

Entrepreneurship & Innovation

Prepared by Dr. Amany Ramadan

Lecture 9

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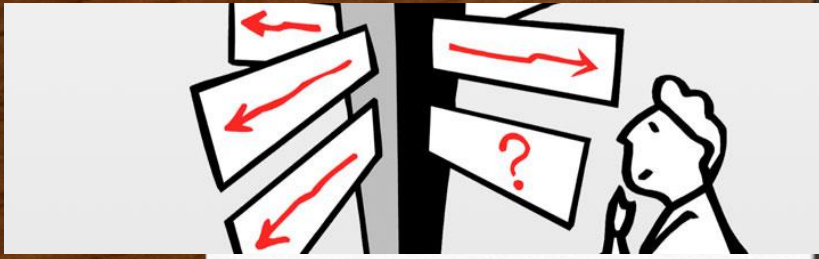
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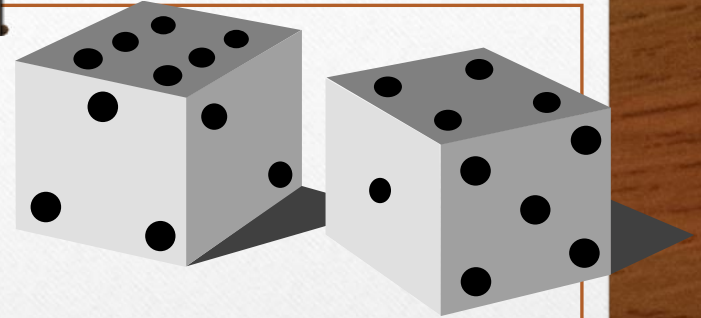
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**Which direction?
Or leave it
to chance?**



Marketing For Entrepreneurs

(Strategy and Planning)



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Learning Objectives

- Define objectives & Strategy
- Quantify objectives
- Meet objectives through tactical plan
- Marketing plan - strategy and objectives - Matrix
- Product plan
- Price plan
- Advertising plan/ promotional plan/ sales plan
- Distribution plan

Marketing Strategy and Marketing Planning

-
- **Class aim** - to familiarise you with the marketing ethos. Key concepts, marketing strategy and marketing planning
 - **Objectives**
 - To develop your ability to understand a range of strategic marketing strategies and apply them to your own product or service
 - To understand and be able to demonstrate how intensive growth strategies can be employed to meet strategic objectives
 - To understand and be able to develop a marketing plan

What is marketing?

What is marketing?

What is the difference between sales and
marketing?

What is Marketing?



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The management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Chartered Institute of Marketing

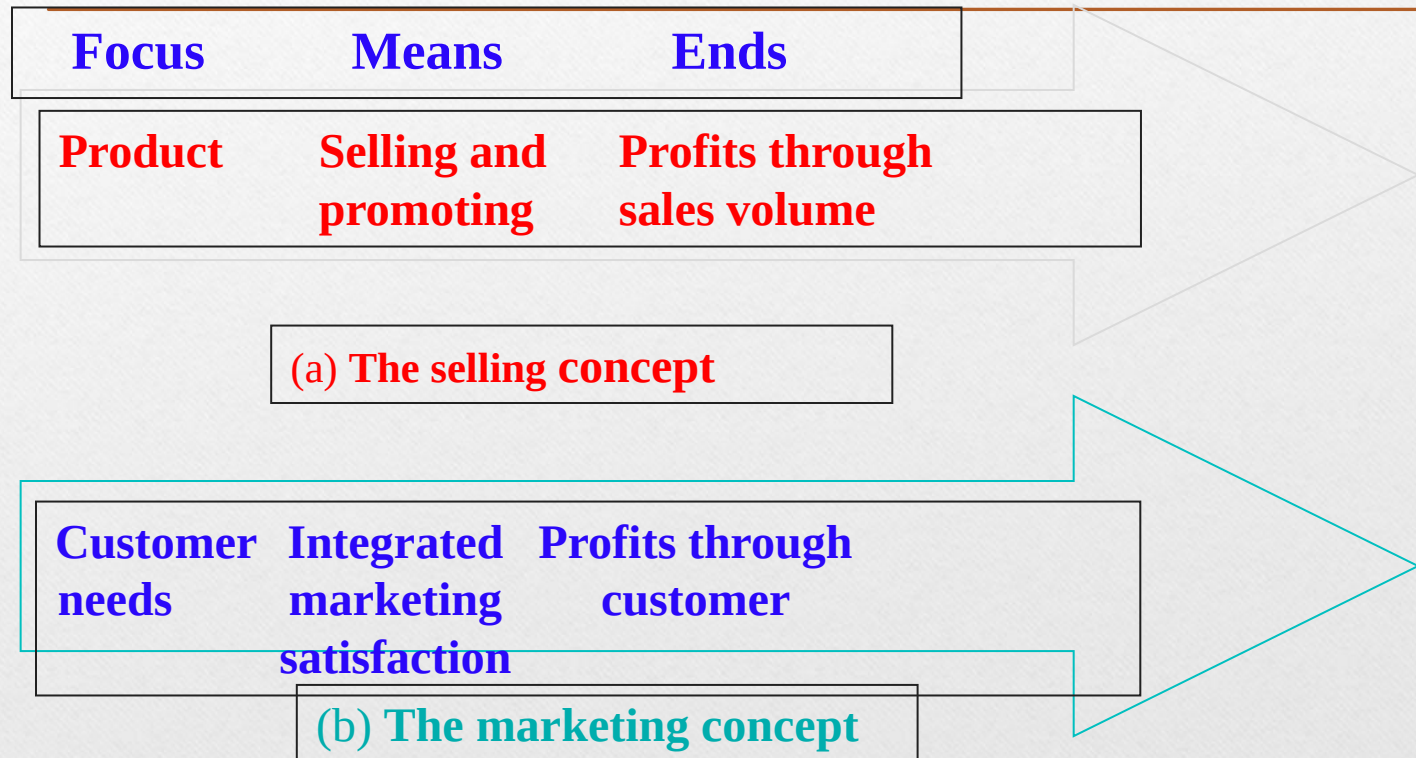
What is Marketing?



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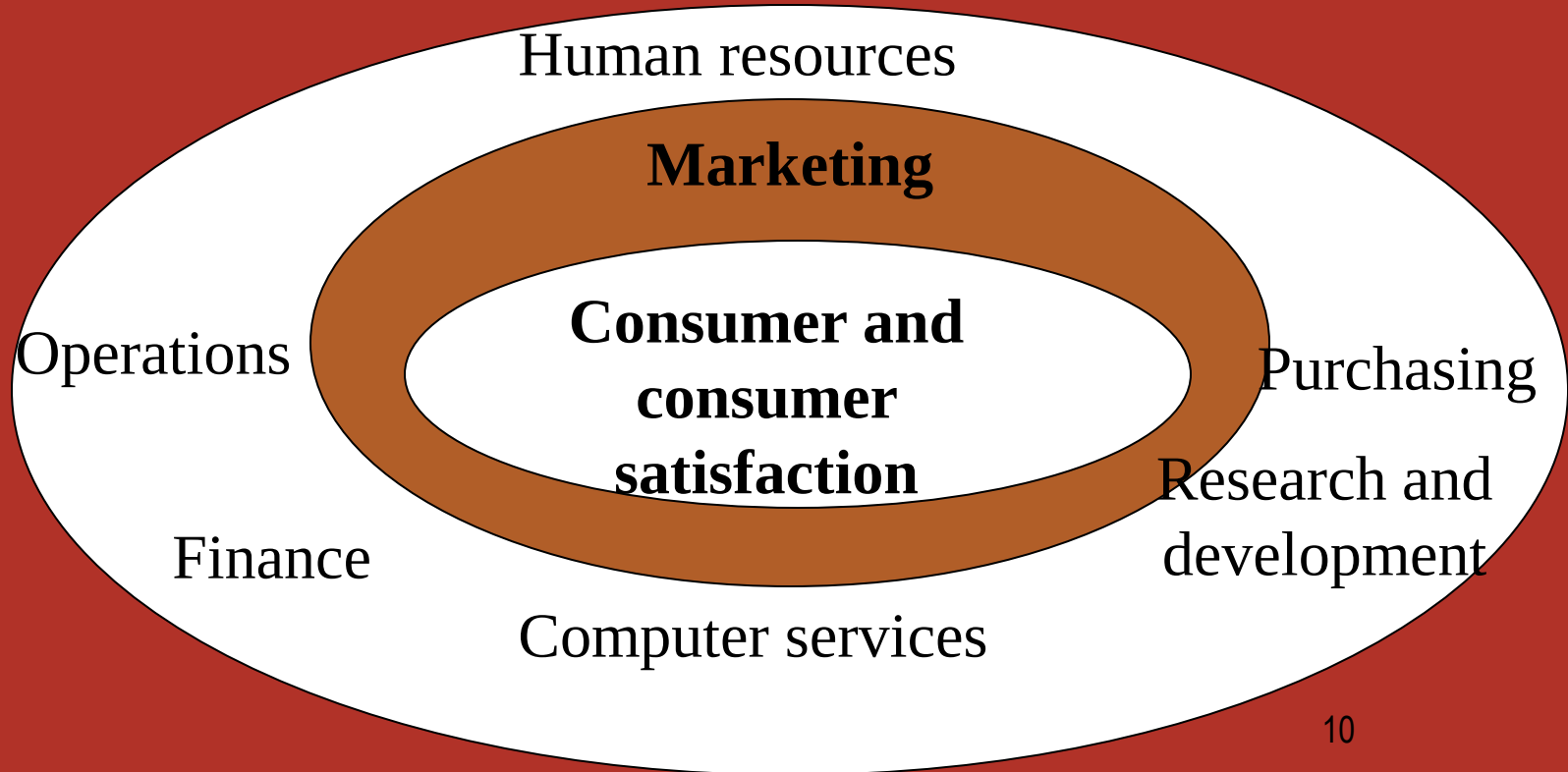
Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.

Sales V marketing focus

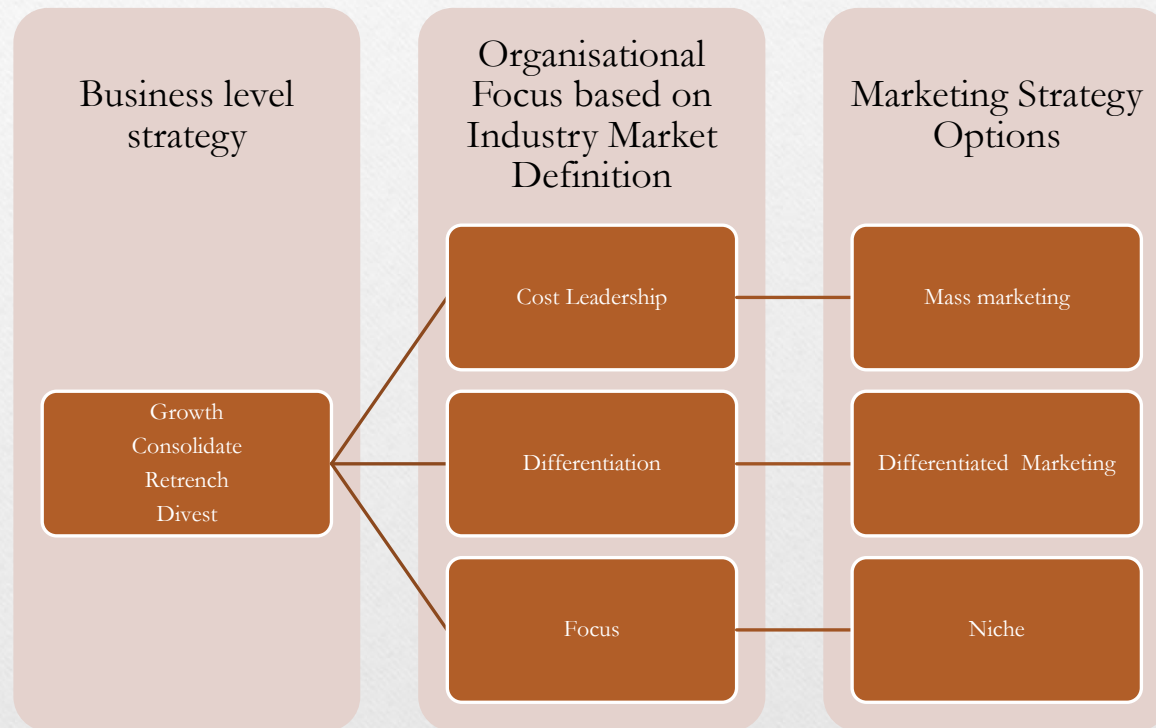


Structure of a consumer centred organisation

- Environment



Organisational focus and marketing strategy



Fits with

Analysis of
external
environment

- Pest
- Competitive analysis

Analysis of
resource base

- Internal factors

Market analysis
and research

- Three generic strategies
- Ansoff's intensive growth strategies

Strategies



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3 top level response strategies

Mass Marketing

- reduce costs in production, distribution, selling - aim to capture large mkt share & reduce price to user (Mass marketing)

Product Differentiation -

- Superior perf' in customer benefit area. Cultivate strengths that lead to differentiation

Niche Marketing or Focus or Target

- Concentrate on 1 niche, know intimately, then focus on 1 of the above

1. Mass marketing



- Mass, production, distribution, promotion (Model T Ford, Coca-cola, McDonald's) largest market and lowest costs)
- Increasingly difficult to market on the basis of "one size fits all"
- Treats all customers as average, customer anonymity, standard product - one way message, less dialogue
- Align internal value chain



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2. Product differentiated marketing



Define the customer value model

- Building the customer value hierarchy
 - -Basic, Expected, Desired, Unanticipated
- Decide on the customer value package - tangibles and intangibles, in order to outperform competitors
- Meeting needs and creating customer satisfaction depends on our understanding of what the customer demands
- Think....form, features, quality, image...position relative to demand and the competitive environment, CREATE THE BRAND
- Align the internal value chain



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3. Target marketing and niche marketing



- **Success depends on the ability of the company to define the market and segment it adequately to:**
 - Position the product relative to the needs and required benefits of segment - value hierarchy
 - Definition of the market and segments; size, and the characteristics of demand
- **Advantages over mass marketing**
 - Customer profile, customised market offering, two way dialogue, economies of scope
 - Ability to ascertain the exact costs of customer acquisition, retention, response to campaigns, customer scoring, cross-selling

Target marketing and niche marketing

- Must review the attractiveness of the segment and the company's objectives and resources
- Evaluate then select segment/s that offer opportunity
- Position the product relative to the needs and required benefits of segment - value hierarchy
- Try to dominate a segment
- Opp' to jump to other segments



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Marketing Objectives and Strategy

- An objective is what you want to achieve
- A strategy is how you plan to achieve your objectives
- Marketing objectives about **PRODUCT AND MKT ONLY!**
MKTG objectives about:

- Existing products in existing markets
- New products for existing markets
- Existing products for new markets
- New products for new markets

MUST BE CAPABLE OF MEASUREMENT - penetrate , increase only
accept if quantified!

Strategic Objective

Sales



Time (years)

0

5

10

19

Ansoff's Matrix - intensive growth strategies



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	Existing Product	New Product
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Goal Formulation - marketing plan

- *Should be arranged in order of importance*
- *Goals should be quantified - top level goal*
- **Market penetration strategy - objectives**
- To increase our product awareness within target market sectors from 0% to 50% within year 1
- To increase our product awareness within target market sectors from 50% to 75% in year 2
 - To achieve 12% market share in year 1 = T/O £120,00
 - To achieve 25% market share in year 2 = T/O £250,00
 - To achieve a net profit margin of 10% in year 1

Goal Formulation - marketing plan

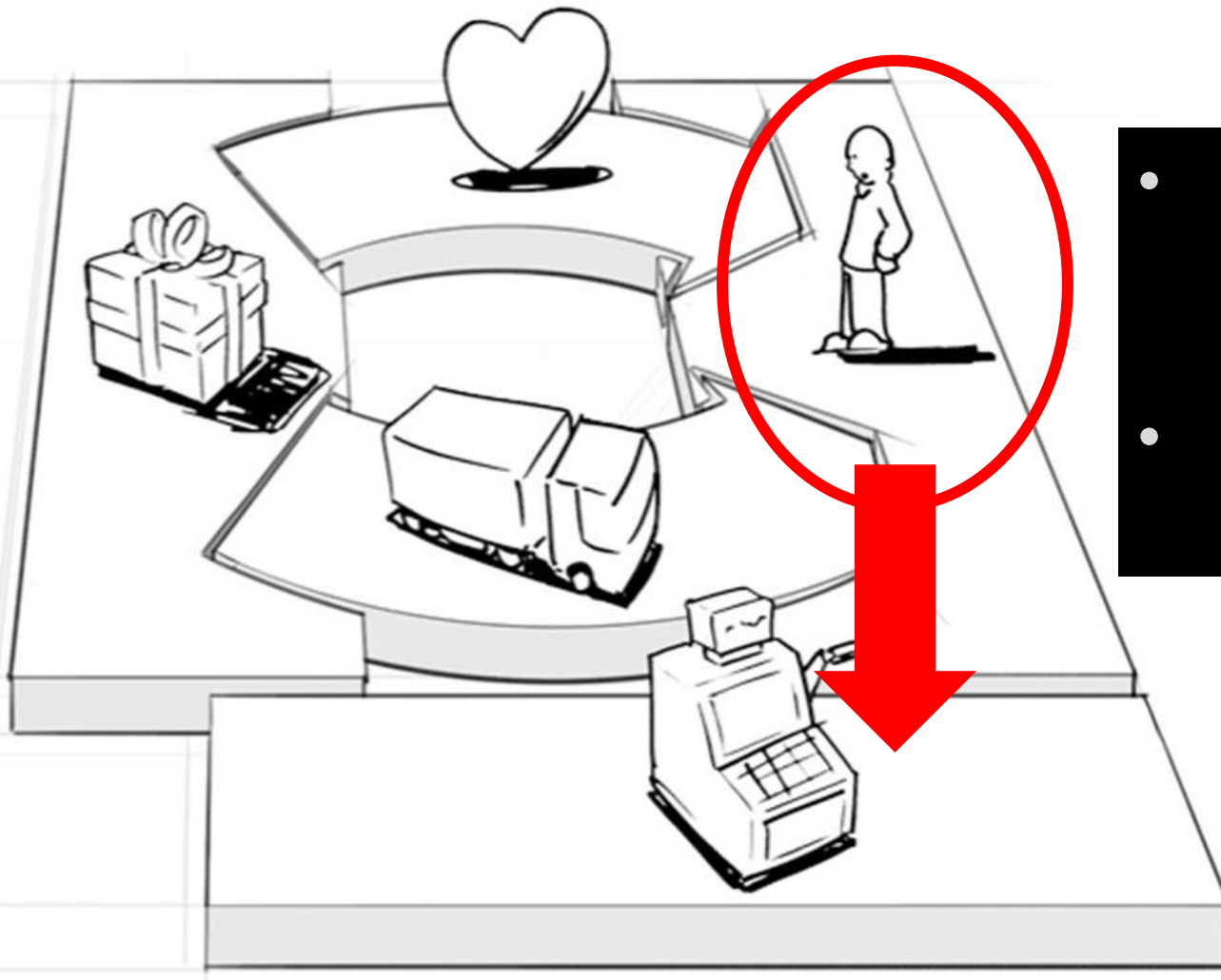
- **Product Development Strategy- objectives**
- To develop a new product during year one ready to launch in year 3
- To increase awareness of the new product amongst current customer groups from 0-80% in year 2
- To sell 10,000 units of the new product
- To achieve t/o £350,000 from new product sales
- To maintain a gross profit margin of 70%
- To achieve a net profit margin of 15%

Goal Formulation - marketing plan

- **Market development strategy - objectives**
- To introduce the product within England
- To increase awareness of the product within the target area from 5% to 20% within year 2
- To attract 10 new customers within this area resulting in sales of £500,000, with an average unit sale value of x
- To achieve an overall gross profit margin of 65% on all sales
- To maintain a net profit margin of 10%
- *Goals should be realistic*

All strategies demand....

- You establish a competitive position for the product relative to the competition
- Detail a marketing mix
- Achieve strategic fit
- Product, service, price, promotion, distribution - relative to the market and competition



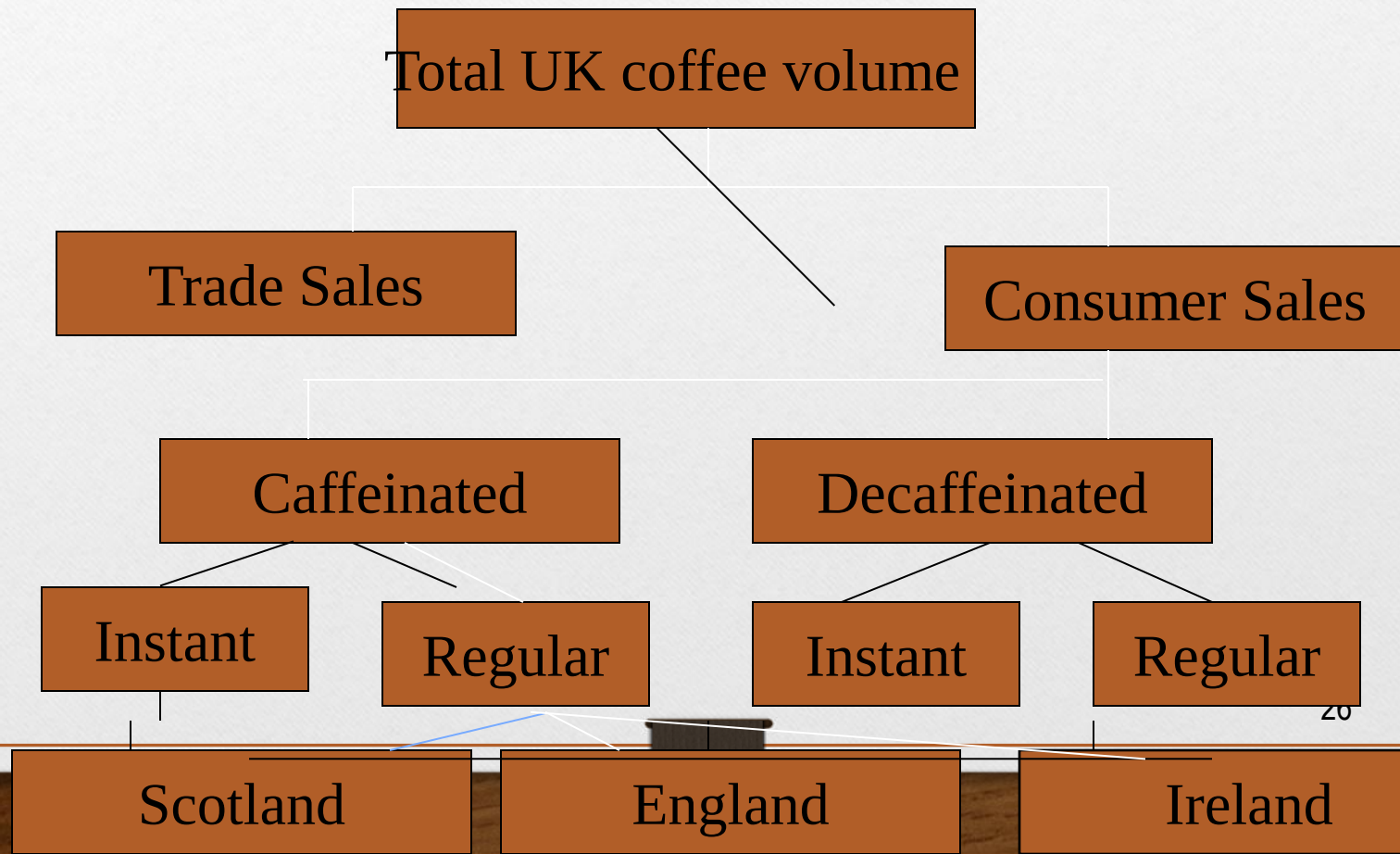
- **Market information**
- **Segment information**



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Market segmentation

- Mkt definition – New Coffee Product



Strategy and segmentation

- Identify who is competing in each sector, monitor demand changes for regular caffeinated, geographic preference. Concept of market definition.
- Market share becomes meaningful
 - Defined as the sales of a firm, product or brand divided by the sales of the mkt

<i>Market Def'n</i>	<i>£ sales</i>	<i>Brand X sales</i>	<i>Mkt share</i>
UK coffee mkt.	£8B	£1B	12.5%
UK caffeinate' coffee mkt	£4B	£1B	25.0%
UK regular caffeinated	£2B	£1B	50%

Sales Forecast:

This is where it all comes together

Extending past behaviour

- Trend extension – based on past data
- Need to consider reasons *why* sales data changed and this can be used to inform future sales potential
- However, the future is not always like the past

Predicting future behaviour

- Jury of executive opinion
- Estimates from sales people
- Surveys, panels and market tests

Sales Forecast – Chain Ratio Method

- This involves identifying the *type* of organisations or people who might buy, the *number* of organisations or people in each type, the *proportion* of the total number who actually will buy, and the *consumption rate*. In other words:

Market potential = *Number who might buy*

* *Proportion who will buy*

* *Consumption rate*

Chain Ratio Method

-
- Market Potential for Diet Bourbon in NZ
= population over 20 (2,000,000)
*proportion who drink Coca (5% 100,000)
* proportion who are diet conscious (10%) 10,000
* proportion who will buy diet Coca (80% 10,000)
• * purchase rate, (10 bottles per year, 80,000 bottles)

Remember
new product
and will take
time to
achieve this

But when will we break even?

- This depends on your sales forecast
 - Marketing activity
 - Seasonality
 - Promotional plans
 - Production capacity



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The marketing plan - contents

- Marketing audit
 - External audit - PEST, Competitive analysis (OT)
 - Internal audit - Internal Operations, market and marketing audit (ST)
- Strategy
- Intensive growth strategies
- Marketing mix variables PLAN FOR EACH
 - Product
 - Price
 - Promotion
 - Place

Positioning the product or service (old term USP)

- Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind
- “Positioning starts with a product. A piece of merchandise, a service, a company even a person. Positioning is not what you do to a product. Positioning is what you do to the mind of a prospect”
- Product strategy
- Pricing strategy
- Promotion
- Distribution (Place)

Use these to position the
product
Key components of the
marketing plan

Operational marketing management



Product- development, range quality

- Is the concept clear and easy to understand?
 - What are the benefits of the offering to the market/ segment?
- Is there a some distinct benefit of this product over compet'?'
 - How does it comply with the customer value hierarchy?
- How is the product positioned in terms of price and quality
 - Can it be tried on a limited basis?
- What has shaped demand in the past and likely to affect it in the future? (market trends and forecasts)
 - Which are most profitable, consistent with resources, overall strategy?
 - Product development and introduction plans

Pricing - Establishing the most attractive and profitable price

- Approaches
- Premium
- Cost +
- Penetration
- Going rate pricing
- Sealed-bid pricing
- Consider the psychology of pricing!
- Price = quality?
- Cash discounts, quantity discounts, seasonal discounts

Communication process

- Attention ‘/ awareness
- Interest
- Desire / evaluation
- Action
- Execution sales

Promotion - Creating awareness and demand

- Four types
- Advertising - above the line and below the line- any paid form of non personal promotion of ideas, goods etc
- Sales promotion - short term incentives to encourage sales of the product
- Publicity - Non personal stimulation demand, obtaining favourable presentation TV radio, social networks
- Personal selling- Oral presentation for the purposes of making sales



Promotional Activities

-
- For each activity, the cost of the activity should be provided, along with the expectations.

Exercise: What kinds of promotional activity could you use?

What would you use to promote an organic baby food?

- Classic FM for my organic baby food business?

Example: Radio advertising - Possible reasoning and expectations

- Approx 6 million listeners (total reach)
- Classic FM, UK coverage. 69% of listeners from ABC1 audience and lifestyle focus, this fits with target market information gathered.
- Assume three 30-second advertisements on launch, £3,500.
- 0.15% response rate
- Using radio response rates, estimate 9,000 calls for vouchers.



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Websites

- Web site must be clear.
- Easy to understand.
- Easy to use – e.g., quick downloads.
- Experience must be good.
- ‘E-INFRASTRUCTURE’
 - Security
 - Reliability (eg. time, quality)
 - Reliability of any ‘chain’ associates eg. suppliers, manufacturers

Trade Shows – New Toy

-
- Promotional activity = Trade Show (detail cost)
 - Visits to stand, aim to collect 100 email addresses, email follow up results in calls to 50 potential business customers. 10% immediately interested, but allow 30 days for negotiation, 3 sales 2 months after the show, continue following up, results in 10 further sales.

Place - decisions based on markets to be reached and objectives

- Distribution decisions
- Direct to buyer
- Middle man - wholesaler
- Distributor
- Retail outlet
- Geography - transportation costs
- Type of supporting promotion
- Logistics

Proportion of sales from each channel - include the rational for channel selection



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Summary

