

Entrepreneurship & Innovation

Prepared by Dr. Amany Ramadan

ENT 611

Lecture 9



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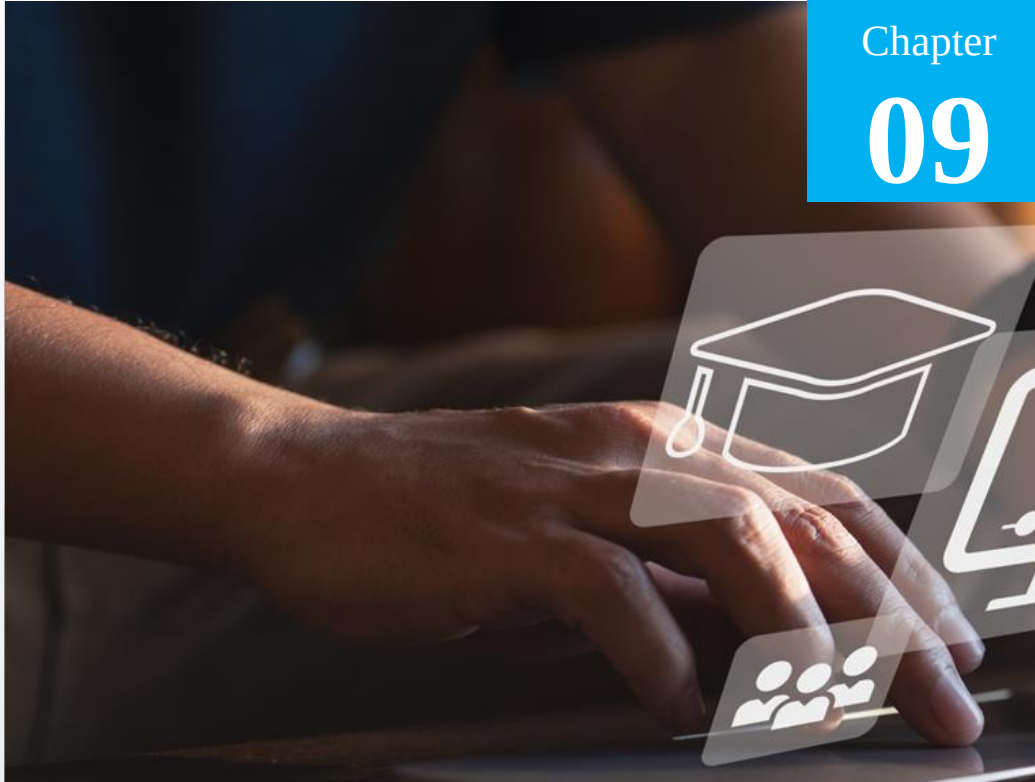
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Chapter

09

Marketing For Entrepreneurs (Strategy and Planning)





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 the difference between sales and
marketing?

What is marketing?

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

Chartered Institute of Marketing

What is marketing?

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.

What is marketing?

Marriage between economics
(supply and demand) and customer
satisfaction

The company that best satisfies the
customer will achieve competitive
advantage

Sales V marketing focus

Focus	Means	Ends
Product	Selling and promoting	Profits through sales volume

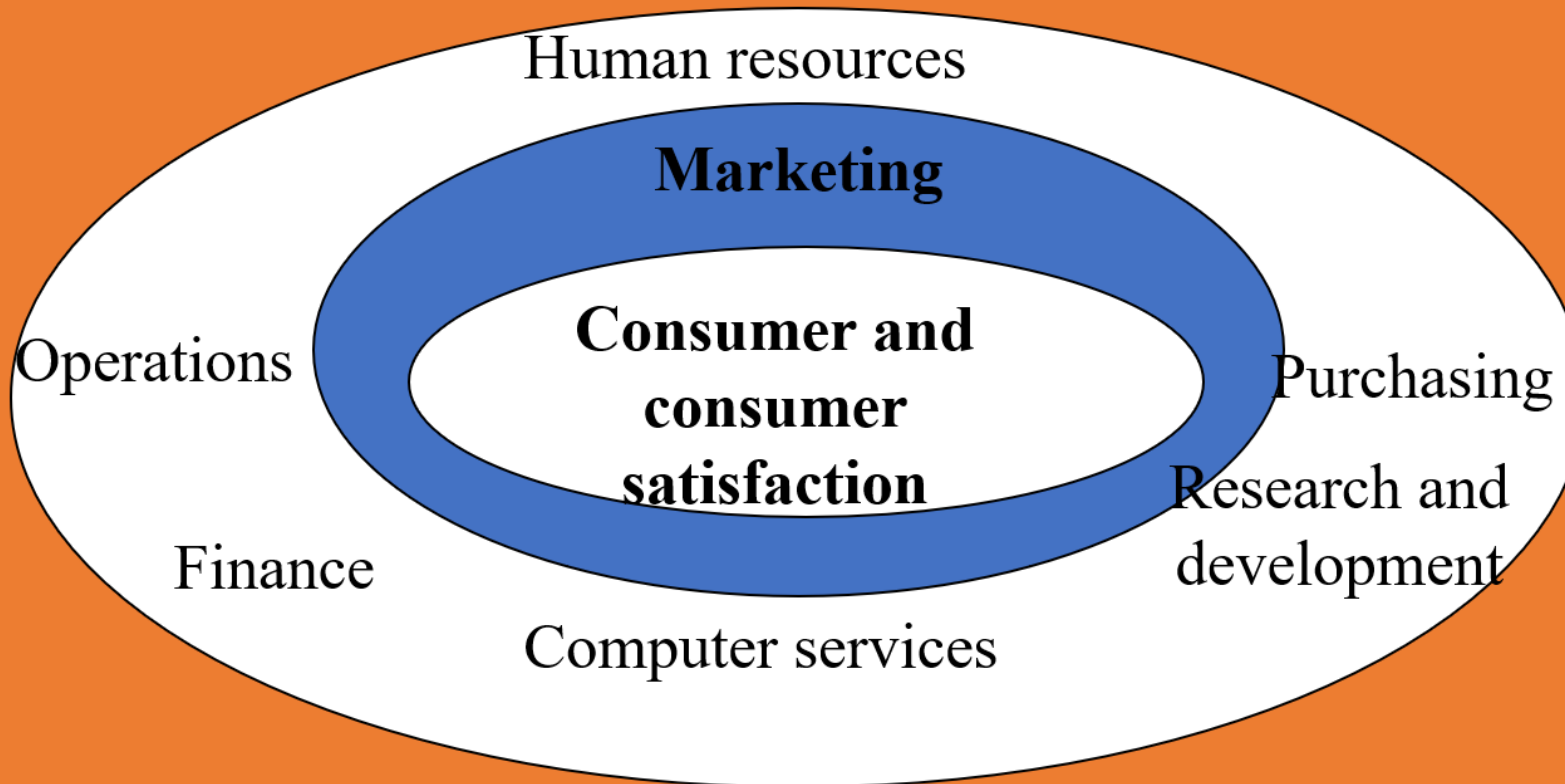
(a) The selling concept

Customer needs	Integrated marketing satisfaction	Profits through customer
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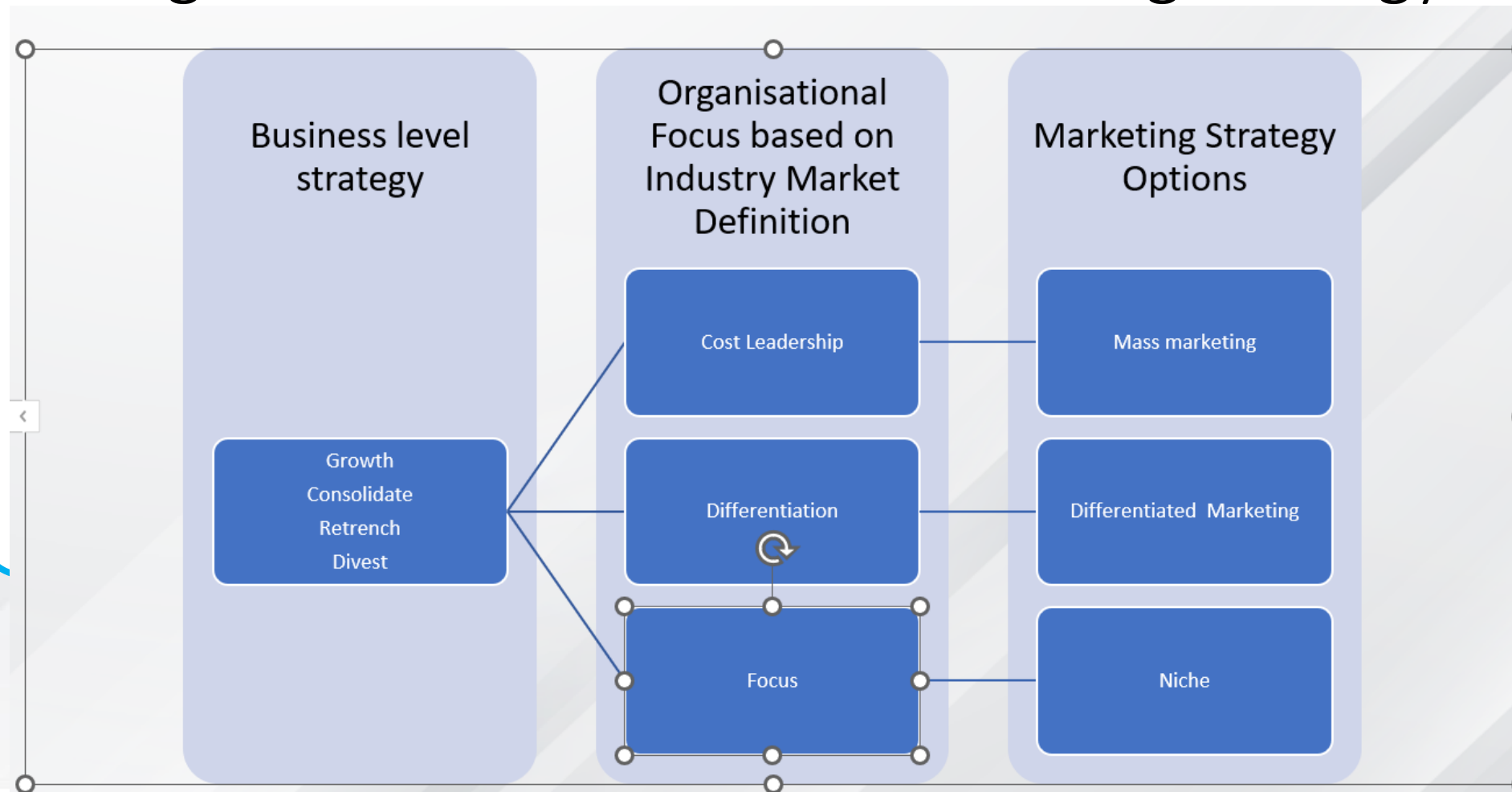
(b) The marketing concept

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

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

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

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

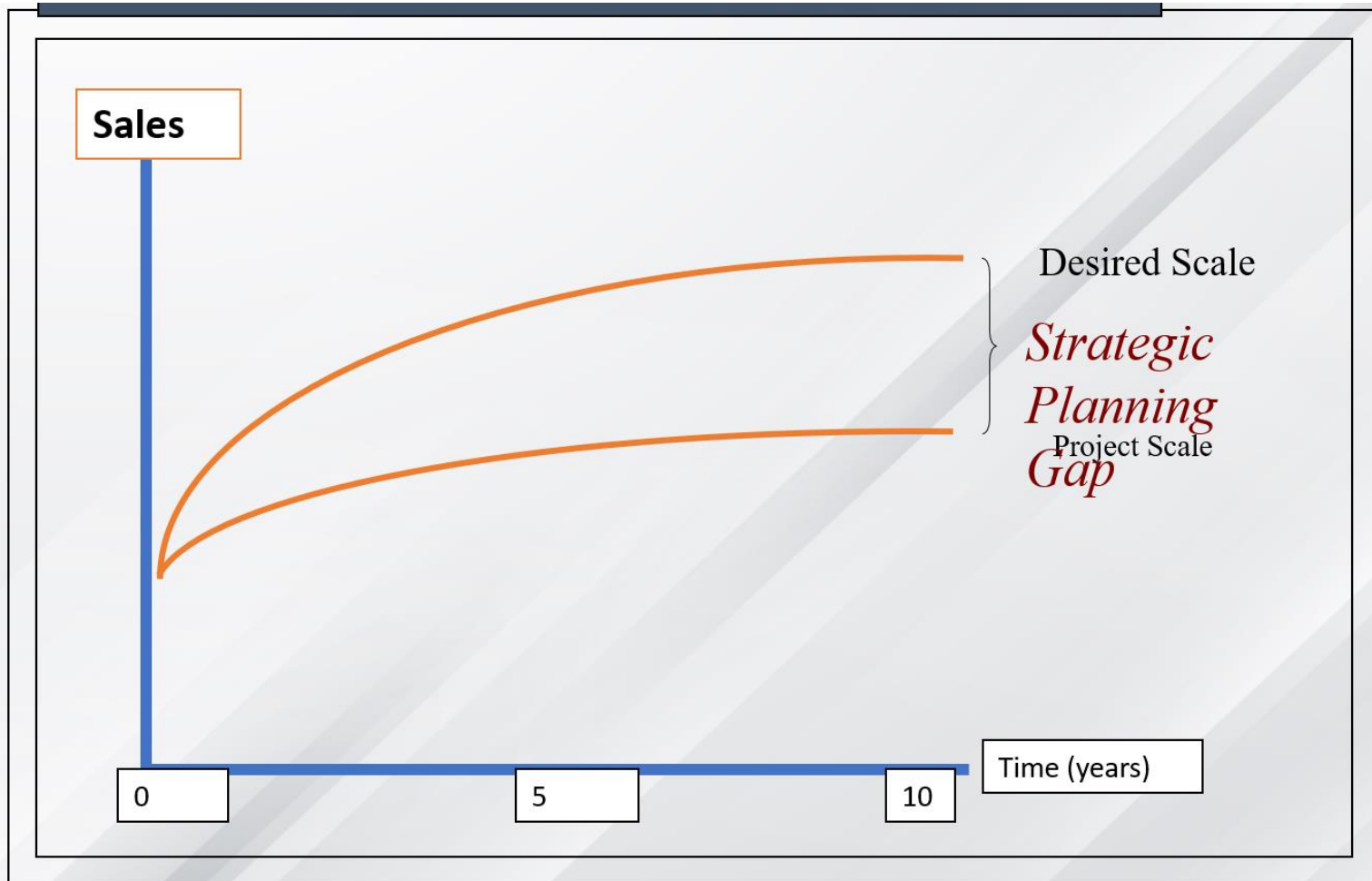
- Must review the attractiveness of the segment and the company's objectives and resources
- Evaluate then select segment/s that offer opportunity
- Position the product relative to the needs and required benefits of segment - value hierarchy
- Try to dominate a segment
- Opp' to jump to other segments

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



Ansoff's Matrix - intensive growth strategies

	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

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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***

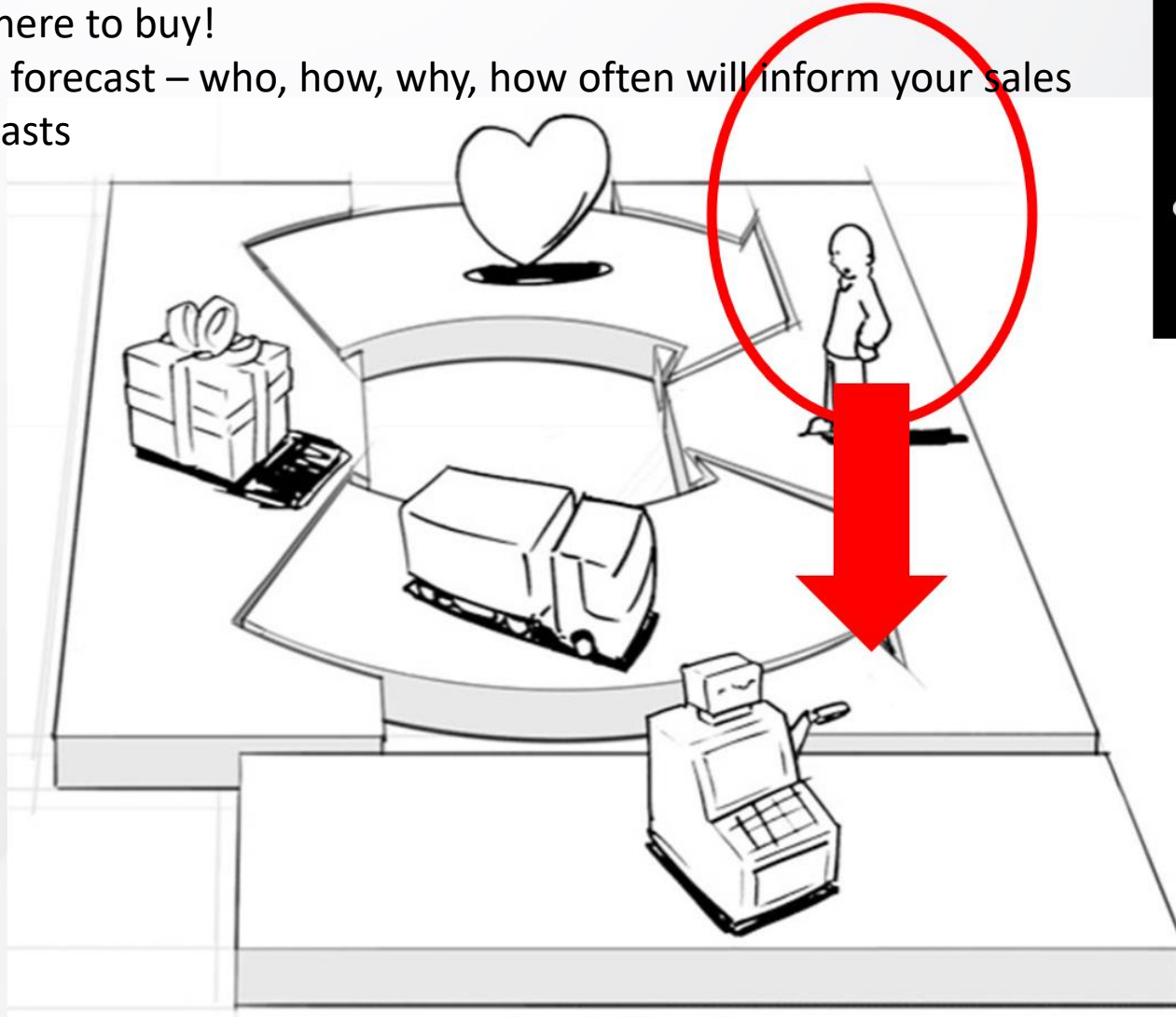
All strategies demand....

- 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 info – what's out there, where do you fit?

Segment info – who are they, why do they buy, how many of them are there to buy!

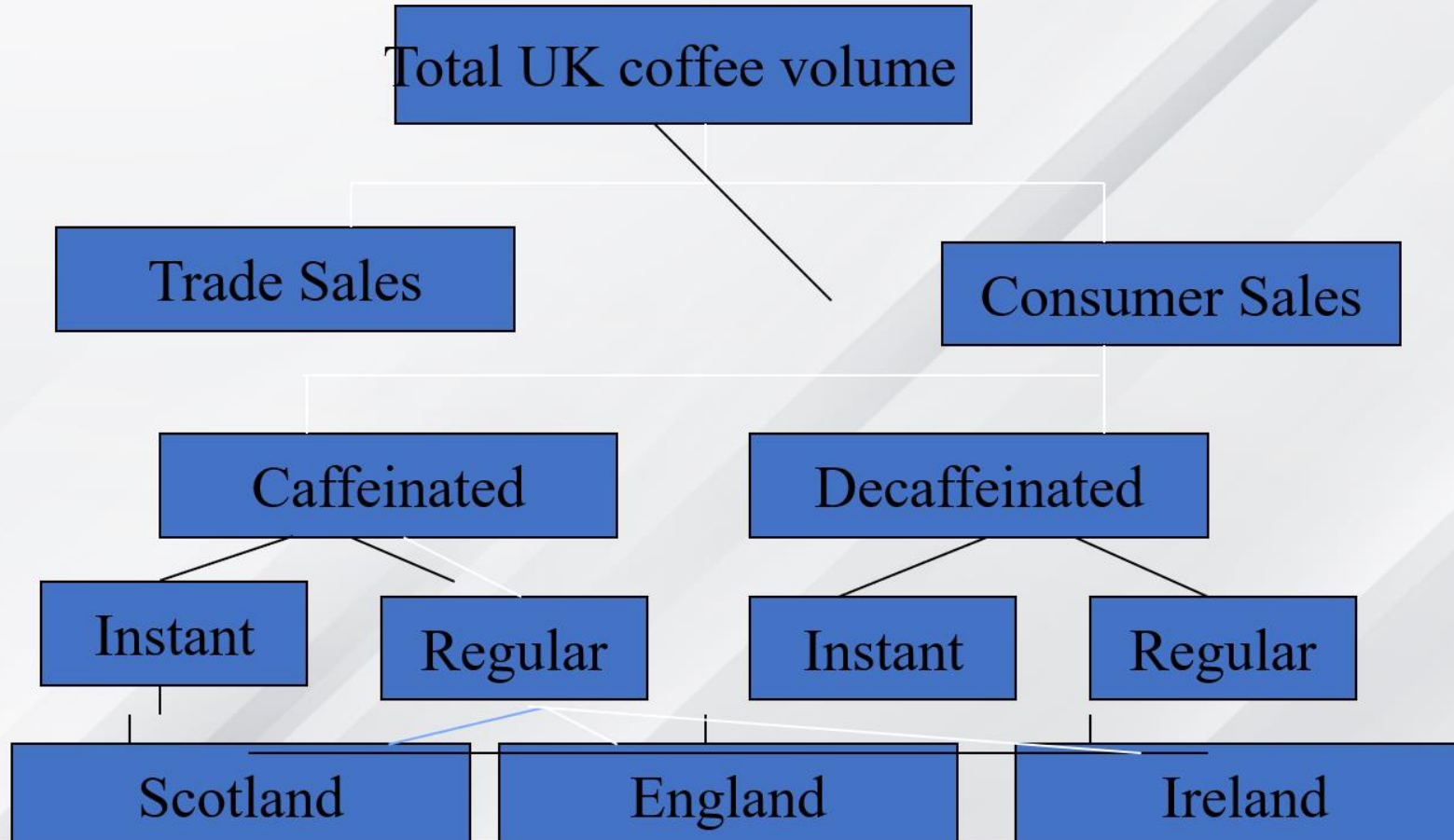
Sales forecast – who, how, why, how often will inform your sales forecasts



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

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><u>Market Def'n</u></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

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)

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

- Internet advertising – Google adwords

Cost per click (CPC)	\$1.58	\$1.02	\$0.92
Average Ad Position	1.8	1.9	2.1
Conversion rate	3.6%	4.7%	8.8%

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 rationale for channel selection

Summary





Thank You