

What is Marketing?

Marketing is about meeting the requirements of customers. It involves first determining these requirements then adopting a strategy designed to best fulfil them.

The marketing strategy within a business plan for a new high-technology business is often the weakest part of the document. A common mistake is simply to state that the worldwide market for one's product is worth \$30bn and if the company can secure only 1% of this, then . . . A well-established market just doesn't open up miraculously and grant a \$0.3bn slice to a new outfit.

Market Sectors

Normally a market will consist of a number of sectors. For example, the footwear industry contains sectors relating to sports, ladies fashion, gents, children, and so on. It would be unwise for a new SME to attempt to sell to all sectors of a market. It makes more sense to pick one sector and concentrate one's efforts to establish a foothold and then try to establish sector dominance. Then one might expand one's market by moving on to a different sector.

So, it is important to identify the different sectors in the market, estimate their value and then decide to concentrate initially on one of them. Each sector will generally require a different marketing strategy.

Positioning

An important concept in marketing is *positioning*. Positioning is about establishing the place of one's product in the market relative to competing products. To do this, marketing techniques are used to define the product attributes or key selling points in the customer's mind.

The Competition

A key phrase in the preceding paragraph is "relative to competing products". Marketing involves getting to know your competitors intimately, their strengths and weaknesses. Part of the marketing strategy must then try to capitalise on competitors' weaknesses and to neutralise their strengths. A useful exercise for focusing your attention on issues arising from the strengths and weaknesses of your company and its competitors is a SWOT analysis (see Case Study Guide pdf file).

Bear in mind that your competition may not be *direct* i.e. another widget doing something similar to yours. *Indirect* competition may exist which attempts to satisfy the same need as yours by a different technological route. For example, at one time a parasol manufacturer might have been regarded as indirect competition to a maker of suncream.

It is very rare that a new business can say in its business plan that there is absolutely no competition. This might be worrying in that it suggests that there is no real customer need to be fulfilled.

“For, Who, The . . .” Exercise

A useful exercise which can serve to produce a highlighted view of your product is to produce a statement using the following template.

For (target customer)
Who (statement of the need or opportunity)
The (product name) is a (product category)
That (statement of a key benefit i.e. compelling reason to buy)
Unlike (primary competitive alternative)
Our product (statement of primary difference)

An example of this is:

For CEOs of large enterprises **who** require a secure, scalable, easily developed e-business engine **BEA Systems’ WebLogic Server** is an application server **that** surpasses all competitors in terms of features and performance. **Unlike** IBM’s WebSphere **our product** contains an inbuilt asynchronous messaging engine for implementing the Java Message Service (JMS) API.

Pricing Policy

Pricing is an important part of a marketing plan: set prices in relation to those of the competition and in line with the positioning upon which you have decided for the product. You will also have to estimate volume of sales for the first two or three years and this information will feed into the business plan in the financial forecasts.

Promotion

Once you have decided on your target market sector and your pricing policy, then you can decide on the best way to communicate the benefits of your products or services to your prospective customers. The tools at your disposal are advertising, public relations, sales promotions, direct marketing and personal selling. Your promotional strategy should use a combination of these five tools - experience shows that one single tool does not usually work well on its own.

References

Chartered Institute of Marketing - www.cim.co.uk. The ‘10 Minute Guides’ in the Knowledge Centre on this site provide excellent introductions to all the basic facets of marketing.

Crossing the Chasm, 2nd Edition, Geoffrey A. Moore, Capstone (1999).

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