

Marketing

A Beginners Guide

Marketing Basics

- Many people consider marketing to be promotion, advertising and all the selling techniques used to get someone to buy a product. However marketing is much more.
- A marketing approach to business begins with the customers needs and involves designing the entire enterprise around fulfilling those needs. Decisions about the product's design, sales outlets, the price, the service level and where to advertise are made with a solid understanding of who the customer is and what they are looking for.



Who is Your Customer ?

- In order to tailor your marketing and advertising strategies to appeal to the tastes and interests of your market, you must first identify your customer. In order to do this, you it is necessary to conduct thorough research of the consumer marketplace. Keep in mind, the more information you have about your target market, the better able you will be to develop a successful **marketing plan** (often as part of a business plan).



Marketing and the 4 P's

Opinions

Marketing and the four Ps

Ask people what marketing is and you will get a different answer every time.

You would think such a common word, found in everyday language, would be better understood. It is a word that is often tossed back and forth by those "know-it-all" about business.

Anyone trying to explain their business ideas will surely have glossed over the idea of selling or advertising with a liberal dose of the word "marketing." What a great word.

The trouble is, both user and listener are often on different wavelengths concerning marketing. In fact, marketing is a very rich term with an in-depth meaning.

What then, does this marvelous word really mean?

Most people know that marketing has something to do with selling or advertising but that usually is about the extent of knowledge concerning the definition. An elegantly simple definition of marketing is one supplied by Tim Cohn, a marketing consultant and author, who says: "Marketing is to find out what customers want and then give it to them."

But does this make it any clearer?

Marketing is a combination of several factors.

These are often referred to as the marketing mix or the four Ps: Product, Price, Place and Promotion. If we break down each of these four Ps we realize how all encompassing the term "marketing" really is.

Product is what is being sold. Branding, quality, appearance, warranties, significant competitive advantage and packaging are all part of this first P.

Price refers to much more than the sticker price of the service or product. It also speaks to all aspects of pricing.

Competitors' likely response, wholesale, retail, volume discounts, financing and profit margins are important considerations in pricing.

Place refers to how your product will be literally placed into the marketplace and how this is done is through a distribution channel. For example, will your product or service be sold using retail stores, door to door sales, direct selling via the Internet, or through friends

and family? Setting up a distribution channel involves decisions about how well the channel will reach your target market, transportation issues, cost of distribution and whether or not a particular delivery method will be successful and satisfying to the final customer. Promotion includes all the communication need to convince a potential customer to buy your product. Selling methods such as advertising, personal selling, special event advertising and publicity are part of promotion. Promotion in a larger or dispersed marketplace is very important.

Maximizing costs to achieve maximum benefits (without overspending) is the goal of promotion.

"The four Ps of marketing do not float around in an unconnected galaxy. While each P is important, they do overlap and cannot be looked at in complete isolation. They all act as tools that a company can use to best meet the needs of the "target market."

The target market will be the identified customer. Often this group is surveyed or otherwise investigated to understand its needs. This is the goal of any company: to find out what your customers want and then give it to them.

The next time someone says marketing, remember it is a lot more than simply selling or advertising.

When developing a business plan, be sure to consider all aspects of marketing.



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Sean Whelby is a business development officer for the Delhi Chis Business Development Centre. Contact the BDC at 695-2441 or toll free at 1-800-695-2441.



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The Delhi Chis Friendship Centre would like to thank all those individuals and businesses who supported the Youth Summer Employment Program. A total of 12 youth received extensive employment training ranging from resume writing, time management and job safety.

Special Thanks
Mr. Ken Brown
founded company, equipment and materials for program
Mr. Richard Lee
provided engine repair and maintenance skills

In Friendship
Aaron McNab
Executive Director
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Market Profile

A **market profile** typically uses primary and secondary sources to answer key questions about a potential market. A profile is a picture or an outline. Information that makes up the social profiles of the people in your target market is called demographic information, and includes:

- age, usually given in a range (20-35 years)
- sex
- marriage/partner status
- location of household
- family size and description
- income, especially disposable income (money available to spend)
- education level, usually to last level completed
- occupation
- interests, purchasing profile (what are consumers known to want?)
- cultural, ethnic, racial background



Example of Market Profile

A clothing manufacturer may consider a number of possible target markets--toddlers, athletes, grandparents (for grandchildren), teenagers, and tourists. A general profile of each of these possible markets will reveal which ones are more realistic, pose less risk, and which are more likely to show a profit. A test market survey of the most likely market groups, or those who buy for them, such as parents for babies and toddlers, can help you separate real target markets from unlikely possibilities.



The Right Product

- What are your customer's needs? What do they expect to get when they buy your product or use your service? The right product is the one that best fits their requirements.
- People who eat in restaurants want more than a good meal. They might expect quick service, a reasonable price, a vegetarian menu, a children's menu, entertainment, a drive through window, or to be identified with a trendy crowd. It becomes a difficult and probably an unprofitable venture trying to satisfy everyone's needs.



- If you have identified your customer and listed their expectations, you can design your product or service around their requirements.
- The more you fulfill your customer's expectations, the better the quality of your product. Think of your product or service as more than just what the customer pays for. When you are planning your business consider how the whole transaction meets the customer's needs.

Positioning Your Business

Positioning refers to the image customers have of your business. The goal is to create a business image that enables you to position your business in such a way that, in essence, it acts as a natural magnet for your intended customers. A number of factors that customers often look for include:

- price (i.e. cheapest price, fair price, price for quality, etc.)
- assortment
- parking
- service
- sales personnel
- quality
- fashion
- convenience
- location
- atmosphere
- Your overall position should emphasize those areas that your customers value most, and those which make you different from your competition.

Simply, positioning is how your target market defines you in relation to your competitors.

A good position is:

1. What makes you unique

2. This “uniqueness” must be a benefit (have value) to your target market

- Both of these conditions are necessary for a good positioning. So what if you are the only red-haired singer who only knows how to play a G minor chord? Does your target market consider this a good thing?
- Positioning is important because you are competing with all the noise out there competing for your potential fans attention. If you can stand out with a unique benefit, you have a chance at getting their attention.
- It is important to understand your product from the customers point of view relative to the competition.

Example of Positioning

Note: Value can be anything that your target market perceives to be good for them: service, durability, warranty, packaging, etc.



Positioning is the Key

Remember: people buy perception (specifically brand positioning), not reality.

Positioning is the preconceived brand association a product has in the consumer's mind. (brand = Crest, category = toothpaste, attribute = cavity fighter). It is the key to all marketing strategy.

Pricing Techniques

- The importance of pricing can not be underestimated as incorrect pricing can often result in the failure of a business. New businesses often make the mistake of either charging too little or too much for their product or service. So to help you avoid making one of these mistakes, the following section will outline some of the guiding principles of price determination.
- Price is a key part of marketing. Setting prices is called pricing.

Setting Prices

- Prices for products and services can be set by pricing to the market, pricing to your costs, and rule of thumb pricing. New business people with little experience may set an initial price based on the market, and then as experience grows, re-set prices according to costs. These two aspects of price--what is acceptable to the market, and what costs are--must both be considered. In addition, effective pricing depends on the business goals of your company: do you want to maximize profits or are you aiming for high growth in sales? The choices that a business ultimately makes about its markets and sales make a big difference in pricing.
- For example, a business may make an early choice about where to position themselves in the market--the "good value," low end of the market, or the "quality conscious," upscale market. In pricing, as in everything else in business, the customer is the reference point.

- **Pricing to the Market**
- Compare prices with your competitors for similar products and services. Set the price range that customers will expect. You can use that market price range--what is acceptable to the market--as a guide to set your prices. Businesses or people to whom you sell may also price to the market by telling you what they will pay for your product or service. As you keep records of actual costs, the cost approach to pricing will help you make sure all your costs are covered, which may not be true in a market approach to pricing.
- **NOTE:** Be careful about underpricing in order to compete or make sales. Use competitor's prices to establish the price range for similar products or services but don't underprice; if your true costs are higher, your final prices will have to be higher.

Cost Approach to Pricing

- Price must cover all costs of goods/services sold, including production costs of supplies, materials, fixed overhead, and time/labour, plus a profit. Costs should include costs of production, labour and non-labour, including overhead or fixed costs as well as supplies and materials.
- Use this simple formula in setting a price (per unit):
Total Costs of Production Per Unit + Desired Dollar Profit Per Unit
- Businesses can set different profit rates, for example 15% profit on supplies and materials, 20% profit on labour/time, and 25% profit on overhead. These more complicated approaches to pricing usually emerge in response to the special needs of a particular business.

- If your research reveals that similar products or services are available on the market at a cost much lower than what you could offer, you may have to either adjust your profit margin, the return you expect, or decide to provide enough specialized service or selection that the market will pay the extra. Alternatively, you may be forced to conclude that you cannot afford to make this item or provide this service and look for something else to do.
- **NOTE:** Remember to cost materials at the level it costs to replace them - NOT at original prices; include salaries as a business expense; include interest in your business cost calculations -- interest that could have been accrued had the money used in the company been invested elsewhere (i.e. a bank); make allowances for future refunds, servicing, bad debts, amortization of capital costs of equipment or machinery.

"Rules of Thumb" in Setting Prices

- **Some types of businesses charge prices according to certain "rules of thumb": For example:**
- price is always twice labour plus materials, or twice materials plus
- labour depending on which is higher; price is always materials and labour plus 20% for fixed costs, plus 25% for profits.

Calculating actual costs is the only proven way to make sure your prices cover your costs. Labour/time charges are to be covered partly in the costs of production and partly as a salary in the fixed/operating or overhead costs. In summary, key points to consider in setting prices are:

- marketing strategy and your immediate goals
- competitors' prices, and the market
- market demand for the product and consumer buying trends
- need to cover costs and provide an adequate profit.