



PROFIT

promoting regional opportunities
for investment and trade

The marketing plan

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1. Introduction

Writing down a detailed plan may seem a difficult and possibly unnecessary task, but by clarifying your aims and ideas your business will be steered in the desired direction. In addition, a marketing plan can reveal some of the potential dangers ahead and ensure that you are prepared to deal with both the threats and opportunities which arise. By carefully examining aspects of your product, your customers and your sales strategy, you will formulate a clearer understanding of what it is you are trying to achieve.

Once you have prepared a plan, remember that it is there to be used. However, there is no need to stick to it too rigidly; it is a flexible instrument that should be updated as the need arises. Aim to maintain a balance between keeping the original objectives in mind and adapting the plan to changes in circumstances. If the two are found to be different this may need to be examined, but do not force the situation to fit the plan if it is working for you.

2. What are you offering?

Get to know your product or service intimately. Just as we need personal goals in life, a business needs a purpose to guide it in the right direction. Explain as simply as possible what the business does and who it does it for.

For example, “Blooming Marvellous”, a business in the UK, defined itself thus: “We design, make and market clothes for the fashion conscious mother-to-be”. This statement shows that it knows exactly the market at which it is aiming. With its production skills it could make clothes for children, or women who were not pregnant. However, many markets are too wide and competitive for a small business to enter with much certainty of success. A new firm has to find a niche in which it can be successful. Business starters all too often fail to define their market precisely at the outset, and waste time and money as a result.

¹ This factsheet is based on material originally published in Sales and Marketing, a Business Action Pocketbook edited by David Irwin, copyright Project North East, 1998, and used with permission. Much of this factsheet will sound as though it is aimed at a new-start business – but when you start exporting then effectively you are a new start in the chosen market.

3. Who are your customers?

To whom are you selling? Business clients, tourists, families, teenagers? Name names. Without customers no business can get off the ground, let alone survive. It is unrealistic to hope that customers will arrive after the firm 'opens its doors'; you need to find them before you even think of launching. Name the first 20 people who are going to buy from you; if you cannot, then you are not ready to start.

But even naming names is not enough. Organise the remaining potential customers into clusters or groups of 'similar' types; for example, a shop or restaurant has regular and passing trade, and the balance between them affects everything else that the business does. You may have to do some research to define your target customers and focus your sales messages.

4. Where is your market?

Where will you find those customers? The starting point in defining your market should be a definition of the market scope for which you are aiming. A small general shop may only service the needs of a few dozen streets. A specialist restaurant may have to attract a much wider audience.

You may eventually decide to sell to different markets. For example, a retail business can service a local area through the shop and a national area by mail order and perhaps further through an e-commerce website. A new start importer – your subsidiary in a new market perhaps – can branch out into local manufacturing.

5. How big is that market?

You need some idea of market size in order to work out how much you can realistically expect to sell. In the home improvements market your calculations might run as follows:

On average, people in the market spend \$82/year on home improvement products; so if the catchment population for an outlet is 25,000 people, total market potential for that area is $(\$82 \times 25,000) = \$2,050,000$. Using the same data for previous years, you can work out how fast the market is expanding or contracting.

6. Is the market changing?

You should be able to identify whether your market is static or changing fast - whether what you are offering has a stable demand or is just a craze. How frequently do customers buy what you offer and from where? Is your market seasonal? What outside factors/trends might affect demand?

7. What are customers seeking?

Every product or service is bought to satisfy a need and that is what you should aim to do. When asked what his business did, the founder of a successful cosmetic firm replied: "In the factories we make perfume and in the shop we sell dreams". This same philosophy is true of every business. As people's hunger and thirst needs are satisfied, other needs such as safety, self-esteem and self-realisation come into play. Where are your customers on the needs hierarchy, and how can your product/service help them to achieve their goals? How do customers perceive the kind of product or service you are offering? What are their likes and dislikes? What attributes are important to them? What attributes would be most likely to make them use your product?

8. Why should customers buy?

By matching product features to customer benefits you will obtain a clear definition of what it is that will attract the customer. Features are the attributes of a product; benefits describe what the product does for the customer. Match the features of your product (or service) to the benefits that your customers will get when they purchase it.

Table 1: Features and benefits of a motor car

| Features | Benefits |
|----------------------|------------------------------|
| Six speed gearbox | Fuel economy when cruising |
| Hatchback | Easy access to luggage space |
| Fold down back seats | Flexible luggage space |
| Heated rear window | Easy to keep clear |

Remember, the customer pays for the benefits and the seller pays for the features; you must communicate both if you are to succeed. Benefits must be worth more to your customer than the features cost you to deliver.

Informal conversations, for example with customers over coffee, can often give as much information to a small business as an expensive formal survey. They will also tell you the language - vocabulary - which customers use when talking about your product or service. You may decide to invite customers to fill in a short questionnaire. Listen to the results; if an area of weakness emerges address it before your competitors do.

9. Who is your competition?

Who are your competitors and what are their strengths and weaknesses? Most businesses have competitors. To some extent this is reassuring because it shows that customers need what you have to offer. Identify who they are and how they affect your business. Research product range, prices, discount structure, delivery arrangements, specifications, minimum order quantities, terms of trade and the types and success of their advertising. A SWOT analysis, looking at your strengths, weaknesses, opportunities and threats, will also give you a picture of your competitive strength.

10. Differentiate yourself

Ultimately it is your 'unique selling proposition' (USP) that decides whether customers choose your product over the competition. There has to be something unique about your business or product that makes you stand out. A USP could be something as obvious as being open later, it may be a policy, or you may be making something which no-one else is, or adhering to better quality standards. Some general market research can help to pin-point what qualities the customer identifies with your product. Whatever your unique selling proposition is, communicate it effectively.

11. What should you charge?

The greatest danger in setting a price for the first time is the temptation to pitch it too low. Raising a price is always more difficult than lowering one and you will have to calculate for all potential future circumstances. It will be tempting to undercut competition at the outset, but often quality and value for money will attract the customer more than simply lower prices. Can you sell on quality and charge more than your competition?

Price is also part of the 'image' of your business. Sales of Rolls Royces are unlikely to be significantly improved by lowering prices; in fact, the elitist appeal may be diminished. You should quickly get a feel for how sales are affected by price changes.

12. How do you communicate?

What is your message and how do you get it across? Lord Lever is reported as saying half the money he spent on advertising was wasted, but no-one could tell him which half. A key element in your marketing strategy has to be what to tell whom and how to tell it to them.

Start by deciding how many people you want to influence, and what you want them to do as a result of seeing your advertisement. In the media, response ratios are well established; for example, a two per cent response from a direct mailshot would be realistic. There are many options available to you in media advertising; consider carefully which will reach prospective customers. What qualities will the medium bestow upon the promotion? Choosing the right method of promotion is important in regard to financial commitment as well as effectiveness. As you go along it will be useful to build up a record of where customers heard about you.

Whatever the medium chosen, you need to 'position' your product or service. You have to establish an image, and the advertising, price, product, packaging and service must all reinforce that. The technique might be 'aspirational' - encouraging people to use your product/service by getting them to associate it with a lifestyle/condition to which they aspire, for example, being fit and healthy. Alternatively, advertising might be designed to make people identify with a situation, for example, 'slice of life' TV adverts involving ordinary people in their homes.

13. The marketing plan

Once you have addressed the above questions you can put together a detailed marketing plan. One possible framework is:

- Business objectives – realistic objectives should show what the plan is intended to achieve in terms of turnover and profit.
- Market review – these are the key facts and assumptions on which the plan is based. Make sure the plan and reality are consistent.

- Marketing objectives – these need to be clear and quantified, based on current and established trends as well as an analysis of what you plan for business development and how you can improve the current position.
- Marketing strategy – how you are going to achieve your objectives, for example through improving your product, increased promotion, a new pricing strategy? This should be clear and realistic, reflecting the practical implications behind your marketing objectives.
- Marketing action – what is the action plan for each strategy? For example the selection of media for your promotional campaign, delegation of resources for product development and market research. By setting yourself clear objectives and activities, results can be monitored more easily.
- Marketing budget – state the resources that you will delegate to the marketing activity, detailing areas of major cost.

14. Useful tips

- Keep your plan simple and straightforward. A few key points are more useful than a complex strategy that may not come to fruition. It helps too if the message for your customers is clear and simple.
- Training in marketing skills will be useful. Courses often use case studies which give you practice in devising a marketing plan.
- Don't neglect the plan once it has been written, make use of it

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