

Marketing

Wojciech Kic

Proprietor,

Property Management Corporation

Rotary Seminar Teams, Project Free Enterprise IV, 1994

MARKETING - WHAT IS MARKETING ?

In the simplest and most meaningful terms marketing is the activity designed to create interest and a need for a particular product. The purpose of marketing is to create a desire to purchase.

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| What is marketing? | |
| <ul style="list-style-type: none">• The purpose of marketing is to create a desire to purchase | |

PRODUCT DEFINITION

The first item we need to honestly explore and examine is what product or service will be offered by our firm. Throughout this series of lectures, we have to honestly define and limit our own perception of our production abilities. Today's evolving economy dictates development of specialties, even within previously established fields. For example, in the American real estate market we have seen the development of multiple specialties: sales, property management, leasing, appraisal, inspection services, consulting, financing and maintenance. Further, these activities are divided by property types: apartments, single family houses, office buildings, mobile home parks, retail space, condominiums, co-operatives and government subsidized housing. These groups are again defined by size and location within a geographic area. While future goals for your business certainly will include expansion into additional market areas, the dreams of the future cannot cloud your perception of the present. Otherwise, your product or service will never be ready for introduction to the market.

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| Elements of marketing. | |
| <ul style="list-style-type: none">• Product definition• Strategy• Promotion• Price• Distribution• Customer retention | |

PRODUCT PREPARATION

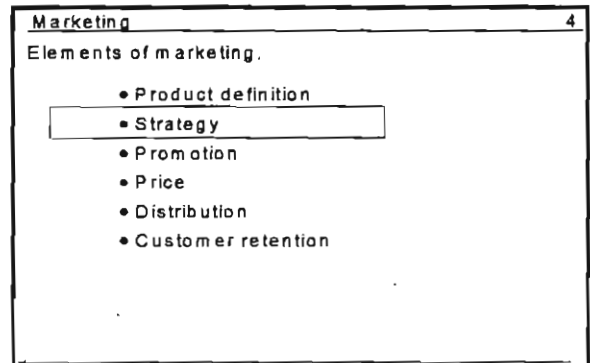
Your product, and ability to deliver the product or service, must be, at all times, completely, 100% ready. If it is not, client dissatisfaction must be expected. Of course, as with some services and products, immediate delivery is not possible due to the nature of the product. For example, an architect will take time to prepare a design for a house. The delivery time of the product, however, is part of product preparation. An unrealistic or false promise of delivery, made in haste to secure a client, will backfire in

a product your business does not want to create: an unhappy client. Clients talk to each other and that is not the kind of word of mouth advertising you want. Thus, study your ability to deliver;

ALWAYS EARLY NEVER LATE.

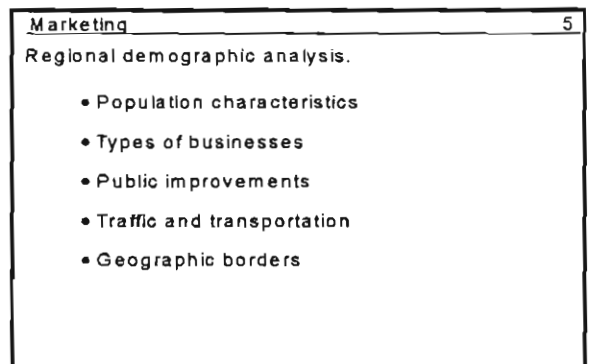
MARKETING STRATEGY

When a product or the ability to deliver the product, is clearly defined, we proceed to further study of our enterprise. What is the market size for the product? What type of clientele will our business attract? What prevents or helps the public to access our business? Are there compatible businesses present that lend to the support of our business?



The answers to these questions are found in the regional analysis of our market. The regional analysis, when completed, will provide you with numerous clues about the market. We seek the following information:

- a. Population characteristics as defined by age, sex and marital status.
- b. What types of business or industry are present in the region: is the region dependent on one particular industry or is the business community well diversified.
- c. What public improvements are present in the area? (Here, you will concentrate on the condition of streets and pedestrian walkways.)
- d. Information about traffic, transit and parking. Study traffic patterns, types of public transit, schedules and parking facilities. It will not help a business to be located near a busy street without parking or where NO PARKING signs are located in front of your enterprise.
- e. What are the geographic borders of your market? Pay attention to natural and man made barriers. Clear definitions of market borders will provide you with the the best



clue to market size and potential. How far do clients travel? Do they like to visit different districts within the city, even if they are only half a mile away?

Our next step is to define our competition. It is helpful here to obtain a large city map and chart it with competing businesses. You may want to differentiate between smaller and larger businesses.

- a. Who are these people?
- b. What services do they offer?
- c. What is their sales volume?
- d. Who are their clients?
- e. What are their overall strengths and weaknesses?

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| Define competition. | |
| <ul style="list-style-type: none">• Locations• Size• Who are they?• What do they offer?• What is their volume?• Who are their clients?• Strengths and weaknesses | |

Don't be misled here as you gather information about any myths that may have been created about these businesses by the public. For example, you may hear about ruinous taxes, but keep in mind that these taxes are probably not that ruinous if businesses continue to thrive. Recognize any information that tends to be discouraging to your own efforts. For example, it is true that many businesses fail! In America, close to 50% of all businesses fail during the first year of operation. Many never become profitable. Talk to the market and listen carefully. Why do the businesses fail and why do they succeed? There is a very good reason that your competitors are in business, and they will not give any share of their business away easily. They are at least a step or two ahead of you. Don't underestimate your competition! If you have a hard time finding the needed information visit the competitors yourself. Observe their operation and draw your own conclusions.

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| Business failure in America. | |
| <ul style="list-style-type: none">• Nearly half of all businesses fail during the first year of operation | |

YOU ARE LIKELY TO BE RIGHT.

The last step here, and surprisingly the most effective one is to go straight to the source of the business: **THE BUSINESS OWNER**. Explain your plan to the successful entrepreneur. Successful people like to share their success. And they know that **THERE IS NOTHING THEY CAN DO TO STOP YOU**. Being a friendly competitor is often the best recipe for business survival.

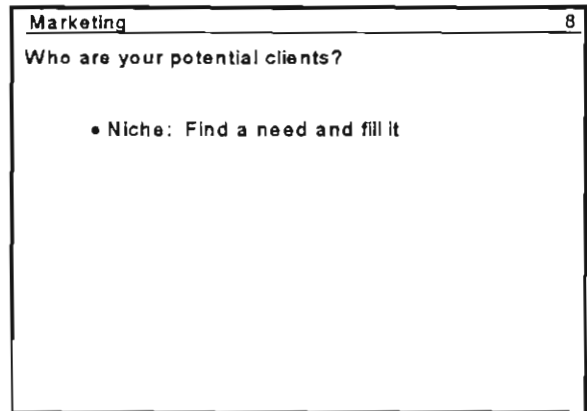
Now that we have studied the competition, we can develop a client profile. Again, keep your city map handy. Now, chart it, perhaps with dots, and draw lines between your location and home, and work addresses of your potential clients. Who are your potential clients? Does my product or service depend on special groups: ethnic, age or income grouping. What businesses exist that require my product? Here you need to distinguish between the companies which have the ability to produce your product and those that do not. The efficiencies created by division of labor and resulting specializations can only be realized by those brave enough that know and recognize their limitations. You may have a potential client on hand, whether individual or business, to whom you can provide a needed service at a lower cost than the particular client can provide itself. Perhaps we can also save money for the government or the academia.

NICHE

If we can do anything better than anyone else we can create a NICHE. Creation of a niche gives us a distinct advantage over others: we become standard bearers for the service. Bear in mind, however, that standards and market expectations do change. No one is invincible. An example of success in an already established market is the Houston based company COMPAQ. In the first quarter of this year, the sales of COMPAQ exceeded those of IBM, probably

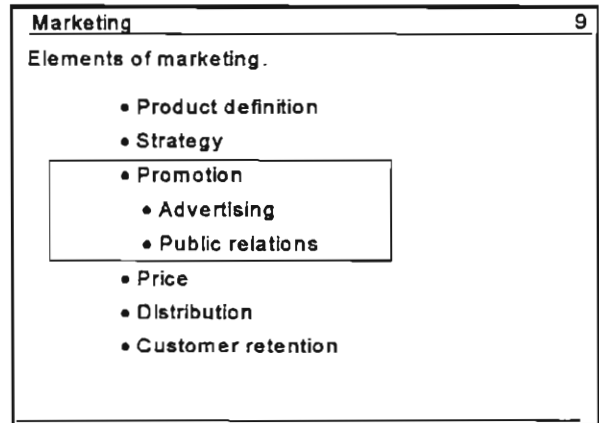
only because of complacency and comfort on the part of IBM caused by years of total market domination. Differences between many companies are usually more apparent than real. Often an extra marketing effort can quickly establish a firm as a market leader even if only for a short time.

How will we establish our firm within the marketplace? How will we reach prospective clients?



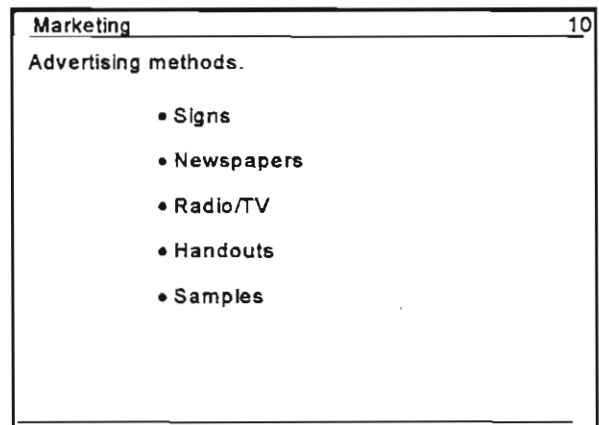
ADVERTISING & PUBLIC RELATIONS

Our advertising strategy will be based on our product type, supply and demand for the product and our own resources. Advertising is a technical tool of marketing. It is expensive and any plan must carefully project for anticipated outcome. Advertising must yield a profit even if a distant one. Don't confuse your ego with your business capabilities. An ad in a large magazine may impress YOU, but it will yield few if any clients.



Advertising methods are:

- a. Signs - These must be simple and clear; name, address, phone number plus a symbolic description of your product is all you want your ad to contain.
- b. Newspapers - In a city or a district based business, trying to reach an audience of half a million or a million people will be very counterproductive when you are really trying to reach only a few. Remember your niche. Advertise in small newspapers that dominate your market areas.
- c. Radio/TV - Wavelengths are usually very expensive. Responses to Radio/Tv advertising are usually made in sudden bursts, typically following the ad. Be prepared for a rush on price discounted product. Be sure to measure your ability to stand behind the ad before it is aired. Be sure to stock a sufficient supply of advertised item or man power to deliver service.
- d. Handouts, brochures and direct mail - These advertising methods are often very effective if directed toward the potential target consumer.
- e. Samples/Promotional Items - Samples are simply business reminders. If you are lucky enough, you will create a client, however, your free pen may be all that the prospect wants.



Public relations on the other hand promotes good will for the company, rather than the actual service or product of the business. It encourages public acceptance of the firm and often results in business referrals. What is more credible to you: an advertisement or news story. To get some news coverage you must do something newsworthy. Get a professional designation, win an award, become a public speaker. Write a trade column for a local newspaper. Public relations activities are usually based on good neighbor principles. Examples of these are:

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| Public relations methods. | |
| • Public service announcements | |
| • Community affairs | |
| • Organizations | |
| • Charity | |
| • Volunteering | |

- a. Public service announcements - for example support for flood victims.
- b. Community affairs involvement - Chairing yard of the month committee.
- c. Professional organization involvement - to promote good will toward industry.
- d. Charities, sponsorships - for example Little League.
- e. Volunteer work - for example Red Cross or Retirement Centers.

Advertising and public relations must be consistent and complementary to produce the desired results. Look at your advertising effort and generated publicity from the market perspective. Does the market believe all performance claims? Word of mouth is the most believable advertising so concentrate on your performance. Let the market know that you are the best in your field, not the best ad writer.

PRICE

We could say that there is a demand for any product on the market, provided that the price is right. A price is a reconciliation of the buyers' and sellers' expectations for each other as viewed against the product or service. Typically, a low price for a good product signals a problem with the product; it may be the warranty or the end of the product cycle. A high price for a cheap product communicates ignorance of the market.

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| Elements of marketing. | |
| • Product definition | |
| • Strategy | |
| • Promotion | |
| • Price | |
| • Distribution | |
| • Customer retention | |

Whatever price we set for a product, we need to remember that every business activity must be profitable. The price must cover our actual costs, and effort and of course allow a profit.

Sometimes we set a high price to keep the demand down for a product, during the introductory stage. We often set a low price during the liquidation state of a product. In America, a great deal of time has been spent on the psychological aspect of pricing. A buyers perception of a product is altered with a price of \$9.99 for a typical \$10.00 product. For the majority of buyers a \$10.00 price is often \$10.00 more than \$9.99. Even pricing such as \$50.00 communicates higher quality product than a higher price of \$51.50.

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| Marketing | 13 |
| Pricing. | |
| <ul style="list-style-type: none">• Introductory price: High to reduce demand• Psychological: \$49.95 vs \$50.00• Discounting for quantity• Loss leader | |

Price discounting offers the customer a deduction from the price of a product. Quantity discounts are provided to those who buy large quantities of a product. Deservedly so: these buyers reduce our inventory costs. Discounts are also given to those that pay promptly; they reduce our capital costs. Companies will often price one article at a loss, to provide increasing customer traffic for more profitable lines, products, or service activities. These articles are called loss leaders. Sometimes we sell articles or services below cost to get our name in to the marketplace. However, keep in mind that each business activity must yield a profit to the firm: there is never a good reason to lose money especially on the hope that we will get more business later. **THE MARKET WILL NOT PAY MORE OR BUY MORE** in the hope that you will lower a price later. Whatever price and credit policy you set, a good employee training program to create a unison of opinions about the product, service and pricing is the key to a successful marketing strategy. Unless all employees are in unison, differences of opinion about the business will invariably occur. Sensing the confusion, the market will quickly turn its back on you. The success of any enterprise depends on team effort.

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| Successful marketing pricing. | |
| <ul style="list-style-type: none">• Favorable product• Good service• Good price | |

DISTRIBUTION

Distribution relates to both the purchasing and selling function of an enterprise. I will address selling very specifically later today. Purchasing relates to our sources and suppliers. The questions to ask are:

Have supplies been carefully selected for quality, service, price, discounts, assistance in promotion, reputation and **CONSISTENCY** in all these areas?

On the subject of sales, I would like to direct your attention to only one question:

Would you buy from yourself if you were your customer?

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| Supplies. | |
| <ul style="list-style-type: none">• Quality• Price• Discounts• Assistance in promotion• Reputation• Consistency | |
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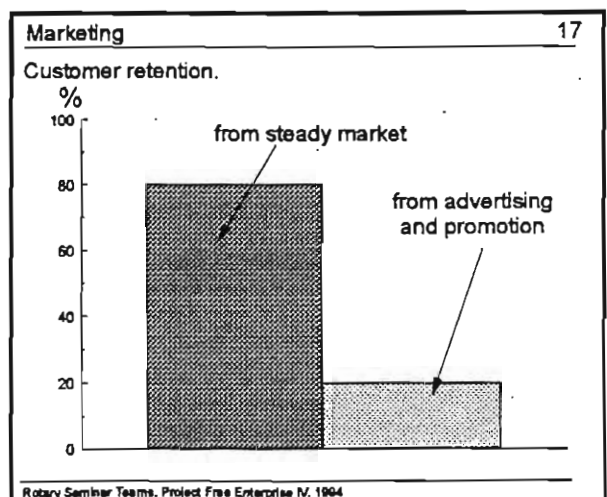
CUSTOMER RETENTION

Hold on to every client; he is the only one you have! Retain clients by providing total satisfaction with the product or service:

- a. Define the product or service process.
- b. Anticipate problems before and after the sale.
- c. Offer solutions.

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In the retail market, in the United States, 80% of all sales are derived from a steady market. Advertising and other promotional efforts secure approximately 15% to 20% of all sales. **IMAGINE** a business without 80% of all sales.



HOW TO EXPAND THE BUSINESS SHARE ?

An often used method to expand business share is to prepare a market survey. The results of this survey should provide information regarding:

- a. Product acceptability
- b. Name recognition
- c. Consumer interest.
- d. Consumer preference for a product before and after the sale
- e. Value of the product in the market.
- f. Talk to vendors and clients.
- g. Customer perception of your business.

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| Expand market share. | |
| <ul style="list-style-type: none">• Determine product acceptability• Test for name recognition• Assess consumer interest• Survey consumer preference before and after the sale• Determine the value of the product• Talk to vendors and clients | |

At this point, we have come full circle in our marketing efforts. But you must know that marketing is an ongoing process - you must continue to update your marketing efforts on a regular basis. Markets continue to evolve over time and you must continue to reexamine your efforts in relation to the evolving marketplace.

IN THE END

Find a need and fill it consistent with your mission statement. Study the evolving economy and anticipate evolving needs! A carefully planned marketing strategy is the best foundation on which to build a successful business.

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| Marketing advice. | |
| <ul style="list-style-type: none">• Find a need and fill it consistent with your mission statement• Study the evolving economy and anticipate evolving needs• Carefully plan your marketing strategy | |

YOU ARE LIKELY TO BE RIGHT