CHAPTER 7
The Marketing Plan
Looking AHEAD

After you have read this chapter, you should be able to:

1. Describe small business marketing.
2. Identify the components of a formal marketing plan.
3. Discuss the nature of the marketing research process.
5. Explain the different methods of forecasting sales.
What is Small Business Marketing?

• Marketing
  - Activities directing the flow of goods and services from producer to consumer or user.

• Small business marketing consists of those business activities that relate directly to:
  - Identifying a target market
  - Determining target market potential
  - Preparing, communicating, and delivering a bundle of satisfaction to the target market
The Three Levels of a Product/Service

- **Core Product/Service**
  - Basic physical product/service that delivers the benefits.

- **Actual Product/Service**
  - Fundamental benefit or solution sought by customers.

- **Augmented Product/Service**
  - Basic product/service plus extra or unsolicited benefits to the consumer.
Marketing Philosophies Make a Difference

• Production-Oriented
  ➢ Emphasizes development of the product and production efficiencies over other activities.

• Sales-Oriented
  ➢ Favors product sales over production efficiencies and customer preferences.

• Consumer-Oriented
  ➢ All marketing efforts begin and end with the customer; focus is on the consumer’s needs—*this philosophy is the most consistent with long-term success of the firm.*
Consumer Orientation—The Right Choice

• Reasons for Not Adopting a Consumer Orientation
  
  ➢ State of competition
    ❖ With no competition or high demand, firms focus on production.
  
  ➢ Production focus
    ❖ Entrepreneurs may have strong production skills and weak marketing skills.
  
  ➢ Focus on the present
    ❖ Entrepreneurs tend to focus on current success which is the result of an overemphasis on selling.
The Marketing Plan and Supporting Marketing Activities

Marketing Research

The Marketing Plan
- Market Analysis
- The Competition
- Marketing Strategy
  - Product/Service
  - Distribution
  - Promotion
  - Pricing

Market Segmentation
Sales Forecasting
Marketing Research Activities

• Market Analysis
  ➢ An evaluation process that encompasses market segmentation, marketing research, and sales forecasting

• Developing the Marketing Mix
  ➢ The combination of product, pricing, promotion, and distribution activities.
The Formal Marketing Plan

• Market Analysis
  ➢ Customer profile
    ❖ A description of potential customers in a target market
  ➢ Sales forecasts
    ❖ “Most likely,” “pessimistic,” and “optimistic

• The Competition
  ➢ Profile of key management personnel
  ➢ Overall strengths and weaknesses
  ➢ Related products being marketed or tested
  ➢ Likelihood of competitors’ entry into target market
The Formal Marketing Plan (cont’d)

• Marketing Strategy
  - Product and/or service section
    - Decisions affecting the total product
  - Distribution section
    - Decisions regarding product delivery to customers
  - Pricing section
    - Setting an acceptable value on the product
  - Promotional section
    - Communicating information to the target market
The Nature of Marketing Research

• Marketing Research
  ➢ The gathering, processing, reporting, and interpreting of market information

• Outside Sources
  ➢ Hiring professional marketing researchers
  ➢ Using the Internet for web-based surveys and online focus groups
The Nature of Marketing Research

• Steps In the Marketing Research Process

1. Identifying the informational need
   Why do we need to know this?

2. Searching for secondary data
   Who has researched this topic already?

3. Collecting primary data
   Who do we ask and what do we ask them?

4. Interpreting the data
   Got the information, now what does it mean?
Methods for Collecting Primary Data

• Observational Methods
  ➢ Human
  ➢ Mechanical

• Questioning Methods
  ➢ Surveys
     Mail
     Telephone
  ➢ Personal interviews
  ➢ Experiments
Designing and Testing a Questionnaire

• Ask questions that relate to the issue.
• Use open-ended and multiple-choice questions.
• Carefully consider the order of the questions to avoid producing biased answers to later questions.
• Ask sensitive questions near the end of the questionnaire.
• Word questions as simply, clearly, and objectively as possible.
• Pre-test the questionnaire on a small representative sample of respondents.
Small Business Survey Questionnaire

PLEASE—WE NEED YOUR HELP!

You’re The Boss. All of us here at Genie Car Wash have just one purpose... TO PLEASE YOU!

Date ______________________  Time of Visit ______________________

How are we doing?

1. Personnel—courteous and helpful?  Yes ☐ ☐  No ☐
   Service writer…………………………………………………………… ☐ ☐
   Vacuum attendants……………………………………………………… ☐ ☐
   Cashier……………………………………………………………………... ☐ ☐
   Final finish & inspection………………………………………………... ☐ ☐
   Management………………………………………………………………... ☐ ☐

2. Do you feel the time it took to wash your car was...
   Right amount of time……………………………………………………… ☐
   Too much time…………………………………………………………….. ☐
   Not enough time………………………………………………………….. ☐

3. How do you judge the appearance of the personnel?………………... Excel ☐ ☐ ☐ ☐
   Good ☐ ☐ ☐ ☐
   Avg ☐ ☐ ☐ ☐
   Poor ☐ ☐ ☐ ☐

4. Please rate the quality of workmanship of the interior of your car.
   Inside vacuum………………………………………………………... ☐ ☐ ☐ ☐
   Dashboard………………………………………………………………... ☐ ☐ ☐ ☐
   Door jams………………………………………………………………… ☐ ☐ ☐ ☐
   Ash trays…………………………………………………………………... ☐ ☐ ☐ ☐
   Windows…………………………………………………………………… ☐ ☐ ☐ ☐
   Console…………………………………………………………………….. ☐ ☐ ☐ ☐

5. Please rate the quality of workmanship of the exterior of your car.
   Tires and wheels…………………………………………………………... ☐ ☐ ☐ ☐
   Bumpers and chrome……………………………………………………… ☐ ☐ ☐ ☐
   Body of car………………………………………………………………... ☐ ☐ ☐ ☐
   Grill………………………………………………………………………….. ☐ ☐ ☐ ☐

6. Please rate the overall appearance of our facility.
   Outside building & grounds………………………………………………... ☐ ☐ ☐ ☐
   Inside building………………………………………………………………... ☐ ☐ ☐ ☐
   Rest rooms…………………………………………………………………... ☐ ☐ ☐ ☐

7. Please rate your overall impression of the experience you had while at Genie Car Wash……………………………………... ☐ ☐ ☐ ☐

It is important that we clean your car to your satisfaction. Additional comments will be appreciated.

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

____________________________________________________________________________

Optional

Your Name _______________________________________________________________

Address ________________________________________________________________

City __________________ State ____________ Zip ________________

Thank you!
Interpreting the Data Gathered

• Transforming Data into Information
  - Tables and charts
  - Descriptive statistics

• When Research is Too Expensive
  - Newspaper, magazine, and industry trade journal articles and trade research
  - Internet searches
  - Check out the competition
  - Use students to stretch research budget
Understanding Potential Target Markets

• Market
  ➢ A group of (1) customers or potential customers who have (2) purchasing power and (3) unsatisfied needs

• Market Segmentation
  ➢ The division of a market into several smaller groups with similar needs

• Focus Strategy
  ➢ A type of competitive strategy in which cost and differentiation-based advantages are achieved within narrow market segments.
Market Segmentation Variables

• **Segmentation Variables**
  - The parameters used to distinguish one form of market behavior from another for the purpose of market segmentation

• **Benefit Variables**
  - Specific characteristics that distinguish market segments according to the benefit sought

• **Demographic Variables**
  - Specific characteristics that describe customers and their purchasing power
Types of Market Segmentation Strategies

• **Unsegmented Strategy (Mass Marketing)**
  ➢ A strategy that defines the total market as the target market.

• **Multisegment Strategy**
  ➢ A strategy that recognizes different preferences of individual market segments and develops a unique marketing mix for each.

• **Single-Segment Strategy**
  ➢ A strategy that recognizes the existence of several distinct segments but focuses on only the most profitable segment.
Estimating Market Potential

• The Sales Forecast

➢ A prediction of how much (in units and/or dollars) of a product or service will be purchased within a market during a specified period of time

   ▶ Assesses the new venture’s feasibility.

   ▶ Assists in planning for product scheduling, setting inventory levels, and personnel decisions

• Limitations to Forecasting (for Entrepreneurs)

➢ Unique new business circumstances

➢ Lack of familiarity with quantitative methods

➢ Lack of familiarity with the forecasting process
Exhibit 7-7: Dimensions of Forecasting Difficulty

**Conditions That Make Forecasting Easier**

- Established Business
- Experienced Entrepreneur/Manager
- Entrepreneur Familiar with Forecasting Techniques

**Conditions That Make Forecasting More Difficult**

- New Venture
- Limited Entrepreneurial/Managerial Experience
- Poor Understanding of Forecasting Techniques
The Forecasting Process: Two Dimensions of Forecasting

- **The Starting Point**
  - Breakdown process (chain-ratio method)
    - Forecasting begins with macro-level variable and works down to the sales forecast (top-down).
  - Buildup process
    - All potential buyers in various submarkets are identified and then the estimated demand is added up (bottom-up).
## Sales Forecasting with the Breakdown Method

<table>
<thead>
<tr>
<th>Linking Variable</th>
<th>Source</th>
<th>Estimating Value</th>
<th>Market Potential*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Idaho state population</td>
<td>U.S. census of population</td>
<td></td>
<td>1,429,096</td>
</tr>
<tr>
<td>2. State population in target age category</td>
<td>Sales &amp; Marketing Management Survey of Buying Power</td>
<td>12%</td>
<td>171,492</td>
</tr>
<tr>
<td>3. Target age enrolled in colleges and universities</td>
<td>Idaho Department of Education</td>
<td>30%</td>
<td>51,448</td>
</tr>
<tr>
<td>4. Target age college students preferring convenience over price</td>
<td>Student survey in a marketing research class</td>
<td>50%</td>
<td>25,724</td>
</tr>
<tr>
<td>5. Convenience-oriented students likely to purchase felt-tip pen within next month</td>
<td>Personal telephone interview by entrepreneur</td>
<td>75%</td>
<td>19,293</td>
</tr>
<tr>
<td>6. People who say they are likely to purchase who actually buy</td>
<td>Article in Journal of Consumer Research</td>
<td>35%</td>
<td>6,753</td>
</tr>
<tr>
<td>7. Average number of pens bought per year</td>
<td>Personal experience of entrepreneur</td>
<td>4</td>
<td>27,012</td>
</tr>
</tbody>
</table>

*Figures in this column, for variables in rows 2-7, are derived by multiplying the percentage or number in the Estimating Value column by the amount on the previous line of the Market Potential column.
The Forecasting Process: Two Dimensions of Forecasting (cont’d)

• The Predicting Variable
  - Direct forecasting
    - Use of sales as the predicting variable
  - Indirect forecasting
    - Use of related variables related to sales as proxies to project future sales
Key TERMS

- small business marketing
- market analysis
- marketing mix
- customer profile
- marketing research
- secondary data
- primary data
- market
- market segmentation
- segmentation variables
- benefit variables
- demographic variables
- unsegmented strategy (mass marketing)
- multisegment strategy
- single-segment strategy
- sales forecast
- breakdown process (chain-ratio method)
- buildup process
- direct forecasting
- indirect forecasting