



# MASTERMIND CONSULTING NETWORK

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## All About Marketing

### Chaos Reigns!

Yes folks, chaos reigns throughout the land on the subject of Marketing! I learned early on that we all have different understandings about the meaning of the word MARKETING!

- To some it means “ADVERTISING”
- To some it means “PRICING”
- To some it means “SELLING”
- To some it is a “SELLING PROCESS”
- And to other it is something entirely different!

If you check your dictionary (as I did) you will discover several possible meanings and if you check several dictionaries you will discover differences between reference sources<sup>1</sup>. No wonder we're confused. When we use words to communicate, they must have a common meaning or we will only succeed in miscommunication!

So you say “What is Marketing?” Well, that will be the subject of our next section. First we will look at what MARKEING is not, and then we will narrowly define it as it will be used in this paper.

### So What is Marketing?

First let's talk about what marketing is not:

1. See definitions at the end of this paper for more information.

It is not “**Advertising**” which is the public promotion of a product or service in order to attract or build interest in it. In the case of business advertising, we are either trying to promote awareness of our enterprise (Image Advertising) or we are trying to build consumer interest in purchasing our product or service (Sales Advertising). Advertising does not appear as one of the seven **PRIMARY BUSINESS FUNCTIONS** but rather is contained within the **COMMUNICATIONS** function because in advertising we are simply communicating with prospective customers so that they will know who we are, where we are located, how to contact us, what we have to sell, and why it should matter to them. Given this information, interested consumers will take the next step in determining whether or not to do business with the advertiser.

It’s not “**Pricing**” which is the activity of determining the amount of money that the business will demand in exchange for it’s products and services. “**Pricing**” is definitely one of the seven primary business functions because it involves the most important decision that any business must make. It is a highly strategic decision which if too low will generate a loss on every unit sold and if too high will result in too few sales and insufficient revenue to maintain a viable business. The simplistic approach of pricing lower than your competitors involves minimal marketing effort and is by itself an inadequate approach. A comprehensive pricing activity on the other hand involves substantial “Marketing” effort in order to truly understand the **NEEDS** and **WANTS** of your best prospects. What these prospects are willing and able to pay being the key consideration.

Finally “**Marketing**” is not “**Selling**” which is the activity of persuading people to buy the product or service that your business has for sale. In the absence of marketing a business is trying to sell everyone which usually is unnecessary because most people neither need nor want the product or service being sold. For this reason trying to sell to everyone is time consuming and expensive.

This leads us to “**Marketing**” which most certainly is a “**Primary Function**” of any “**Selling Process**”. However it is important to note that marketing while part of the selling process is definitely not in and of itself a selling process.

To answer the question “So what is Marketing? We must simply say that marketing is the activity of linking producers of a product or service with their prospective customers. Given this definition, all successful businesses engage in marketing at some level; for many the level is unconscious, without thought or planning toward the goal of efficiently and effectively reaching the best prospects with a minimum, expenditure of resources. Sometimes they simply undertake a

MASS advertising campaign where “everyone” is the target market. Is it then surprising that the dollar ROI on such campaigns is very low? Another unconscious approach is to randomly select an advertising agency and then rely on them to do the marketing regardless of their credentials or knowledge of their client’s marketing situation. Again, an ineffective campaign is the result.

The purpose of this paper is to present the reader with the concepts, processes and ideas that will allow him (or her) to consciously pursue marketing with the goal of getting the most out of it.

### **We do “Marketing” when .....**

So now we will want to consciously link products and services with prospective customers in an efficient and cost effective manner. The process used will vary from business to business because their products, resources, and market demographics differ.

In any environment, but especially in a slow market, resources are limited and cash for advertising may be limited or non-existent. Having a well defined market, a focused message, and the appropriate advertising media will reduce costs and increase the number of respondent who take the intended “action” whether that be to contact the seller for more information or to actually visit his retail location.

Another approach is to use direct selling where a sales person tries to meet one-on-one with all prospective customers. Here meeting time is the limiting factor and a strong marketing effort is needed to define the best market segments and then create the situation where the best prospects approach the seller when they are nearly ready to buy, asking “tell me more”! This way the likelihood of a successful close is much improved.

Your next question of course is “How do I implement a focused marketing activity in my business?” In the next section we will address the three phases of an active marketing process.

### **The Three Phases of Marketing**

The three basic functions of marketing are segmentation, evaluation, and ranking. We will discuss each in the following paragraphs.

- **Segmentation** is an intellectual exercise in demographics. In its simplest form it involves brainstorming which demographic groups might need and

want our product or service. Some (but not all) demographic classifications used in segmentation are:

- Age
- Gender
- Income
- Geographic Location
- Medical Issues
- Marital Status
- Education
- Hobbies
- Lifestyle
- Special Interest
- Etc

The inspiration for identifying segments of interest comes from studying demographics of existing customers, brainstorming with the stakeholders, working with a consultant, or from focus groups comprised of persons outside the business. In undertaking segmentation, it is important to note that the resulting market segments will overlap. A given person therefore may be included in several market segments and the resulting segments are differentiated by demographics not by product. That is we are not talking about the market for bicycles vs. the market for roller skates, but about the 30-40 age group as a “segment” for a specific product such as a bicycle.

- **Evaluation** – Once we have segmented a product market into several demographic groups, we must evaluate each segment relative to its value to our business. Some (but not all) the key evaluators are:
  - What does the segment need?
  - What does it want?
  - How many people within our service area are members of this segment?
  - How many current customers do we have in this segment?
  - What % market share do we now have in this segment?
  - How many competitors are selling to this segment, who are they and what % market share do they have?
  - What key events lead people in this segment to buy?

- What indirect competition exists for this segment?
- Etc.

Answering these questions takes time and effort but the internet is an invaluable resource for finding the answers. Also it should be noted that this is not rocket science. Sometimes the answer is an estimate and other times it will simply be “unknown”. When the evaluation is reasonably complete, it is time to rank the segments we have evaluated.

- **Ranking** is the key event in analyzing market segments. Our primary marketing interest is to focus our selling on our best prospects. In order to do this we rank the segments to determine the best ones for our selling proposition. We accomplish this by establishing the criteria that are important to our business, such as the following criteria.
  - Value of each segment to the business?
  - Likelihood of successfully selling to each segment?
  - The level of effort required to achieve success in selling to each segment?
  - The risk associated with selling to each segment?

By assigning numerical values to these criteria in each segment and totaling them we can establish overall scores for each market segment. The scores are then ranked to identify the top segments. Our strategy then is to focus advertising and selling efforts on the top segments in order to achieve the best result.

### **Applying the Results**

Once we have identified our top market segments we must take additional steps to make full use of the segmentation. First we assess our core competencies and determine which ones provide a competitive advantage. At this point we face a dilemma since it is likely that we will have more advantages than we can effectively utilize in an advertisement. The question then is which ones should be our key selling points? The answer is to use ranking to determine our most important advantages.

We do this by determining criteria which are most important to a prospect’s buying decision. These criteria might be:

- The degree of differentiation from competitors.
- The “Value” our differentiation has for our prospects.
- Can or will our competitors replicate it?
- Can we or will we be able to sustain it in the future?

Again we assign values to our criteria for each competitive advantage. By totaling the values for each advantage we establish overall scores that are then ranked to identify the top competitive advantages. The strategy then is to use our top advantages as key selling points in our advertising.

Having selected primary market segments and key selling points we must now communicate our message to the chosen segments. In order to do this, we create a marketing plan which can be very simple. It begins with what we will do and when we want to do it. This can be a calendar with notations on specific dates saying for instance “Nov 1<sup>st</sup> - Begin a ten day Thanksgiving promotion.” Having decided “**what**” and “**when**” the next step is to flesh out “**how**” to accomplish it, which brings us to the “**media selection**” step. Frequently this step is addressed with little or no thought. Some typical methods are:

- Continue using whatever advertising medium we’ve always used.
- Select which ever media source first asks for our business.
- Select the media type being used by our most successful competitor.
- Select several sources hoping that one will be successful. (This is the blind fold and dart method.)
- Select the least expensive alternative.
- Select someone we’ve known for years.

None of these is likely to achieve the goal of efficiently and effectively reaching the best prospects with a compelling message that initiates action toward a purchase. For that reason, formal media selection becomes a key to making a marketing process productive.

Our “**media selection tool**” is a chart with twenty five (or more) advertising media listed across the top. For each choice, we evaluate the likelihood of its reaching our target market segments and rank the media by their score in order to select the best candidates for further consideration.

Each candidate is then ranked on its suitability for communicating our key selling points to the target audience. This allows us to reduce the number of candidates through ranking and selecting the best for final evaluation.

The last step is to evaluate the costs associated with each media to determine affordability and return on investment (ROI). A ranking then yields the top choices for selection. You may be tempted at this point to say that the candidate with the highest score should be selected; a better approach, however, is to consider the top two or three and make a final selection based on additional subjective criteria that were not already addressed.

After selecting the media to be used, we need to complete two more activities. First, although we have used a rigorous process in our deliberations, there is no guarantee that we have made the best possible choices. For that reason, we should create a **“tracking”** method to determine the **“response”** and **“closing”** rates of the current campaign. This can be a simple spreadsheet showing:

- Elapsed time from launch
- Number of responses received
- Sources of the responses
- Number of resulting sales
- Sales dollars generated
- Campaign costs
- On-going cost per sale
- Return on Investment (ROI)

These statics can then be compared to our goals, or to previous campaigns, in order to evaluate the results. When this has been done, the final step is to ask “How can we improve our marketing?” This allows us to incorporate continuous improvement into the marketing process and thereby improve results over time.

Sometimes only minimal adjustments to the established plan will be indicated and other times a complete re-do will be necessary. In either event, refinement and improvement is the path to discovering what works best for the business. Even if a complete re-do is necessary, be assured that it will only take a fraction of the original effort.

### **Marketing from Various Viewpoints**

In business, marketing serves a variety of purposes based on the life cycle of the business and on the function being considered. The following is an overview of these needs and usages:

## Life Cycle Needs:

- **Start Up** – At start up the entrepreneur should engage in marketing to assess whether a market exists for the product or service he intends to sell. If it does exist, the next question is whether or not it is sufficient to justify creating a business to serve it. The final and most important question being “Is it likely, in the face of existing competition, that the new start up can capture sufficient market share to be successful?”
- **Growth** – In order to grow; a business must sell more produce to each customer, sell to more customers, or develop new products and services to broaden its offerings. In each of these scenarios marketing plays an important roll that will help determine if we can be successful and if so how best to go about it.
- **Maturity** – When a business reaches maturity, sales level off. This is usually because its products and services are becoming obsolete. In order to avoid decline and to reignite growth, new products and services must be introduced. It is wise to assess market potential before investing in a new product. After all, if insufficient markets exist to support the proposed product or service, funds expended on development will be wasted. Later when bringing the new product or service to market, it is vital to conduct a through marketing effort in order to generate strong consumer interest at time of launch.
- **Decline** – When a business is in decline existing products and services are no longer adequate to sustain the company. New offerings are the only realistic hope for a turn around. These can be acquired by outright purchase or through internal development. In either case the company’s survival hinges on their successful launch. A comprehensive marketing assessment is essential to successfully achieving this result. Unfortunately many in this situation feel that they can’t afford the time required and decide to go with their “GUT” feel. Without incredible intuition, this approach is not likely to be successful.
- **Close Out** – At close out the business’ owner has decided to terminate it. His options are to sell it to a new owner, sell off assets, or simply close the doors and walk away. Marketing at this stage can shed light on the best approach, and if a sale is selected, marketing becomes an essential element in achieving a successful sale.



## Functional Needs:

- **Marketing** - While marketing as a primary business function has been specifically covered in this paper; it is also a fact that each of the other six functions requires input from marketing to one degree or another. In this section, we briefly discuss these interrelated marketing needs.
- **Product / Service** –Whenever a business considers the development of a new product or service, it should first conduct a market survey. The purpose is to assess whether sufficient demand exists to justify the expenditures needed to bring the new product or service to market. Another aspect is to determine a prudent expenditure level for product development, in light of the probability of success and anticipated revenue.
- **Pricing** –Accurate marketing information is essential to determining the market’s willingness and ability to pay at a profitable level. Furthermore, to optimize pricing we need insight into the market’s price elasticity in order to determine how high our unit price can be and still generate the volume necessary for maximum profit.
- **Operations** – In day-to day operations, marketing is a vital supporting activity to selling. The market is NOT static and a one time survey quickly becomes obsolete. We need to know (among other things) if we have new competitors, if new products or services are being offered to our prospects, if a new pricing strategy is being used by our competitor, if aging is affecting our customers’ buying habits, if new fashions are effecting our sales, and if changes in the income level of our customers is effecting revenues. Because our environment is dynamic, the sooner we know of and react to changes, the greater will be our chance for success.

Also when business conditions are accurately forecast, you can profit by anticipating market changes. However, a word of caution is necessary because these forecasts are often based on trends and trends usually do not persist for long. Sometimes anticipating a directional change in the trend and preparing to take advantage of it is the best approach. In any case, you should understand the risks; have a backup plan and an exit strategy before committing resources. By using market testing to monitor assumptions in real time you should be able to deal with any unexpected events that might occur as the situation develops.

**Communications** – Business communications are both internal and external. In general, the external communications are defined by our

advertising although public relations are also involved to some extent. In the case of our advertising, it is obvious that continuous interaction with marketing is vital. Changing market conditions and demographics may dictate changes from time to time in who we are seeking to get our message to, what that message should be, what the best media to use is and finally what adjustments are needed in light of the results our efforts have produced. Less obvious is the fact that our public relations efforts also need to be sensitive to the realities of the company's markets.

- **Finance** – At first glance it may not be obvious that finance and marketing are connected, but consider the fact that in this arena we are vitally concerned with how our business is funded. If we sell stock, prospective buyers need to know who our market is, how large that market is, why they will buy from us and finally what the probability is that the business will be sufficiently profitable to make it a good investment. All of this information is generated by the marketing activity. To have a successful stock sale, the answers to these questions must be found in the prospectus we offer to investors.

On the other hand if we seek to finance the business through borrowing, the lenders will want to know the answers to these same questions, resulting in their request for our business plan. A business plan consists of two components; the first being a marketing section and the second being a financial section both of which are derived from our marketing information.

The day-to-day finance activity involves budgeting and financial planning both of which depend on sales forecast which in turn are based on marketing information. Thus we see that even a function as removed from marketing as finance has significant needs for marketing information.

- **Planning & Implementation** – The glue that holds all the primary business functions together is “Planning & Implementation”. Which involves:

- A Strategic Plan for the business.
- Our detailed Business Plans.
- Goal setting throughout the organization.
- Optimizing results through performance management.

At the planning stages, marketing information comprises a large portion of both strategic and business plans. Goals of course are derived from

these plans and can not be accurately established in the absence of reliable marketing information.

When we reach the “Performance Management” stage we are asking “How are we doing?” compared to plan and “What adjustments need to be made?”

When adjustments are needed, we must understand both **WHY** they are needed and the current business environment that requires them. Here again, up to date marketing information is vital in determining the present business climate and for selecting a prudent course of action.

## **The Strategic Nature of Marketing**

As you can see, every primary business function relies on marketing input in order to perform effectively. In the absence of this input we are only assuming that we have an adequate understanding of the market in which we are operating, but we are actually relying on intuition and assumptions. In the end, results based on such questionable input are suspect at best.

Because the need for marketing information is so pervasive through out the business and because this information reflects a dynamic environment it must be treated as the strategic resource that it truly is in any business.

## **Key Definitions**<sup>1</sup>

**Market:** A place for purchasing and selling merchandise, the possible consumers of a particular product.

**Marketing:** The craft of linking the producers of a product or service with customers both existing and potential.

**Sell:** To exchange a product or service for money.

**Selling:** The activity or process of persuading people to buy your product or service.

**Advertise:** To draw public attention to a product you wish to sell.

**Advertising:** The public promotion of a product or service in order to attract or increase interest in it.

**Price:** The amount of money demanded in exchange for a product or service.

**Pricing:** The activity of determining the amount of money a business will demand in exchange for its products and services.