markets and the marketing of services. Often a channel system is more complex and has levels, which involves different middlemen and specialists.

A zero-level channel, often called a direct marketing channel, consists of a manufacturer selling directly to a consumer. The choice of the level channel to use will be based on the competitive advantage, offered by this level. For example, an apple farmer may choose a zero-level channel by inviting the public to come and pick their own apples at a much lower price than buying it at a shop.

A two-level channel, for example, contains two intermediaries. In consumer markets, they are typically a wholesaler and a retailer. In industrial markets, they could be sales agents and wholesalers and in the service market, only sales agents could be necessary.

Distribution channels could also be other than the abovementioned. For example, the Internet is an excellent distribution channel for selling information. A comedian can also distribute his services via the TV to his or her target audience.

Part of the place decision is also the layout of a store or shop. Layout is the arrangement and display of merchandise. A retailer's success depends on a well - designed floor display. It should pull customers into the shop, make it easy for them to locate merchandise, compare price, quality, and features, and ultimately buy.

PRICE

In setting a price for your product, you must consider competition in the target market, and the cost of the total marketing mix. You must also estimate customer reaction to possible prices.

Furthermore, you also should know current competitor practices such as markups, discounts, and other terms of sale. You must be aware of legal restrictions on pricing. If customers won't accept the price, all your planning effort will be wasted.

Consider what the customer is willing to pay and what the customer is likely to expect for that price. Ask yourself whether the customer feel that he/she is getting value for money at that price? Remember it is the customer's perception of value for money that counts, not yours.

You must set the price high enough to cover costs and earn a reasonable profit, but low enough to attract customers and generate adequate sales volume. The right price today may be completely inappropriate tomorrow. The reason for this: Ever changing market conditions.

For many small business people non-price competition - focusing on factors other than price - is a more effective strategy than trying to beat larger competitors in a price war. Non-price competition factors are: free trial offers, free delivery, lengthy warranties, money-back guarantees, allowing for bargaining, stressing durability, quality, reputation, or special features.

The pricing policy of a business also offers important information about its overall image. The prices charged at ladies' clothing boutique reflect a completely different image from those charged by a chain store. High prices for some products frequently convey the idea of quality, prestige, and uniqueness to the customer.

Competitors' prices can have a dramatic impact on your sale. You should make it a habit to monitor your rivals' prices, especially on identical items. The following two factors are vital to studying the effects of competition on your pricing policies: location of competitors, and the nature of competing products.

Without the advantage of a unique business image - quality of goods sold, number of services provided, convenient location, favorable credit terms - you will have to match local competitors' prices or lose sales. You also have to recognize which products are substitutes for those you sell and then strive to keep your prices in line with them.

Effective Techniques you can use when Pricing a New Product

In the initial setting of a product's price, you must try to achieve three objectives:

* Getting the product accepted.
* Maintaining market share as competition grows.
* Earning a profit.

You have three strategies to choose from:

- ***Penetration:*** The idea is to gain quick acceptance and extensive distribution in the market. You introduce your product at a low price. The low profit margins may discourage other potential competitors from entering the market with similar products.

- ***Skimming:*** The idea is to set a price well above the total unit cost and to promote the product heavily in order to appeal to the segment of the market that isn't sensitive to price. This technique often reinforces the unique, prestigious image of a shop and projects a quality picture of the product.

- ***Sliding - down - the - demand - curve:*** You introduce a product at a high price until technological advancements enable you to lower your costs. The art is to reduce the product's price sooner than that of your its competitors. Computer price declines are a good example of this technique.

Setting the Price

In this section, we will explain the process of setting the price of your product/service, by the use of two case studies. The one is for retailers and the other for manufacturers.

The retail case study:

The initial mark-up is the average mark-up required on all merchandise to cover the cost of the items, all incidental expenses, and a reasonable profit.

Initial dollar mark–up =
(operating expenses + profits) ÷ net sales

Sales of R400 000, expenses of R120 000 and a profit of R80 000 are expected in your business. The initial mark up % therefore
= (120 000 + 80 000) ÷ 400 000 = 50%

You must verify your retail price by answering the following questions:

- Will it cover costs and generate the desired profit?
- Is it in line with the company's overall price image?
- Is it within an acceptable price range?
- How does it compare with the prices charged by competitors?
- Are the customers willing and able to pay this price?

The manufacturing case study

The most commonly used pricing technique for manufacturers is cost - plus pricing. This method is also known as absorption costing. Using this method, the manufacturer establishes a price composed of direct materials, direct labor, factory overheads, selling and administrative costs, plus the desired profit margin. Let's look at Benny's business:

Benny manufactures tables. His monthly operating figures are:

- Rental for the factory = R5 000
- Raw direct materials used = R11 000
- Wages of workers = R20 000 (The workers are paid per table manufactured)
- Telephone = R800
- Salaries = R16 200

On average 2500 tables per month are manufactured and sold. Benny intends making a 25% net profit.

Direct or variable costs = Direct materials + Wages = R11 000 + R20 000
= R31 000

Admin or fixed costs = Rental + Telephone + Salaries = R5 000 + R800 + R16 200
= R22 000

Total costs = Variable costs + fixed costs
= R31 000 + R22 000
= R53 000

Profit margin = 25% on total cost
= 25% of R53 000
= R13 250

Selling price = Total cost + Profit margin
= R53 000 + R13 250
= R66 250

Selling price per table manufactured
= R66 250 ÷ 2 500
= R26, 50

The service business

The typical service business can benefit from effective pricing techniques, but too often small businesses simply charge the going rate or they set a price they deem suitable for the specific set of circumstances.

A service business generally establishes a price based on the materials used to provide the service; the labor employed an allowance for overheads, and a profit. They charge customers on an hourly basis, usually the actual number of hours required to perform the service.

CONSTRUCT THE PROMOTION MIX

The last P is concerned with telling the target market about your product/service. Promotion includes ***PERSONAL SELLING***, ***MASS SELLING***, and ***SALES PROMOTION***. It involves direct communication between sellers and potential customers.

PERSONAL SELLING usually takes place face - to - face, but sometimes the communication occurs over the telephone.

MASS SELLING is communicating with large numbers of customers at the same time. The two main forms of mass selling are: ***ADVERTISING*** - any paid form of non-personal presentation of ideas, goods, or services by an identified sponsor, and ***PUBLICITY*** - any unpaid form of non-personal presentation of ideas, products, or services.

SALES PROMOTION refers to those promotion activities, other than advertising, publicity, and personal selling that stimulate interest, trial, or purchase by final consumers or others in the channel. This can involve use of coupons, samples, signs, catalogs, novelties, and circulars.

Advertising on a regular basis is a critical element in sustaining a healthy, growing, vibrant small business. Sales are the lifeblood of any business and therefore the typical small business cannot survive without a unified advertising program.

Advertising can be an effective means of increasing sales by informing customers of the business and its goods or services, by improving the image of the company and its products, or by persuading customers to buy the goods and services offered by the company.

The Advertising Message

Once you have defined your target market, you should have done this in your Marketing Feasibility Study, you can begin to design an advertising message. The advertisement should be built around a unique selling position, an essential consumer benefit of the product or service.

Generally a good advertisement should attract attention, develop interest, create the desire to have the product or service (convince the reader), and get action. You can increase an advertisement's impact by applying the following principles:

- Design the message to reflect the image of the company.
- Plan the advert in advance to ensure consistent appearance and message.
- Use attention-getting techniques, value-packed words like free, save, you, new, bargain, or
- Testimonials from customers.
- Layout should be simple.
- Message should be short, direct, and built around a single idea.
- Choose colors carefully.
- Heading should grab the reader.
- Use illustrations that complement the product or service.
- Identify the shop clearly.
- Include the price - this is one of the most important considerations for many customers.

The Advertising Media

Once you have designed your advertising message, the next thing to do is to select the media for optimum transmission of your message.

There is no single formula for determining the ideal advertising medium to use, but there are several important characteristics, that make some media more suitable than they make others. When selecting advertising media, consider the following questions:

- How large is your company's trading area?
- Who are your customers and what are their characteristics?
- What are your budget limitations on promotions?
- Which media do your competitors use to advertise?
- Is continuity of your advertising message important?
- What is the cost involved?

Draw up a table with the different advertising media and list each medium's market coverage, type of audience, suitability, major advantage, and major disadvantage. Do not overlook the fact that labels, letterheads, packaging and vehicles can also be advertising media.

You will have to measure your advertising results.

Only if you measure the results of each advertisement, will you be able to eliminate ineffective advertising and concentrate on what works best. There are many methods of measuring results, such as:

- Asking your customers how they found out about your product or service.
- Keeping a record of telephone inquiries concerning a particular advertisement.
- Having a feedback mechanism such as coupons.
- Measuring the volume of store traffic after an advert.
- Judging the effectiveness by comparing sales of those items advertised with pre-advertised
- sales.

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