



Chapter

6

# Building a Powerful Marketing Plan

*If one takes care of the means,  
the end will take care of itself.*

—Mohandas Gandhi

*This fishing lure manufacturer  
I know had all these flashy  
green and purple lures. I asked,  
“Do fish take these?” “Charlie,”  
he said, “I don’t sell these  
lures to fish.”*

—Charles Munger

## LEARNING OBJECTIVES



Upon completion of this chapter, you will be able to:

1. **DESCRIBE** the principles of building a guerrilla marketing plan and explain the benefits of preparing one.
2. **EXPLAIN** how small businesses can pinpoint their target markets.
3. **DISCUSS** the role of market research in building a guerrilla marketing plan and outline the market research process.
4. **DESCRIBE** how a small business can build a competitive edge in the marketplace using guerrilla marketing strategies: customer focus, quality, convenience, innovation, service, and speed.
5. **DISCUSS** the marketing opportunities the World Wide Web (WWW) offers entrepreneurs and how to best take advantage of them.
6. **DISCUSS** the “four Ps” of marketing—product, place, price, and promotion—and their role in building a successful marketing strategy.

The culmination of the next five chapters is the creation of an important business tool: the *business plan*, a valuable document that defines *what* an entrepreneur plans to accomplish in both quantitative and qualitative terms and *how* she plans to accomplish it. A business plan consolidates many of the topics we have discussed in preceding chapters with those of the next four chapters to produce a concise statement of how an entrepreneur plans to achieve success in the marketplace.

Too often, business plans describe in great detail what the entrepreneur intends to accomplish (e.g., “the financials”) and pay little, if any, attention to the strategies to achieve those targets. Too many entrepreneurs squander enormous effort pulling together capital, people, and other resources to sell their products and services because they fail to determine what it will take to attract and keep a profitable customer base. Sometimes they fail to determine if a profitable customer base even exists! To be effective, a solid business plan must contain both a financial plan *and* a marketing plan. Like the financial plan, an effective marketing plan projects numbers and analyzes them but from a different perspective. Rather than focus on cash flow, net income, and owner’s equity, the marketing plan concentrates on the *customer*.

This chapter is devoted to creating an effective marketing plan, which is a subset of a total business plan. Before producing reams of computer-generated spreadsheets of financial projections, an entrepreneur must determine what to sell, to whom and how, on what terms and at what price, and how to get the product or service to the customer. In short, a marketing plan identifies a company’s target customers and describes how that business will attract and keep them. Its primary focus is capturing and maintaining a competitive edge for a small business.

1. Describe the principles of building a guerrilla marketing plan and explain the benefits of preparing one.

**Marketing**—the process of creating and delivering desired goods and services to customers, involves all of the activities associated with winning and retaining loyal customers.

**guerrilla marketing strategies**—unconventional, low-cost, creative marketing strategies designed to give small companies an edge over their larger, richer, more powerful rivals.

## BUILDING A GUERRILLA MARKETING PLAN

**Marketing** is the process of creating and delivering desired goods and services to customers and involves all of the activities associated with winning and retaining loyal customers. The secret to successful marketing is to understand what your target customers’ needs, demands, and wants are before your competitors can; offer them the products and services that will satisfy those needs, demands, and wants; and provide customers service, convenience, and value so that they will keep coming back. Unfortunately, there appears to be a sizable gap between sound marketing principles and actual marketing practices among small businesses. One study of small company marketing practices by Dun & Bradstreet revealed many serious weaknesses. For instance, the study found that just one in five small business owners creates a strategic marketing plan and that the most common sales approach is to react to customer orders rather than to proactively seek them out. (Efforts are so passive that walk-in traffic was cited as the most popular sales method.) The study also revealed that word-of-mouth promotion and referrals comprise the typical small company’s marketing efforts.<sup>1</sup>

In a small business, the marketing function cuts across the entire company, affecting every aspect of its operation—from finance and production to hiring and purchasing—as well as the company’s ultimate success. As the global business environment becomes more turbulent and competition becomes more intense, small business owners must understand the importance of developing creative marketing strategies; their success and survival depend on it. A marketing plan is *not* just for megacorporations competing in international markets. Although they may be small in size and cannot match their larger rivals’ marketing budgets, entrepreneurial companies are not powerless when it comes to developing effective marketing strategies. By using **guerrilla marketing strategies**—unconventional, low-cost, creative techniques—small companies can wring as much or more “bang” from their marketing bucks. For instance, facing the power of discount giants such as Wal-Mart, Target, and “category killer” superstores such as Best Buy and Circuit City determined to increase their market shares, small retail shops are turning to guerrilla marketing tactics to lure new customers and to keep existing ones. One small retailer explains, “If the chains are the steamships plowing through the ocean, then we have to be the cigarette [racing] boats zipping around and through them, changing direction on a dime. That must be our advantage when going up against the tremendous cash and resources of the biggies.”<sup>2</sup>

An effective marketing campaign does *not* require an entrepreneur to spend large amounts of money, but it does demand creativity and ingenuity.

Tory Johnson used the network of connections she had developed at her jobs with ABC and NBC News to launch *Women for Hire*, a New York City-based executive search firm that specializes in matching high-profile female employees with large companies in major cities across the United States. In her first year of operation, Johnson convinced a friend who worked in the marketing department at *Cosmopolitan* magazine to introduce her to top marketing managers. In the meeting, she pitched the idea of collaborating with *Cosmopolitan* to sponsor career fairs aimed at upscale professional women, a market that both the magazine and Johnson's company were targeting. *Cosmopolitan* managers agreed and gave Johnson free space in their magazine to promote the career fairs and the right to use the *Cosmopolitan* name and logo in her own promotional materials. Johnson even convinced them to sponsor free "goodie bags" for participants. The career fairs were a huge hit, and their success earned Johnson an interview on NBC's *The Today Show*, giving her company even more national exposure. Johnson's guerrilla marketing techniques have helped her company generate more than \$1 million in annual sales.<sup>3</sup>

A sound guerrilla marketing plan reflects a company's understanding of its customer and recognizes that satisfying the customer is the foundation of every business. Its purpose is to build a strategy of success for a business—but from the customer's point of view. Indeed, the customer is the central player in the cast of every business venture. According to marketing expert Ted Levitt, the primary purpose of a business is not to earn a profit; instead, it is "to create and keep a customer. The rest, given reasonable good sense, will take care of itself."<sup>4</sup> Every area of the business must practice putting the customer first in planning and actions.

A guerrilla marketing plan should accomplish four objectives:

1. It should pinpoint the specific target markets the small company will serve.
2. It should determine customer needs and wants through market research.
3. It should analyze the firm's competitive advantages and build a guerrilla marketing strategy around them.
4. It should help create a marketing mix that meets customer needs and wants.

The rest of this chapter focuses on building a customer orientation into these four objectives of the small company's marketing plan.

## PINPOINTING THE TARGET MARKET

One of the first steps in building a guerrilla marketing plan is to identify a small company's **target market**—the specific group of customers at whom the company aims its goods or services. The more a business learns about its local markets, its customers and their buying habits and preferences, the more precisely it can focus its marketing efforts on the group(s) of prospective and existing customers who are most likely to buy its products or services. Most marketing experts contend that the greatest marketing mistake small businesses make is failing to define clearly the target market to be served. In other words, most small businesses follow a "shotgun approach" to marketing, firing marketing blasts at every customer that they see, hoping to capture just some of them. Although this approach can work to get a small business established, it can lead to serious problems for a company using it to try to grow. Most entrepreneurs simply cannot use shotgun marketing techniques and compete successfully with larger rivals and their deep pockets. These entrepreneurs develop new products that do not sell because they are not targeted at a specific audience's needs; they broadcast ads that attempt to reach everyone and end up reaching no one; they spend precious time and money trying to reach customers who are not the most profitable; and many of the customers they attract leave because they do not know what the company stands for. Why, then, is the shotgun approach so popular? Because it is easy and does not require market research or a marketing plan! The problem is that the shotgun approach is a sales-driven rather than a customer-driven strategy. Smart entrepreneurs know that they do not have the luxury of wasting resources; they must follow a more targeted, "rifle" approach to marketing.

To be customer driven, an effective marketing program must be based on a clear, concise definition of a company's target customers. Failing to pinpoint their target markets is especially ironic because small firms are ideally suited to reaching small, often more concentrated market

2. Explain how small businesses can pinpoint their target markets.

**target market**—the specific group of customers at whom a company aims its goods or services.

segments that their larger rivals overlook or consider too small to be profitable. A target-focused marketing strategy can be a powerful strategic weapon for any company that lacks the financial and physical resources of its competitors. Customers respond when companies take the time to learn about their unique needs and offer products and services designed to satisfy them.

#### A Company Example

*For instance, when Marvin and Helene Gralnick launched Chico's FAS in 1983, they targeted women of the baby-boomer generation who had plenty of purchasing power and wanted fashionable but comfortable clothing. The Gralnicks focused on clothing designed for real women with all of their curves and imperfections, rather than styles that only supermodels and pop stars could wear. That meant pants that drape rather than cling and tops that covered the derriere. Chico's marketing strategy is the same today. "Our customer wants to be current," says chief financial officer Charles Kleman, "but she also wants a more comfortable fit." Understanding its customers' preferences, Chico's clothing is exclusive to its stores and Web site; customers will not see the same items sold elsewhere. The company's unique sizing also flatters its target customers as well. Its size 0 fits 4–6, size 1 fits 8–10, size 2 fits 10–12, and its largest size, 3, fits 14–16. Chico's trains its sales clerks extensively in identifying the four basic body types and in selecting the right styles that best fit each type. The company very cleverly has no mirrors in the dressing room so that customers must come outside to see themselves—and to be "accessorized" by a sales clerk. Chico's marketing approach has worked so well that even during economic recessions its sales have continued to grow.<sup>5</sup>*

Like Chico's, the most successful businesses have well-defined portraits of the customers they are seeking to attract. From market research, they know their customers' income levels, lifestyles, buying patterns, likes and dislikes, and even their psychological profiles. These companies establish prices appropriate to their target customers' buying power, product lines that appeal to their tastes, and service they expect. In essence, the target customer permeates the entire business—from the merchandise sold to the location, layout, and decor of the store. They have an advantage over their larger rivals because the images they have created for their companies appeal to their target customers, and that's why they prosper. Without a clear picture of its target market and the image it must create to attract those customers, a small company will try to reach almost everyone and usually ends up appealing to almost no one.

The nation's increasingly diverse population offers businesses of all sizes tremendous marketing opportunities if they target specific customers, learn how to reach them, and offer goods and services designed specifically for them. Because of this diversity, a "one-size-fits-all" approach to marketing no longer works. The 2000 U.S. census shows that Hispanic Americans are now the nation's largest minority, followed by African Americans and Asian Americans. More than 13 percent of the U.S. population is of Hispanic origin, but because they hail from more than 20 countries, this diverse market also requires a targeted marketing approach.<sup>6</sup>

#### A Company Example

*Entrepreneur Wilfredo Leon is aiming squarely at this fast-growing market by publishing **Latino**, the first Hispanic newspaper in South Carolina. Leon is publishing the paper in Spanish, but many other publishers of newspapers and magazines aimed at the Hispanic market use English or a combination of English and Spanish.<sup>7</sup> Strategy Research Corporation, a marketing research firm, says that 45.4 percent of Hispanics prefer to read magazines and newspapers in English, and 43 percent prefer Spanish.<sup>8</sup>*

Sometimes new target markets emerge on their own, much to the surprise of a small business owner.

#### A Company Example

*When Steve Pateman took over the shoe manufacturing company his grandfather had founded, the family business was struggling as a result of intense global competition and rising costs in its core market—high-quality, traditional men's shoes. Pateman was forced to cut the company's workforce from 77 to just 22 employees. Then Pateman received a phone call from a customer with an unusual request: Could he manufacture women's shoes for cross-dressing men? Pateman's company began manufacturing women's shoes in men's sizes and soon developed a complete product line under the **Divine** label that includes faux leopard thigh boots with seven-and-a-half-inch heels! The business has rehired many workers, takes orders from all across the globe, and generates 50 percent of its sales from the transvestite market.<sup>9</sup>*

## DETERMINING CUSTOMER NEEDS AND WANTS THROUGH MARKET RESEARCH

The changing nature of the U.S. population is a potent force altering the landscape of business. Shifting patterns in age, income, education, race, and other population characteristics (which are the subject of **demographics**) will have a major impact on companies, their customers, and the way they do business with those customers. Businesses that ignore demographic trends and fail to adjust their strategies accordingly run the risk of becoming competitively obsolete.

A demographic trend is like a train; a business owner must find out early on where it's going and decide whether or not to get on board. Waiting until the train is roaring down the tracks and gaining speed means it's too late to get on board. However, by checking the schedule early and planning ahead, an entrepreneur may find himself at the train's controls wearing the engineer's hat! Similarly, small companies that spot demographic trends early and act on them can gain a distinctive edge in the market. An entrepreneur's goal is to make sure her company's marketing plan is on track with the most significant trends that are shaping the industry.

Trends are powerful forces and can be a business owner's greatest friend or greatest enemy. In the restaurant industry, traditional fast-food chains are struggling to sustain mediocre growth rates, whereas restaurants based on the "fast casual" concept make up the hottest sector (refer to Chapter 3). In fact, fast-food giants McDonald's and Wendy's have purchased promising companies in the fast casual sector such as Boston Market, Panera Bread, Chipotle, and Baja Fresh. Several factors are driving this trend: consumers who are "burned out" on burgers and concerned about the health considerations of fast-food diets, the growing population of empty-nest baby boomers who are tired of cooking, and the increasing purchasing power of members of Generation X, who never enjoyed cooking at home.<sup>10</sup> For entrepreneurs who are observant and position their companies to intercept them, trends can be to their companies what the perfect wave is to a surfer. For entrepreneurs who ignore them or discount their importance, trends can leave their companies stranded like a boat stuck in the mud at low tide.

The increasing cultural diversity in the United States is providing tremendous business opportunities for entrepreneurs who are fast enough and savvy enough to capitalize on them. Demographic patterns indicate that by 2050, the population of Caucasians will shrink to 53 percent of the nation's population from 72 percent in 2000, but the populations of other groups such as Hispanic Americans and Asian Americans will climb rapidly. The population of Asian Americans, for instance, now boasts the highest rate of education of any segment and has an average household income that exceeds that of Caucasian households by \$10,000. Recognizing the potential of this demographic trend, Lubna Khalid, a former model of Pakistani descent, launched Real Cosmetics, a company that produces a line of cosmetics aimed specifically at Asian women.<sup>11</sup>

### The Value of Market Research

By performing some basic market research, small business owners can detect key demographic and market trends. Indeed, *every* business can benefit from a better understanding of its market, customers, and competitors. "Market information is just as much a business asset and just as important as your inventory or the machine you have in the back room," says one marketing consultant.<sup>12</sup> **Market research** is the vehicle for gathering the information that serves as the foundation for the marketing plan. It involves systematically collecting, analyzing, and interpreting data pertaining to a company's market, customers, and competitors. The objective of market research is to learn how to improve the level of satisfaction for existing customers and to find ways to attract new customers. Market research answers questions such as: Who are my customers and potential customers? What are they looking for? What kind of people are they? Where do they live? How often do they buy these products or services? What models, styles, colors, or flavors do they prefer? Why do or don't they buy from my business? How do the strengths of my product or service serve their needs and wants? What hours do they prefer to shop? How do they perceive my business? Which advertising media are likely to reach them? How do customers perceive my business versus my competitors? This information is an integral part of developing a marketing plan that produces sales.

When marketing their goods and services, small companies must avoid mistakes because there is no margin for error when funds are scarce and budgets are tight. Small businesses simply cannot afford to miss their target markets, and market research can help them zero in on the bull's-eye.

#### Learning Objective

3. Discuss the role of market research in building a guerrilla marketing plan and outline the market research process.

**demographics**—the study of important population characteristics such as age, income, education, race, and others.

**market research**—the vehicle for gathering the information that serves as the foundation for the marketing plan; it involves systematically collecting, analyzing, and interpreting data pertaining to a company's market, customers, and competitors.

#### A Company Example

*Jim Ammeen, CEO of Neema Clothing Ltd., a small manufacturer of men's tailored clothing, says that the marketing strategy behind his company's impressive growth rate (700 percent since its inception) is the result of deliberate market research. Studying statistics on the U.S. men's clothing industry he had gathered from various sources, Ammeen noticed that "80 percent of the suits retailed for less than \$300, yet the majority of manufacturers were pricing their suits in the \$500-to-\$700 range. I was able to direct Neema's efforts toward capturing business that the competition was overlooking," he says. Neema Clothing continues to thrive by focusing its niche strategy on marketing quality tailored suits and sport coats that fit within this most popular price range.*<sup>13</sup>

One of the worst—and most common—mistakes entrepreneurs make is assuming that a market exists for their product or service. The time to find out if customers will buy your product or service is *before* you invest thousands of dollars to launch it! Market research can tell entrepreneurs whether or not a sufficient customer base exists and how likely those customers are to purchase their products or services. In addition to collecting and analyzing demographic data about the people in a particular geographic area and comparing the results to the profile of a typical customer, entrepreneurs can learn much by actually observing, mingling with, and interviewing customers as they shop. The founder of one snack-food company says that he learns a great deal about packaging and design and product placement by hanging around the aisles of grocery stores and watching shoppers' buying behavior. Other companies videotape customers while they are shopping to get a clear picture of their buying habits. Hands-on market research techniques such as these allow entrepreneurs to get past the barriers that consumers often put up and to uncover their true preferences and hidden thoughts.

Market research does *not* have to be time consuming, complex, or expensive to be useful. By applying the same type of creativity to market research that they display when creating their businesses, entrepreneurs can perform effective market research "on the cheap."

#### A Company Example

*Inexpensive market research is one key to success for the Southern California retail chain Hot Topic. No one could confuse one of the chain's 346 stores with Gap or American Eagle, which sells jeans, crop-tops, and khaki pants to athletic-looking young people. Since Orv Madden founded the first Hot Topic store in Montclair, California, in 1989, market research has led the company to target "alternative" teens, who make up 17 percent of all high school students. At Hot Topic, angst-filled teens browse among displays of fishnet stockings, blue hair dye, glow-in-the-dark tongue rings, black Gothic patent leather platform boots with 4-inch heels, red feather "blood angel" wings, and pink fur pants. To stay on the cutting edge of the ever-changing fashion tastes of its customers, Hot Topics sends its buyers to rock concerts and raves its "alternative" customers frequent to see and to photograph what performers and fashion-forward fans are wearing. The company also surveys teens who come into its stores about their favorite bands, clothing preferences, and ideas.*<sup>14</sup>

As Hot Topic proves, meaningful market research for a small business can be informal; it does not have to be highly sophisticated or expensive to be valuable.

Many entrepreneurs are discovering the power, the speed, the convenience, and the low cost of conducting market research over the World Wide Web. Online surveys, customer opinion polls, and other research projects are easy to conduct, cost virtually nothing, and help companies connect with their customers. With Web-based surveys, businesses can get real-time feedback from customers, often using surveys they have designed themselves.

Faith Popcorn, a marketing consultant, encourages small business owners to be their own "trend-tracking sleuths." Merely by observing their customers' attitudes and actions, small business owners can shift their product lines and services to meet changing tastes in the market. To spot significant trends, Popcorn suggests the following:<sup>15</sup>

- Read as many current publications as possible, especially ones you normally would not read.
- Watch the top 10 TV shows because they are indicators of consumers' attitudes and values and what they're going to be buying.
- See the top 10 movies. They also influence consumer behavior, from language to fashions. In the 1930s, Hollywood star Clark Gable took off his shirt in *It Happened One Night* and revealed a bare chest; undershirt sales soon took a dive. After Will Smith and Tommy Lee Jones donned Ray-Ban sunglasses in *Men in Black*, sales of the sunglasses tripled!<sup>16</sup>

- Talk to at least 150 customers a year about what they're buying and why. Make a conscious effort to spend time with some of your target customers, preferably in an informal setting, to find out what they are thinking.
- Talk with the 10 smartest people you know. They can offer valuable insights and fresh perspectives that you may not have considered.
- Listen to your children. ("They can be tremendous guides for you," says Popcorn.)

Next, entrepreneurs should make a list of the major trends spotted and should briefly describe how well their products or services match these trends. Companies whose products or services are diverging from major social, demographic, and economic trends rather than converging with them, must change their course or run the risk of failing because their markets can evaporate before their eyes. How can entrepreneurs find the right match among trends, their products or services, and the appropriate target markets? Market research!

## How to Conduct Market Research

The goal of market research is to reduce the risks associated with making business decisions. It can replace misinformation and assumptions with facts. Opinion and hearsay are not viable foundations on which to build a solid marketing strategy. Successful market research consists of four steps: define the objective, collect the data, analyze and interpret the data, and draw conclusions and act.

**STEP 1: DEFINE THE OBJECTIVE.** The first and most crucial step in market research is defining the research objective clearly and concisely. A common error at this stage is to confuse a symptom with the true problem. For example, dwindling sales is not a problem; it is a symptom. To get to the heart of the matter, entrepreneurs must list all the possible factors that could have caused it. Do we face new competition? Are our sales representatives impolite or unknowledgeable? Have customer tastes changed? Is our product line too narrow? Do customers have trouble finding what they want? Is our Web site giving customers what they want? Is it easy to navigate? One entrepreneur wanting to discover the possible causes of his company's poorly performing Web site videotaped customers as they used it and then interviewed them. After studying the videos and listening to their comments, he redesigned the site to make it easier for users to maneuver through its pages, and he refocused its content.

In some cases, business owners may be interested in researching a specific type of question. What are the characteristics of my customers? What are their income levels? What radio stations do they listen to? Why do they shop here? What factors are most important in their buying decisions?

**STEP 2: COLLECT THE DATA.** The marketing approach that dominates today is **individualized (one-to-one) marketing**, gathering data on individual customers and then developing a marketing program designed specifically to appeal to their needs, tastes, and preferences. In a society where people feel so isolated and interactions are so impersonal, one-to-one marketing gives a business a competitive edge. Companies following this approach know their customers, understand how to give them the value they want, and perhaps most important, know how to make them feel special and important. The goal is to treat each customer as an individual.

Individualized marketing requires business owners to gather and assimilate detailed information about their customers, however. Fortunately, owners of even the smallest companies now have access to affordable technology that creates and manages computerized databases, allowing them to develop close, one-to-one relationships with their customers. Much like gold nuggets waiting to be discovered, significant amounts of valuable information about customers and their buying habits is hidden *inside* many small businesses, tucked away in computerized databases. For most business owners, collecting useful information about their customers and potential new products and markets is simply a matter of sorting and organizing data that are already floating around somewhere in their companies. One marketing research expert explains the situation this way:<sup>17</sup>

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**individualized (one-to-one marketing)**—a system based on gathering data on individual customers and developing a marketing program designed to appeal specifically to their needs, tastes, and preferences.

You know a lot about your customers. You know who they are, where they live, what their buying habits are. And if you're like most companies, you've done absolutely nothing with that pile of market intelligence. It just sits there, earning you no money and creating zero shareholder value.



The key is to mine the data that most companies have at their disposal and turn it into useful information that allows the company to "court" its customers with special products, services, ads, and offers that appeal most to them.

**A Company Example**

For example, at Silverman's, a men's clothing chain in the Dakotas, owner Stephen Silverman and a salesperson recently were reviewing a customer's purchasing history on a computer that doubles as a cash register. The flowchart revealed that he has spent more than \$2,000 to date and had shopped four times in the previous six months. Looking at the average time between his visits, they noted that he should be coming in soon. Examining the profile more closely, they saw that this customer prefers double-breasted suits, likes Perry Ellis and Christian Dior suits in gray or blue and has one shoulder slightly lower than the other. He also was among the customers who received a direct-mail ad featuring the upcoming season's new suits. Then, as if on cue, the customer walked in the door! The salesperson greeted him enthusiastically, personally and knowledgeably. Within 15 minutes, he completed the sale, and the customer raved about how much he enjoys shopping at Silverman's because they know just what he likes and make it so easy to buy! Silverman's chalks up another sale to a satisfied, loyal customer thanks to its segment of one-to-one marketing strategy.<sup>18</sup>

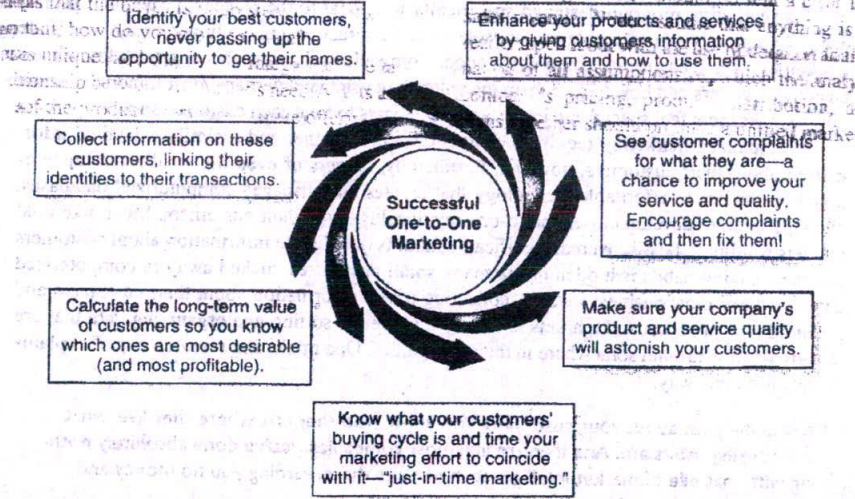
Figure 6.1 shows how to develop a successful one-to-one marketing strategy. How can entrepreneurs collect such valuable market and customer information? Two basic methods are available: conducting primary research, data you collect and analyze yourself, and gathering secondary research, data that have already been compiled and are available, often from a very reasonable cost (even free).

**A Company Example**

To help its distributors sell its software, that allows businesses to enhance the features of their existing telephone systems more easily, Sylantrio Systems conducted extensive market research on how customers would use the company's software, how much they would be willing to pay for it, and which features were most important to them. Managers searched for secondary research that would help them answer the questions they had posed but found nothing of great value. Turning to primary research, Sylantrio set up focus groups, bringing in people from a variety of business situations, and discovered some surprising results. As participants talked, they revealed that many of the components of Sylantrio's existing marketing strategy were not important to them and that other parts the company had not emphasized really mattered. Using the focus groups' responses, Sylantrio revamped its marketing strategy, which then produced much better results.<sup>19</sup>

**FIGURE 6.1** How to Become an Effective One-to-One Marketer

Source: Adapted from Susan Greco, "The Road to One-to-One Marketing," Inc., October 1995, pp. 56-66.



Primary research techniques include:

- **Customer surveys and questionnaires.** Keep them short. Word your questions carefully so that you do not bias the results and use a simple ranking system (e.g., a 1-to-5 scale, with 1 representing “unacceptable” and 5 representing “excellent”). Test your survey for problems on a small number of people before putting it to use. Web surveys are inexpensive, easy to conduct, and provide feedback fast. Femail Creations, a mail-order company that sells clothing, accessories, and gifts to women, uses Web surveys to gather basic demographic data about its customers and to solicit new product ideas as well. Customer responses have led to profitable new product lines for the small company.<sup>20</sup>
- **Focus groups.** Enlist a small number of customers to give you feedback on specific issues in your business—quality, convenience, hours of operation, service, and so on. Listen carefully for new marketing opportunities as customers or potential customers tell you what is on their minds. Once again, consider using the Web; one small bicycle company conducts 10 online focus groups each year at virtually no cost and gains valuable marketing information from them.
- **Daily transactions.** Sift as much data as possible from existing company records and daily transactions—customer warranty cards, personal checks, frequent-buyer clubs, credit applications, and others.
- **Other ideas.** Set up a suggestion system (for customers and employees) and use it. Establish a customer advisory panel to determine how well your company is meeting various needs. Talk with suppliers about trends they have spotted in the industry. Contact customers who have not bought anything in a long time and find out why. Contact people who are not customers and find out why. Teach employees to be good listeners and then ask them what they hear.

Secondary research, which is usually less expensive to collect than primary data, includes the following sources:

- **Business directories.** To locate a trade association, use *Business Information Sources* (University of California Press) or the *Encyclopedia of Associations* (Gale Research). To find suppliers, use *The Thomas Register of American Manufacturers* (Thomas Publishing Company) or *Standard and Poor's Register of Corporations, Executives, and Industries* (Standard and Poor Corporation). *The American Wholesalers and Distributors Directory* includes details on more than 18,000 wholesalers and distributors.
- **Direct-mail lists.** You can buy mailing lists for practically any type of business. *The Standard Rates and Data Service (SRDS) Directory of Mailing Lists* (Standard Rates and Data) is a good place to start looking.
- **Demographic data.** To learn more about the demographic characteristics of customers in general, use *The Statistical Abstract of the United States* (Government Printing Office). Profiles of more specific regions are available in *The State and Metropolitan Data Book* (Government Printing Office). *The Sourcebook of Zip Code Demographics* (CACI, Inc.) provides detailed breakdowns of the population in every zip code in the country. *Sales and Marketing Management's Survey of Buying Power* (Bill Communications) has statistics on consumer, retail, and industrial buying.
- **Census data.** The Bureau of the Census publishes a wide variety of reports that summarize the wealth of data found in its census database, which is available at most libraries and at the Census Bureau's Web site ([www.census.gov](http://www.census.gov)).
- **Forecasts.** The *U.S. Global Outlook* traces the growth of 200 industries and gives a five-year forecast for each one. Many government agencies, including the Department of Commerce, offer forecasts on everything from interest rates to the number of housing starts. Again, a government librarian can help you find what you need.
- **Market research.** Someone may already have compiled the market research you need. *The FINDex Worldwide Directory of Market Research Reports, Studies, and Surveys* (Cambridge Information Group) lists more than 10,600 studies available for purchase. Other directories of business research include *Simmons Study of Media and Markets* (Simmons Market Research Bureau Inc.) and the *A.C. Nielsen Retail Index* (A.C. Nielsen Company).
- **Articles.** Magazine and journal articles pertinent to your business are a great source of information. Use the *Reader's Guide to Periodical Literature*, the *Business Periodicals Index* (similar to the *Reader's Guide* but focuses on business periodicals), and *Ulrich's Guide to International Periodicals* to locate the ones you need.
- **Local data.** Your state Department of Commerce and your local chamber of commerce will very likely have useful data on the local market of interest to you. Call to find out what is available.
- **World Wide Web.** Most entrepreneurs are astounded at the marketing information that is available on the World Wide Web (WWW). Using one of the search engines, you can gain access to a world of information—literally!

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**data mining**—a process in which computer software that uses statistical analysis, database technology, and artificial intelligence finds hidden patterns, trends, and connections in data so that business owners can make better marketing decisions and predictions about customers' behavior.

Thanks to advances in computer hardware and software, data mining, once available only to large companies with vast computer power, is now possible for even very small businesses. **Data mining** is a process in which computer software that uses statistical analysis, database technology, and artificial intelligence finds hidden patterns, trends, and connections in data so that business owners can make better marketing decisions and predictions about customers' behavior. By finding relationships among the many components of a data set, identifying clusters of customers with similar buying habits, and predicting customers' buying patterns, data mining gives entrepreneurs incredible marketing power. Popular data mining software packages include Clementine, DataScope Pro, MineSet, Nuggets, and many others.

For an effective individualized marketing campaign to be successful, business owners must collect three types of information:

1. *Geographic.* Where are my customers located? Do they tend to be concentrated in one geographic region?
2. *Demographic.* What are the characteristics of my customers (age, education levels, income, gender, marital status, and many other features)?
3. *Psychographic.* What drives my customers' buying behavior? Are they receptive to new products or are they among the last to accept them? What values are most important to them?

**STEP 3: ANALYZE AND INTERPRET THE DATA.** The results of market research alone do not provide a solution to the problem; business owners must attach some meaning to them. What do the facts mean? Is there a common thread running through the responses? Do the results suggest any changes needed in the way the business operates? Are there new opportunities the owner can take advantage of? There are no hard-and-fast rules for interpreting market research results; entrepreneurs must use judgment and common sense to determine what the results of their research mean.

**STEP 4: DRAW CONCLUSIONS AND ACT.** The market research process is not complete until the business owner acts on the information collected. In many cases, the conclusion is obvious once a small business owner interprets the results of the market research. Based on her understanding of what the facts really mean, the owner must then decide how to use the information in the business. For example, the owner of a retail shop discovered from a survey that her customers preferred evening shopping hours over early morning hours. She made the schedule adjustment, and sales began to climb.

4. Describe how a small business can build a competitive edge in the marketplace using guerrilla marketing strategies.

## **PLOTTING A GUERRILLA MARKETING STRATEGY: HOW TO BUILD A COMPETITIVE EDGE**

A competitive edge is crucial for business success. A small company has a competitive edge when customers perceive that its products or services are superior to those of its competitors. A business owner can create this perception in a variety of ways. Small companies sometimes try to create a competitive edge by offering the lowest prices. This approach may work for many products and services—especially those that customers see as being commodities—but price can be a dangerous criterion on which to build a competitive edge. Independent hardware stores have discovered that large chains can use their buying power to get volume discounts and undercut the independents' prices. Individual store owners are finding new ways, such as personal service and advice, individual attention, charge accounts, and convenience, to differentiate themselves and to retain customer loyalty. "Instead of being forced out of business by the 'category killers,'" says a retail expert, "small retailers are thriving by providing the services and products that larger stores are not able to."<sup>21</sup>

Successful entrepreneurs often use the special advantages that flow from their companies' small size to build a competitive edge over their larger rivals. Their close contact with the customer, personal attention, focus on service, and organizational and managerial flexibility provide a solid foundation from which to build a towering competitive edge in the market. Small companies can exploit their size to become more effective than their larger rivals at **relationship marketing** or **customer relationship management (CRM)**—developing, maintaining, and managing long-term relationships with customers so that they will want to keep

.....  
**relationship marketing (or customer relationship management)**—the process of developing, maintaining, and managing long-term relationships with customers so they will keep coming back to make repeat purchases.

# YOU Be the Consultant . . .

## Data Mining: A Sure Bet for Harrah's

More than 25 million customers of Harrah's Entertainment, the parent company of 26 gambling casinos in 13 states, use personalized frequent gambler cards (just like the ones shoppers use in grocery stores) called Total Rewards to earn free trips, meals, hotel rooms, and other perks from Harrah's. As good a deal as that is for the company's loyal customers, it's an even better deal for Harrah's. Harrah's uses the data it collects to refine its customer base, which is now divided into 90 distinct demographic and psychographic segments, and to customize its marketing efforts to individual customers' preferences. When customers swipe their cards, the company knows which games they played, how many machines they played, how many wagers they made, the amount of their average wager, the total amount wagered, as well as the history of their gambling behavior at every Harrah's casino across the country. Harrah's collects all these data about its customers' gambling tendencies in its information technology center in Memphis, Tennessee, and then uses data mining software to extract meaningful information about how best to market to them.

Unlike most of its casino competitors, Harrah's does not target the "high roller," wealthy patrons who are capable of gambling hundreds of thousands of dollars at a time. Known to insiders as "whales," these big-stakes gamblers wager (and often lose) huge sums of money, but casinos must court them with expensive, palatial suites, free shopping trips, free chartered flights, and other pricey "comps." Competition for this small, jet-set group is intense. Instead, Harrah's targets its best and most profitable customers, "avid experienced players," who are low rollers with modest incomes and who spend between \$100 and \$499 per trip. Harrah's still offers "comps"—free trips, dinners, tickets to a show, or hotel rooms—to its best customers, but they are much less expensive than those the high rollers expect. As a result, Harrah's casinos emphasize the games that will attract its target customers, slot machines and video poker machines, rather than baccarat that the billionaire players prefer. Analysis shows that 30 percent of Harrah's avid experienced players account for 80 percent of its revenues and nearly 100 percent of its profits. Why? Most of them are locals who visit Harrah's casinos regularly. Harrah's, of course, knows this, and markets to them accordingly.

Harrah's CEO, Gary Loveman, was once a Harvard University professor who had done consulting work with

Harrah's after it had invested in a \$17 million computer system to harvest data from its customers across all of its casinos, which at the time was a revolutionary idea in the industry. The company hired Loveman in 1998 to orchestrate a plan for analyzing and using the data it collected as a potent marketing force. Loveman says that the entire data mining system is all about getting to know Harrah's customers so well through data profiling that the company can offer them the perfect reason to wager at Harrah's rather than at a competing casino. "All we used to know was how much money we made on each machine, but we couldn't connect what kind of customer used them," he says. "This is the replacement of intuition and hunch with science." The model uses neural networks and other sophisticated techniques of analysis to compare how much customers are capable of spending on gaming, how much they are actually spending, and how best to close that gap.

The payoff has been exceptional. Harrah's sales, profits, market share, and customer response rate to promotions have climbed dramatically. When Loveman started work, Harrah's was getting 36 cents of the total gaming dollars its customers spent. "We realized that if we could just get to 40 cents, that would be monstrous," he says. As a result of its more targeted marketing efforts, Harrah's "wallet share" currently stands at 42 cents! For the past three years, Harrah's return on investment has been the highest in the industry. The casino, once considered an "also-ran" in the industry, is now the second largest casino operator in the United States. One analyst praises the company, saying, "Especially in Las Vegas, where their property is not the top draw, they clearly are outperforming other [casinos]."

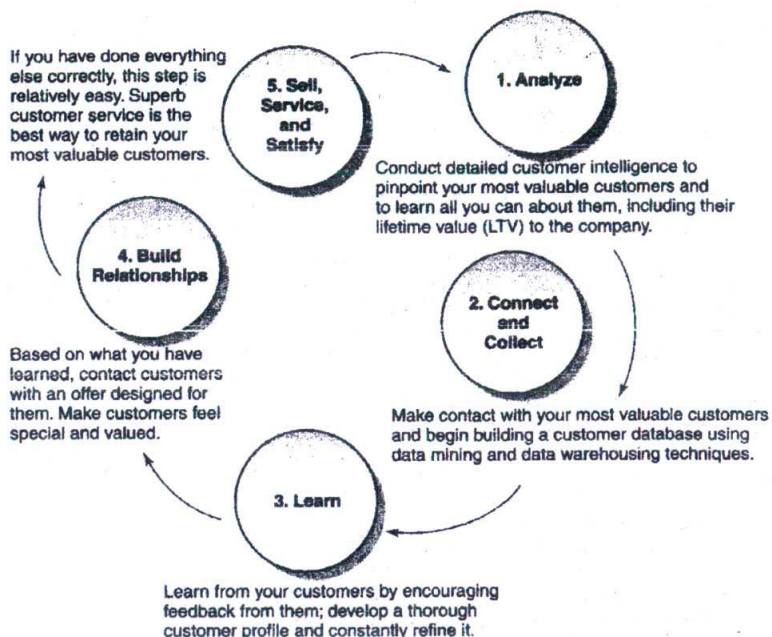
Loveman enjoys his work, but his professorial side still shines through. "I love the business," he says. "I like the fact that customers enjoy what we sell. I like the mathematics—and the fact that at its base, gambling is a statistical activity."

1. Work with a group of your classmates in a brainstorming session to identify other industries that could benefit from a data collection and mining system like the one Harrah's uses so effectively. In what ways could these businesses use data to become more effective marketers?
2. Discuss the ethical issues that Harrah's faces as a result of its data collection and data mining efforts.
3. What benefits does Harrah's gain from these efforts? What benefits do Harrah's customers gain?

Sources: Carol Pogash, "From Harvard Yard to Vegas Strip," *Forbes* ASAP, October 7, 2001, pp. 48–52; Joe Ashbrook Dickell, "Welcome to Harrah's," *Business 2.0*, pp. 49–54; "About Us," Harrah's Entertainment, [www.harrahs.com/about\\_us/index.html](http://www.harrahs.com/about_us/index.html).

coming back to make repeat purchases (see Figure 6.2). This concept recognizes that customers have a lifetime value to a business and that keeping the best customers over time may be a company's greatest sustainable advantage. CRM puts the customer at the center of a company's thinking, planning, and action and shifts the focus away from a product or service to customers and their needs and wants. CRM requires business owners to take the following steps:

**FIGURE 6.2**  
The Relationship Marketing  
Process



- Collect meaningful information about existing customers and compile it in a database.
- Mine the database to identify the company's best and most profitable customers, their needs, and their buying habits. In most companies, a small percentage of customers accounts for the majority of sales and profits. These are the customers on whom a business should focus its attention and efforts.
- Use the mined information to develop lasting relationships with these "best" customers, the ones that offer the most attractive lifetime values to the company, and to serve them better. This often requires entrepreneurs to "fire" some customers that require more attention, time, and expense than they generate in revenue for the business. Failure to do so, reduces a company's return on its CRM effort.
- Attract more customers who fit the profile of the company's best customers.

Business owners are discovering that even though they may be providing their customers with satisfactory service and value, many of their customers do not remain loyal, choosing instead to buy from other companies. Businesses that provide poor customer service are in grave danger. Hepworth, a consulting firm that specializes in customer retention, measures its clients' **revenue at risk**, which calculates the sales revenue a company would lose by measuring the percentage of customers that would leave because of poor service. According to Hepworth's research, for companies that score in the top 25 percent on customer loyalty, revenue at risk averages just 3 percent. However, for companies that rate loyalty scores in the bottom 25 percent, poor customer service puts at risk an average of more than 12 percent of company revenue.<sup>22</sup> Today, earning customers' loyalty requires businesses to take customer focus and service to unprecedented levels, and that requires building long-term relationships with customers. To make customer relationship management work, a small business must achieve the highest of the four levels of customer involvement illustrated in Figure 6.3.

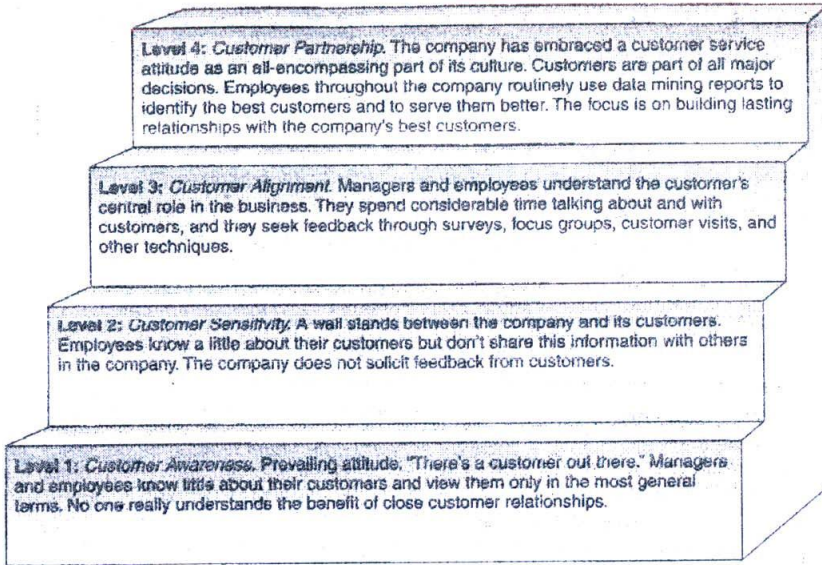
Table 6.1 describes the differences between relationship marketing and its polar opposite, transaction selling.

### Guerrilla Marketing Principles

To be successful guerrilla marketers, entrepreneurs must be as innovative in creating their marketing strategies as they are in developing new product and service ideas. Table 6.2 describes several low-cost, highly effective guerrilla marketing tactics small businesses have used to outperform their larger rivals.

*revenue at risk—a measure that calculates the sales revenue a company would lose by measuring the percentage of customers that would leave because of poor service.*

FIGURE 6.3 Four Levels of Customer Sensitivity



From a broader perspective, the following principles can help business owners create powerful, effective guerrilla marketing strategies.

**FIND A NICHE AND FILL IT.** As we saw in Chapter 3, Strategic Management and the Entrepreneur, many successful small companies choose their niches carefully and defend them fiercely rather than compete head-to-head with larger rivals. A niche strategy allows a small company to maximize the advantages of its size and to compete effectively even in industries

TABLE 6.1

The Differences Between Relationship Marketing and Transaction Selling

Sources: Adapted from Timothy M. Baye, "Relationship Marketing: A Six-Step Guide for the Business Start-Up," *Small Business Forum*, Spring 1995, pp. 26-41.

| Feature                    | Relationship Marketing   | Transaction Selling   |
|----------------------------|--|---|
| Duration                   | Ongoing  | Distinct beginning and end; one-transaction attitude                                      |
| Key Concepts               | Collaboration and cooperation  | Negotiation   |
| Driven by                  | Commitment and trust   | Making profitable short-term transactions   |
| Style                      | Mutual dependence  | Independence  |
| Business Plan Implications | Build a network of relationships with dependable suppliers and customers that will lead to long-term profitability | Maximize short-term profits; make the bottom line look good, whatever the long-term costs |
| Primary Advantage          | Intimate knowledge of customers' needs, wants, and preferences developed over time                                 | Cash in hand  |
| Primary Disadvantage       | Dependence on other partners in the web of relationships   | Losing the sale if a competitor makes the customer a better offer                         |
| Foundation                 | Knowledge based  | Bottom line oriented  |
| Outlook                    | Increasing in popularity   | On the decline  |

**TABLE 6.2**

**Guerrilla Marketing Tactics**

Sources: Adapted from Jay Conrad Levinson, "Attention Getters," *Entrepreneur*, March 1998, p. 88; Lynn Beresford, Janean Chun, Cynthia E. Griffin, Heather Page, and Debra Phillips, "Marketing 101," *Entrepreneur*, May 1996, pp. 104-114; Guen Sublette, "Marketing 101," *Entrepreneur*, May 1995, pp. 86-98; Denise Osburn, "Bringing Them Back for More," *Nation's Business*, August 1995, p. 318; Jay Conrad Levinson, "Survival Tactics," *Entrepreneur*, March 1996, p. 84; Tom Stein, "Outselling the Giants," *Success*, May 1996, pp. 38-41.

- Help organize and sponsor a service- or community-oriented project.
- Sponsor offbeat, memorable events. Build a giant banana split or rent a theater for a morning and invite kids for a free viewing.
- Always be on the lookout for new niches to enter. Try to develop multiple niches.
- Offer to speak about your business, industry, product, or service to local organizations.
- Ask present customers for referrals.
- Sell at every opportunity. One brewery includes a mini-catalog advertising T-shirts and mugs in every six-pack it sells. Orders for catalog items are climbing fast.
- Develop a sales "script" that asks customers a series of questions to hone in on what they are looking for and that will lead them to the conclusion that your product or service is it!!
- Offer customers gift certificates. They really boost your cash flow.
- Create samples of your product and give them to customers. You'll increase sales later.
- Offer a 100 percent, money-back, no-hassles guarantee. By removing the customer's risk of buying, you increase your product's attractiveness.
- Create a "frequent buyer" program. Remember how valuable existing customers are. Work hard to keep the customers you have! One coffee shop kept its customers coming back with a punch-card promotion that gave a free pound of coffee after a customer purchased 9 pounds.
- Clip articles that feature your business and send reprints to customers and potential customers. Keep reminding them of who you are and why you're valuable to them.
- Test how well your ads "pull" with coded coupons that customers bring in. Focus your ad expenditures on those media that produce the best results for you.
- Create "tip sheets" to pass out to customers and potential customers (e.g., landscape tips on lawn maintenance).
- Find ways to make your product or service irresistible to your customers. One furniture company mails a Polaroid photo of big-ticket items customers are considering, and sales closing rates have climbed 25 percent.
- Create an award for your community (e.g., a landscape company presented a "best yard" award each season).
- Conduct a contest in the community (e.g., a photographer sponsored a juried photo contest for different age groups).
- Collect testimonials from satisfied customers and use them in ads, brochures, and so on. Testimonials are one of the most effective forms of advertising!
- Get a former journalist to help you write a story "pitch" for local media.
- Show an interest in your customers' needs. If you spot a seminar that would be of interest to them, tell them! Become a valuable resource for them.
- Find unique ways to thank customers (especially first-time buyers) for their business—a note, a lunch, a gift basket, and so on.
- Give loyal customers a "freebie" occasionally. You might be surprised at how long they will remember it.
- Create a newsletter that features your customers or clients and their businesses (e.g., a photo of a client using your product in his business).
- Cooperate with other businesses selling complementary products and services in marketing efforts and campaigns, a process called fusion marketing. Share mailing lists and advertising time or space, or work together on a special promotion.
- Use major competitors' coupons against them. The owner of an independent sandwich shop routinely pulled business from a nearby national chain by advertising that he would accept its coupons.
- Market your company's uniqueness. Many customers enjoy buying from small companies that are different and unique. The owners of the only tea plantation in the United States used that fact to their advantage in establishing a customer base.

dominated by giants. Focusing on niches that are too small to be attractive to large companies is a common recipe for success among thriving small companies. "Finding such unserved niches is an excellent way to begin 'whupping' the big guys, if not in their own back yard, at least on the same street," says one marketing expert.<sup>23</sup>

# Pepper . . . and Salt

FROM THE WALL STREET JOURNAL  
PERMISSION CARTOON FEATURE  
SYNDICATE

THE WALL STREET JOURNAL

LITZLER



**“Exhaustive research efforts have narrowed your niche market down to Henry Finkleton of Newburg Heights here.”**

A fourth-generation family business founded in 1920, *G. Lieberman and Sons* was for many years a wholesale distributor of hosiery, underwear, and nightwear. A few years ago, however, owners Steven Katz and Constance Barsky saw sales of pantyhose slip as women increasingly rebelled against the discomfort pantyhose caused. They also noticed another unusual trend emerging: men buying pantyhose—not for their wives or girlfriends, but for themselves! Typically, these were not cross-dressers but men who stood all day and needed the support for better blood circulation in their legs, men who worked outside in extremely cold weather looking for warmth, and even athletes whose sports kept them outside in inclement conditions. (“Great catch, Joe, and by the way, what shade are your pantyhose?”) “There’s a whole underground culture of normal, mainstream guys who wear hose,” says Katz. Katz and Barsky saw an opportunity to capture a significant share of this niche and developed *Activskin Performance Wear*, pantyhose with male-friendly features such as a fly in the front that they sell exclusively on the company’s Web site.<sup>24</sup>

## A Company Example

Niche markets such as this one are ideally suited for small businesses. “If a small business follows the principles of targeting, segmenting, and differentiating, it doesn’t have to collapse to larger companies,” says marketing expert Phil Kotler.<sup>25</sup>

**DON’T JUST SELL—ENTERTAIN.** Numerous surveys have shown that consumers are bored with shopping and that they are less inclined to spend their scarce leisure time shopping than ever before. Winning customers today requires more than low prices and wide merchandise selection; increasingly, businesses are adopting strategies based on **entertailing**, the notion of drawing customers into a store by creating a kaleidoscope of sights, sounds, smells, and activities, all designed to entertain—and, of course, sell (think Disney). The primary goal of entertailing is to catch customers’ attention and engage them in some kind of entertaining experience so that they shop longer and buy more goods or services. Entertailing involves “making [shopping] more fun, more educational, more interactive,” says one retail consultant.<sup>26</sup>

Research supports the benefits of entertailing’s hands-on, interactive, educational, approach to selling; one study found that, when making a purchase, 34 percent of consumers are driven more by emotional factors such as fun and excitement than by logical factors such as price and convenience.<sup>27</sup> Entertailing’s goal, of course, is not only to entertain but also to boost sales.

**entertailing**—a marketing concept designed to draw customers into a store by creating a kaleidoscope of sights, sounds, smells, and activities, all designed to entertain—and, of course, sell.



### A Company Example

Few retailers practice entertaining as well as *Cabela's*, an innovative company that sells a wide selection of outdoor gear, mostly to hunters and fishermen. The company generates impressive sales through its catalog operations, its Web site, and its eight stores, all of which are located in small towns in rural America. (Sydney, Nebraska, is host to one store and company headquarters.) What is even more amazing is that *Cabela's* has achieved its position as one of the hottest retailers in the industry by targeting unusual customers: men who typically hate to shop! Men (and often their families) routinely drive hundreds of miles to visit a *Cabela's* store, where they spend hours shopping for everything from guns and decoys to fishing rods and tents. The stores' immense drawing power is due in part to the breadth and depth of the company's product lines. (*Cabela's* product lines run six to ten times deeper than a typical discounter selling outdoor equipment.) Yet, brothers Jim and Dick *Cabela* know that entertaining customers encourages them to shop longer and spend more. They spend lavishly on each store they build, including glass ceilings that let in natural light and aquariums containing 8,000 gallons of freshwater and game fish in natural settings. A major component of their entertaining strategy is the 45 percent of the floor space taken up by nature scenes situated throughout the stores. One features a waterfall spilling into a stream stocked with trout. Others show off museum-quality taxidermy work. Shoppers stop to marvel at a mountain populated by a grizzly bear, caribou, and big-horn sheep or a display of an African savannah with two lions attacking a zebra. Each store contains about 400 displays, some of which cost more than \$10,000. *Cabela's* may be the only company in the world to have an executive whose title is taxidermy purchasing specialist! Obviously a hit with its prime target audience—men who enjoy the outdoors—*Cabela's* also is popular with their wives and children because of the expanded line of gifts and clothing it offers.<sup>28</sup>

**STRIVE TO BE UNIQUE.** One of the most effective guerrilla marketing tactics is to create an image of uniqueness for your business. Entrepreneurs can achieve a unique place in the market in a variety of ways, including through the products and services they offer, the marketing and promotional campaigns they use, the store layouts they design, and the business strategies they employ. A few years ago, Fritz Kropf saw sales at his Kansas City restaurant dwindling and realized that his was "just another burger joint." To distinguish his business from its many competitors, Fritz came up with a unique (and patented) invention his customers love. Guests place their orders using telephones located on their tables. A few minutes later, a whistle blows, and a small train travels across a suspended track and drops a box of hamburgers and fries onto a platform, which is then lowered to the table.<sup>29</sup> Like Fritz's Restaurant, the goal is to stand out from the crowd; few things are as uninspiring to customers as a "me-too" business that offers nothing unique.

### A Company Example

One company that holds a unique place in the travel market is *Space Adventures*, primarily because of the services it sells. The company's goal is to sell space travel to civilians. Through its *Steps to Space* programs, the company already has sold about 350 tickets at \$95,000 each for suborbital space flights scheduled to begin in the near future. Until the technology needed to get people into space on a routine basis emerges, the start-up company will generate sales by selling space-related adventure tours such as high-altitude flights at supersonic speed in Russian MiG fighter jets, zero-gravity flights in specially designed jets, video birthday cards from astronauts aboard orbiting space stations, and more mundane Earth-bound trips to view solar eclipses and space observatories.<sup>30</sup>

**CREATE AN IDENTITY FOR YOUR BUSINESS.** Some of the most powerful marketers are those companies that have a clear sense of who they are, what they stand for, and why they exist. Defining their vision for their companies in a meaningful way is one of the most challenging tasks facing entrepreneurs. As we learned in Chapter 3, that vision stems from the beliefs and values of the entrepreneur and is reflected in a company's culture, ethics, and business strategy. Although it is intangible, this vision is a crucial ingredient in a successful guerrilla marketing campaign. Once this vision is firmly planted, guerrilla marketers can use it to market their companies and their products and services. Entrepreneurs often have unique and interesting stories about how they started their companies, and their stories, when told in the right way, can be an important part of an effective emotional marketing strategy.

### A Company Example

Ivan Juzang, founder of *MEE Productions*, a communications research and media company located in Philadelphia, discovered early on the marketing power his entrepreneurial story had with customers and investors. For an M.B.A. class he was taking at Wharton, Juzang wrote a business plan for a company that would make videos that would blend hip-hop music with inspirational self-help messages aimed at young people. During the business plan competition, the



Customers of Space Adventures experience weightlessness on a zero gravity flight, one of the many space-related journeys the company offers. Courtesy of Space Adventures Ltd.

judges (who were venture capitalists) focused on the idea's shortcomings. "Where's the research?" they asked. After graduating, Juzang took what he learned from the venture capitalists and revised his business plan, emphasizing how his company would collect research from urban youth to ensure that the videos would have credibility with their target audience. At that point, Juzang says, he realized that there was a market opportunity "for figuring out what inner-city kids like and want, and why." Using his company's story, Juzang was able to attract \$150,000 in start-up capital and a list of big-name customers, including New Line Cinemas and the National Institute of Health. Today, MEE Productions is recognized as the leading provider of information on urban culture and society to corporations, foundations, and government agencies.<sup>31</sup>

**CONNECT WITH CUSTOMERS ON AN EMOTIONAL LEVEL.** Closely linked to creating for a business an identity that resonates with customers is the strategy of creating an emotional attachment with customers. Companies that establish a deeper relationship with their customers than one based merely on making a sale have the capacity to be exceptional guerrilla marketers. These businesses win because customers receive an emotional boost every time they buy these companies' products or services. They connect with their customers emotionally by supporting causes that are important to their customer base, taking exceptional care of their customers, surpassing customers' expectations in quality and service, or making it fun and enjoyable to do business with them. Building and nurturing an ongoing relationship with customers establishes a relationship of trust, an important component of every marketing effort. One recent study found that 82 percent of customers stop using products from companies they believe have betrayed their trust.<sup>32</sup>

*Starbucks, the powerhouse of coffeehouses, has become a symbol of small business success because of its ability to connect with its customers on several levels. Howard Schultz modeled the company after the coffee bars in Italy that are so central to people's lives. He built the company with the idea that it would become the "third place" in their daily existence—a comfortable and welcoming refuge from work or home where people could linger and enjoy a sense of community. Starbucks has built a hugely popular brand in little more than 20 years with very little advertising; instead, Schultz has emphasized establishing an emotional connection with the company's loyal customers by selling "the coffeehouse experience." In addition to the almost endless variations of offerings of high-quality gourmet coffees, Starbucks relies on its coffee brewers or baristas to connect with customers. Before helping any customers, baristas receive 24 hours of training in customer service, basic retail skills, and coffee brewing. Starbucks managers also encourage customer feedback and suggestions and then incorporate those ideas into the company. Several product innovations have come from customer comments. Customers also respond to the company's basic values, including superior quality, innovative products, employee-friendly culture, and stance on ethics and social responsibility.<sup>33</sup>*

#### A Company Example

Customers feel good about doing business with a company that donates a portion of its pre-tax earnings to a variety of philanthropic and environmental causes and has a corporate social responsibility department. Much of Starbucks' success is the result of an impressive guerrilla marketing strategy that took root in the company's humble beginnings in 1971.

## YOU Be the Consultant . . .

### "What Would Tommy Wear?"

You probably have seen him: the handsome, silver-haired hunk dressed in stylish, casual silk and linen clothing that reminds one of a vacation on a lush, tropical beach. His is a laid-back state of mind. He looks successful. He looks wealthy. He's Tommy Bahama. Or is he?

Actually, there is no Tommy Bahama. He's a fictional character who was created by three entrepreneurs in a most unusual manner. His impact is real, however. ViewPoint International Inc., the company that markets the Tommy Bahama brand, began operations in 1992 and now generates more than \$300 million a year in sales from clothing, accessories, home furnishings, and more! The three entrepreneurs behind this amazingly successful brand are Bob Emfield, Lucio Dalla Gasperina, and Tony Margolis, who together have nearly a century of experience in the apparel industry. As they built the Tommy Bahama brand, they made plenty of mistakes but learned from them and overcame their errors to succeed. "We spent the first two years going out of business," jokes Dalla Gasperina.

The concept for the Tommy Bahama brand came about back in the 1980s, when Emfield and Margolis and their wives bought neighboring beach houses on Florida's Gulf Coast. They often commented that they never wanted to leave the beach, and they created a character named Tommy Bahama, whose lifestyle was one long weekend, and told stories about him. They had no intention of transforming their stories into a brand until they asked the question, "What would Tommy wear?" Emfield recalls, "That became the springboard for the sportswear company."

In 1991, Emfield and Margolis approached Dalla Gasperina, a clothing design expert, about launching a business based on their idea. They pitched in some of their own money and convinced a Hong Kong apparel maker to chip in and launched ViewPoint International. They based their product line on clothing that "Tommy would like"—silk shirts with an island theme, comfortable shorts, tailored pants—every item elegant, high quality, and durable. Targeting their clothing line at men ages 35 to 65, the partners decided to use large department stores as their distribution outlets. That idea proved to be fruitless because department stores were not interested in the offerings of a small boutique brand such as Tommy Bahama that almost no one had ever heard of.

In desperation, the entrepreneurs and a few employees began traveling across the United States, calling on the

owners of small, independent men's shops and trying to convince them to stock the Tommy Bahama line. Encouraged by the response, they decided to switch their distribution strategy and focus on specialty stores alone. In the short run, their costs were much higher because their company had to spend more to attract lots of relatively small orders, but by now Emfield, Margolis, and Dalla Gasperina were more interested in the long-run prospects for their embryonic brand.

Shifting strategies created another big problem: The extra costs had burned through the original \$2 million in start-up capital, and ViewPoint International needed more money to build awareness of the Tommy Bahama name. In 1994, all three agreed to invest more of their own money in the business, and they decided to take on private-label work, manufacturing cotton twill khakis for large retail chains. Although the private-label jobs had nothing to do with building their brand, the work paid the bills and carried ViewPoint past the breakeven point and gave them the much needed cash they were seeking for Tommy Bahama.

With \$2 million available for investing in their nascent brand, Emfield, Margolis, and Dalla Gasperina faced another dilemma: how to spend the money. Fearing that spending money on advertising alone would take all of the money and produce little, they decided to open a Tommy Bahama retail store. Concerned that most of the specialty stores they sold to did not display their products effectively, they thought it would be the ideal mechanism for showing others how to market Tommy Bahama clothing. Remaining consistent with the brand's island theme, they chose Naples, Florida, as the location for their store. While inspecting the location, the landlord asked what the partners might do with some extra space if she made it available at a very good price. After some thought, their response was "Open a restaurant—the kind of restaurant Tommy would like." So they did. "It's the greatest advertising vehicle ever," says Margolis, "and we made money doing it."

Started in late 1995, the successful combination of a retail clothing store featuring Tommy Bahama products and a restaurant with a tropical menu became the foundation for 17 more "restaurant-retail compounds" and marked the beginning of the golden age of the Tommy Bahama brand. While diners wait for their tables, they shop—and buy. Clothing sales stay strong some nights as late as 11 P.M.! Thanks to its founders' persistence and vision, the company has grown rapidly, building a well-known national brand in less than a decade. To avoid diluting the brand they worked so hard to build, they avoid marking down prices, constantly improve quality to stay a step ahead of knockoffs, employ homegrown merchandis-

ing methods, continue to extend the product line to include related items, and, now that they can afford it, advertise the mystique of their brand.

What's next? Emfield, Margolis, and Dalla Gasperina want to focus on maintaining the success of their brand, which is not necessarily an easy task, despite its impressive track record. They also are planning to pursue international sales and envision a Tommy Bahama hotel and golf resort. And it all began with the question, "What would Tommy wear?"

1. Work with a group of your classmates in a brainstorming session to identify brands whose names have faded.

2. Use the resources of your library and the World Wide Web to research one of the brands you identified. What went wrong? What caused the brand to lose its popularity?

3. What lessons from the Tommy Bahama success story should the managers of the brand you identified have used to avoid problems?

4. What advice would you offer Emfield, Margolis, and Dalla Gasperina about keeping the Tommy Bahama brand going strong?

Sources: Mike Hofman, "A Brand Is Born," *Inc.*, December 2002, pp. 75-86; "About Us," Tommy Bahama, [www.tommybahama.com/about/index.php](http://www.tommybahama.com/about/index.php).

## Focus on the Customer

Too many businesses have lost sight of the important component of every business: the customer. Wooing disillusioned customers back will require businesses to focus on them as never before. Businesses must realize that everything in the business—even the business itself—depends on creating a satisfied customer. One entrepreneur says, "If you're not taking care of your customers and nurturing that relationship, you can bet there's someone else out there who will."<sup>34</sup>

Businesses are just beginning to discover the true costs of poor customer relations. For instance:

- Sixty-seven percent of customers who stop patronizing a particular store do so because an indifferent employee treated them poorly.<sup>35</sup>
- Ninety-six percent of dissatisfied customers never complain about rude or discourteous service, but ...
- Ninety-one percent will not buy from the business again.
- One hundred percent of those unhappy customers will tell their "horror stories" to at least nine other people.
- Thirteen percent of those unhappy customers will tell their stories to at least twenty other people.<sup>36</sup>

According to the authors of *Keeping Customers for Life*, "The nasty result of this customer indifference costs the average company from 15 to 30 percent of gross sales."<sup>37</sup> Because 70 percent of the average company's sales come from present customers, few can afford to alienate any shoppers. In fact, the typical business loses 20 percent of its customers each year. But a recent study by the consulting firm Bain & Co. shows that companies that retain just 5 percent more customers experience profit increases of at least 25 percent and, in some cases, as much as 95 percent!<sup>38</sup> Studies by the Boston Consulting Group also show that customer retention results in above-average profits and superior growth in market share.<sup>39</sup> Powell's Books, a Portland, Oregon, landmark known as the "City of Books" for its huge inventory, has built a solid base of loyal customers in its 30-plus year history, enabling the company to compete successfully against industry giants Barnes and Noble and Books-a-Million. Powell's Books has hosted several weddings for customers who met there, and one customer's ashes are interred (at his request) in one of the columns made to look like a stack of books at the northwest entrance to the store. Now *that's* customer loyalty!<sup>40</sup>

Because about 20 percent of a typical company's customers account for about 80 percent of its sales, it makes more sense to focus resources on keeping the best (and most profitable) customers than to spend them chasing "fair weather" customers who will defect to any better deal that comes along. Suppose that a company increases its customer base by 20 percent each year, but it retains only 85 percent of its existing customers. Its effective growth rate is just 5 percent per year [ $20\% - (100\% - 85\%) = 5\%$ ]. If this same company can raise its customer retention rate to 95 percent, its net growth rate *triples* to 15 percent [ $20\% - (100\% - 95\%) = 15\%$ ].<sup>41</sup>

Although growing new customers keeps a company growing, keeping existing ones is essential to success. Attracting a new customer actually costs *five times* as much as keeping an existing one. Therefore, small business owners would be better off asking, "How can we improve

customer value and service to encourage our existing customers to do more business with us?" rather than "How can we increase our market share by 10 percent?" The *real* key to marketing success lies in a company's existing customer base!

#### A Company Example

*At Chico's, the clothing store targeting women of the baby-boomer generation, customers who purchase \$500 in merchandise become members of Chico's Passport Club, which gives them a variety of perks, including a 5 percent discount on all purchases. The club already has 435,000 members, and another 2 million are working toward the \$500 goal. Chico's management is well aware of the benefits of retaining these loyal customers. "[Club members] spend 40 percent more than the usual customer and come in six times as often," says chief financial officer Charles Klemen.<sup>42</sup>*

The most successful small businesses have developed a customer focus and have instilled a customer satisfaction attitude *throughout* the company. Companies with world-class customer attitudes set themselves apart by paying attention to "little things" such as remembering a customer's unique preferences or sending a customer a copy of an article of interest to her. Taking care of the small interactions a company has with its customers adds up to a positive service experience. For example, a small flower shop offers a special service for customers who forget that special event. The shop will insert a card reading, "Please forgive us! Being short-handed this week, we were unable to deliver this gift on time. We hope the sender's thoughtfulness will not be less appreciated because of our error. Again, we apologize."<sup>43</sup> At the New Orleans Superdome, managers installed a Fanlink system so that hungry fans can use their cell phones or PDAs to place a credit card order for snacks and drinks. It takes about two minutes to place an order, which concession workers read from a computer terminal and then fill and deliver to the designated seat.<sup>44</sup> Avis, the car rental company that "tries harder," breaks down the entire car rental process into more than 100 incremental steps and analyzes each one in meticulous detail from the customer's perspective to improve its customers' experiences. The company frequently surveys customers to determine the factors that are most important to them (convenience, speed, safety, customer service, and price often top the list) and then sets out to find ways to incorporate those into every transaction. The Avis Preferred service program that makes rental car pickup a snap and shaves 10 minutes off the average pickup time is just one example of Avis's customer-focused efforts.<sup>45</sup>

How do these companies stay focused so intently on their customers? They constantly ask customers four basic questions and then act on what they hear:

1. What are we doing right?
2. How can we do that even better?
3. What have we done wrong?
4. What can we do in the future?

#### A Company Example

*Leslie Blodgett, owner of Bare Escentuals, generates nearly one-fourth of her company's sales from her appearances on shopping network QVC and finds that staying close to her QVC customers improves her business. Before launching any new product, Blodgett contacts 1,000 customers by phone and e-mail and sends samples for them to try. "If they don't like it, we won't launch it," she says. Some customer ideas turn out to be huge sellers. After one woman called into QVC and asked for a travel-size brush kit, Blodgett developed one and sent it to her "testers," who overwhelmingly approved it. Six months later, when Blodgett debuted the kit on QVC, she sold \$67,000 of the kits per minute on the show!<sup>46</sup>*

Table 6.3 offers some basic strategies for developing and retaining loyal customers.

### Devotion to Quality

In this intensely competitive global business environment, quality goods and services are a prerequisite for success—and even survival. According to one marketing axiom, the worst of all marketing catastrophes is to have great advertising and a poor-quality product. Customers have come to expect and demand quality goods and services, and those businesses that provide them consistently have a distinct competitive advantage. Research by Josh Gordon, author of *Selling*

**TABLE 6.3****Strategies for Developing and Retaining Loyal Customers**

Sources: Adapted from Jerry Fisher, "The Secret's Out," *Entrepreneur*, May 1998, pp. 112-119; Laura M. Litvan, "Increasing Revenue with Repeat Sales," *Nation's Business*, January 1996, pp. 36-37; "Encourage Customers to Complain," *Small Business Reports*, June 1990, p. 7; Dave Zielinski, "Improving Service Doesn't Require a Big Investment," *Small Business Reports*, February 1991, p. 20; John H. Sheridan, "Out of the Isolation Booth," *Industry Week*, June 19, 1989, pp. 18-19; Lin Grensing-Popahl, "At Your Service," *Business Start-Ups*, May 1995, pp. 72-74.

- Identify your best customers and give them incentives to return. Focus resources on the 20 percent of customers that account for 80 percent of sales.
- When you create a dissatisfied customer, fix the problem fast. One study found that, given the chance to complain, 95 percent of customers will buy again if a business handles their complaints promptly and effectively. The worst way to handle a complaint is to ignore it, to pass it off to a subordinate, or to let a lot of time slip by before dealing with it.
- Make sure your business system makes it easy for customers to buy from you. Eliminate unnecessary procedures that challenge customers' patience.
- Encourage customer complaints. You can't fix something if you don't know it's broken. Find out what solution the customer wants and try to come as close to that as possible.
- Contact lost customers to find out why they left. You may uncover a problem you never knew existed.
- Ask employees for feedback on improving customer service. A study by Technical Assistance Research Programs (TARP), a customer service research firm, found that front-line service workers can predict nearly 90 percent of the cases that produce customer complaints. Emphasize that everyone is part of the customer satisfaction team.
- Get total commitment to superior customer service from top managers—and allocate resources appropriately.
- Allow managers to wait on customers occasionally. It's a great dose of reality. The founder of a small robot manufacturer credits such a strategy with saving his company. "We now require every officer of this company—including myself—to meet with customers at least four times a month," he says.
- Carefully select and train everyone who will deal with customers. Never let rude employees work with customers.
- Develop a service theme that communicates your attitude toward customers. Customers want to feel they are getting something special.
- Reward employees "caught" providing exceptional service to the customer.
- Get in the habit of calling customers by name. It's one of the most meaningful ways of connecting with your customers.
- Remember: The customer pays the bills. Special treatment wins customers and keeps them coming back.

2.0, shows that almost 60 percent of customers who change suppliers say they switched because of problems with a company's products or services.<sup>47</sup>

Today, quality is more than just a slogan posted on the company bulletin board; world-class companies treat quality as a strategic objective—an integral part of a company's strategy and culture. This philosophy is called **total quality management (TQM)**—quality not just in the product or service itself but in every aspect of the business and its relationship with the customer and *continuous improvement* in the quality delivered to customers.

Companies on the cutting edge of the quality movement are developing new ways to measure quality. Manufacturers were the first to apply TQM techniques, but retail, wholesale, and service organizations have seen the benefits of becoming champions of quality. They are tracking customer complaints, contacting "lost" customers, and finding new ways to track the cost of quality (COQ) and their return on quality (ROQ). ROQ recognizes that although any improvement in quality may improve a company's competitive ability, only those improvements that produce a reasonable rate of return are worthwhile. In essence, ROQ requires managers to ensure that the quality improvements they implement will more than pay for themselves.

The key to developing a successful TQM philosophy is seeing the world from the customer's point of view. In other words, quality must reflect the needs and wants of the customer. How do customers define quality? According to one survey, Americans rank quality components in this order: reliability (average time between failures), durability (how long it lasts), ease of use, a known or trusted brand name, and, last, a low price.<sup>48</sup> When buying services, customers look for similar characteristics: tangibles (equipment, facilities, and people), reliability (doing what you

.....  
**total quality management (TQM)**—the philosophy of producing a high-quality product or service and achieving quality in every aspect of the business and its relationship with the customer; the focus is on continuous improvement in the quality delivered to customers.  
 .....

## A Company Example

say you will do), responsiveness (promptness in helping customers and in solving problems), and assurance and empathy (conveying a caring attitude). For example, the owner of a very successful pest-control company offers his customers a unique, unconditional guarantee: If the company fails to eliminate all roach and rodent breeding and nesting areas on a client's premises, it will refund the customer's last 12 monthly payments and will pay for one year's service by another exterminator. The company has had to honor its guarantee only once in 17 years.

The benefits of a successful TQM philosophy can be substantial, sometimes making the difference between success and failure.

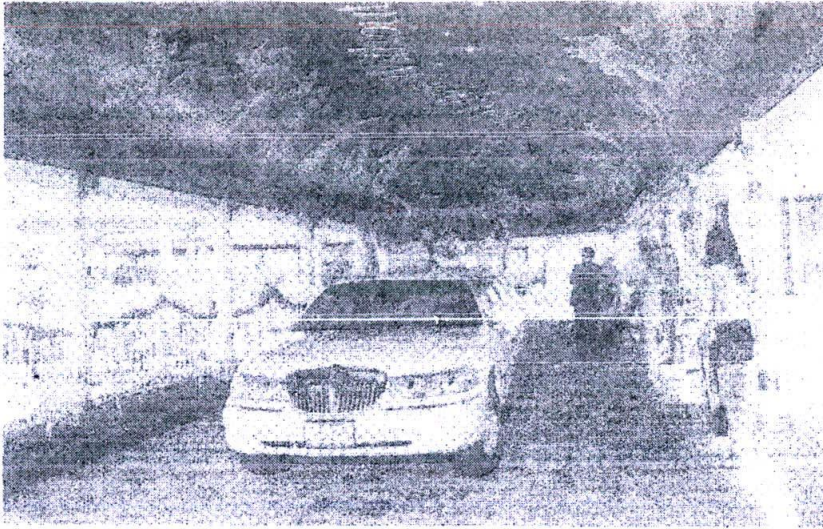
*At Rockwell Collins, a company that makes a multitude of avionics devices—from weather radar systems to complex GPS systems that prevent midair collisions—employees have become devotees of TQM. In the five years after implementing radical process improvement, or RPI, company sales climbed 88 percent and profits more than doubled. Rockwell Collins's shift to lean manufacturing methods has generated cost savings in excess of \$100 million a year! Recently, a team of employees was using Post-it Notes to diagram an assembly line for one of its products in an attempt to reduce its cycle time. Although the existing line took more than 2 hours to build the device, the team's analysis showed the actual working time to be less than 2 hours! Their goal: redesign the process using the principles of TQM and lean manufacturing. "There's a shorter list of what we didn't change than what we did change around here," says CEO Clayton Jones.<sup>49</sup>*

Companies successful in capturing a reputation for top quality products and services rely on the following guidelines to "get it right the first time":

- Build quality into the process; don't rely on inspection to obtain quality.
- Foster teamwork and dismantle the barriers that divide disparate departments.
- Establish long-term ties with select suppliers; don't award contracts on low price alone.
- Provide managers and employees the training needed to participate fully in the quality improvement program.
- Empower workers at all levels of the organization; give them authority and responsibility for making decisions that determine quality.
- Get managers' commitment to the quality philosophy. Otherwise, the program is doomed. Describing his leadership role in his company's TQM philosophy, one CEO says, "People look to see if you just talk about it or actually do it."<sup>50</sup>
- Rethink the processes the company uses now to get its products or services to its customers. Employees at Analog Devices redesigned its production process, significantly lowered the defect rate on its silicon chips, and saved \$1.2 million a year.<sup>51</sup>
- Be willing to make changes in processes wherever they may be necessary.
- Reward employees for quality work. Ideally, workers' compensation is linked clearly and directly to key measures of quality and customer satisfaction.
- Develop a company-wide strategy for constant improvement of product and service quality.

## Attention to Convenience

Ask customers what they want from the businesses they deal with and one of the most common responses is "convenience." In this busy, fast-paced world of dual-career couples and lengthy commutes to and from work, customers increasingly are looking for convenience. Convenience is the driving force behind the boom in home cleaning services. The U.S. Department of Commerce reports that 80 percent of two-income families now use home-cleaning services.<sup>52</sup> Several studies also have found that customers rank easy access to goods and services at the top of their purchase criteria. Unfortunately, too few businesses deliver adequate levels of convenience, and they fail to attract and retain customers. One print and framing shop, for instance, alienated many potential customers with its abbreviated business hours—9 to 5 daily, except for Wednesday afternoons, Saturdays, and Sundays when the shop was closed! Other companies make it a chore to do business with them. In an effort to defend themselves against unscrupulous customers, these businesses have created elaborate procedures for exchanges, refunds, writing checks, and other basic transactions. One researcher claims, "What they're doing is treating the 98 percent of honest customers like crooks to catch the 2 percent who are crooks."<sup>53</sup>



Offering the ultimate in convenience, the Little White Chapel offers customers the opportunity to get married in its Tunnel of Vows - without having to leave their cars! Courtesy of Little White Wedding Chapel. © Little White Wedding Chapel.

Successful companies go out of their way to make sure that it is easy for customers to do business with them. The HomeBased Warehouse in San Bernadino, California, has borrowed an idea from fast-food restaurants to make buying lumber more convenient for its customers: drive-in windows. More than 200 cars a day pull in and load up with lumber before driving to the cashier's booth to pay. The drive-thru "has increased [sales] volume and enhanced contractor business. They like the time-saving [convenience] of being able to drive in, load up, and cash out at the outside register," says one manager.<sup>54</sup> In Las Vegas, a couple can pull up into the Tunnel of Vows at the famous Little White Chapel, and an ordained minister at the drive-thru window will marry them! Business has been so brisk that the owner of the chapel recently expanded the tunnel to include "a romantic ceiling with cherubs and starlights."<sup>55</sup>

How can a business owner boost the convenience level of her business? By conducting a "convenience audit" from the customer's point of view to get an idea of its ETDBW ("Easy To Do Business With") index:

- Is your business located near your customers? Does it provide easy access?
- Are your business hours suitable to your customers? Should you be open evenings and weekends to serve them better?
- Would customers appreciate pickup and delivery service? The owner of a restaurant located near a major office complex installed a Web site and a fax machine to receive orders from busy office workers; a crew of employees would deliver lunches to the workers at their desks!
- Does your company make it easy for customers to make purchases on credit or with credit cards?
- Are your employees trained to handle business transactions quickly, efficiently, and politely? Waiting while rude, poorly trained employees fumble through routine transactions destroys customer goodwill.
- Does your company offer "extras" that make customers' lives easier? With a phone call to one small gift store, a customer in need of a special gift simply tells how much she wants to spend, and the owner takes care of the rest—selecting the gift, wrapping it, and shipping it. All the customer has to do is pay the invoice when it arrives in the mail.
- Can you adapt existing products to make them more convenient for customers? When J.M. Smucker Company began test-marketing a premade, frozen peanut butter and jelly sandwich, CEO Tim Smucker was amazed at the results. The sandwiches, called Uncrustables, generated \$20 million in sales, and Smucker now sells them nationwide.<sup>56</sup>
- Does your company handle telephone calls quickly and efficiently? Long waits "on hold," transfers from one office to another, and too many rings before answering signal customers that they are not important. Jerre Stead, CEO of Ingram Micro Inc., a distributor of computer products, expects every telephone call to the company to be answered within three seconds.<sup>57</sup>



### A Company Example

*John and Amy Malik operate a small restaurant, a catering business, and a cooking instruction center under the umbrella of Culinary Capers. But their latest venture, an in-home cooking service, is the fastest growing of their businesses. With their "elite hired spatula service," the Maliks target busy upscale customers for whom entertaining is important but who lack the time to host elaborate events. Lavish meals prepared in the homes of foreign dignitaries, business executives, and public officials can cost \$125 per person or more! The Maliks charged \$5,000 for one recent event. A typical menu might include handmade lobster ravioli, foie gras terrine, a lobster sausage salad, and braised quail over risotto. The Maliks begin some of the food preparation in the kitchen of Culinary Capers, but the actual cooking and final assembly take place in customers' homes. Although their menus and their prices are the antithesis of any fast-food restaurant, the Maliks' "slow-food" business does have one thing in common with their fast-food counterparts: the convenience it offers their customers.<sup>58</sup>*

### Concentration on Innovation

Innovation is the key to future success. Markets change too quickly and competitors move too fast for a small company to stand still and remain competitive. Because they cannot outspend their larger rivals, small companies often turn to superior innovation as the way to gain a competitive edge. "Never stop innovating or taking risks," says Michael Dell, founder of Dell Computer. "Keep raising the bar, not just for the industry but for yourself."<sup>59</sup>

Thanks to their organizational and managerial flexibility, small businesses often can detect and act on new opportunities faster than large companies. Innovation is one of the hallmarks of entrepreneurs, and it shows up in the new products, unique techniques, and unusual marketing approaches they introduce. Despite their limited resources, small businesses frequently are leaders in innovation. For instance, in the hotly competitive pharmaceutical industry, the dominant drugs in many markets were discovered by small companies rather than the industry giants such as GlaxoSmithKline or Upjohn with their multimillion dollar R&D budgets.

Obviously, there is more to innovation than spending megadollars on research and development. "It takes money to fund a business," says one small business advisor, "but it's continuous creativity that keeps the venture running smoothly and profitably."<sup>60</sup> How do small businesses manage to maintain their leadership role in innovating new products and services? They use their size to their advantage, maintaining their speed and flexibility much like a martial arts expert does against a larger opponent. Their closeness to their customers enables them to read subtle shifts in the market and to anticipate trends as they unfold. Their ability to concentrate their efforts and attention in one area also gives small businesses an edge in innovation. One venture capitalist explains, "Small companies have an advantage: a dedicated management team totally focused on a new product or market."<sup>61</sup>

### A Company Example

*Entrepreneur Francisco Guerra created Drink Safe Technology Inc. with a partner in 2000 to market a new product they invented: a drink coaster and test strips that signal when a drink has been spiked with a foreign substance such as GHB, the "date rape drug." Place a few drops onto one of the company's coasters and it turns blue if a foreign substance is present. The Drink Safe products are not Guerra's first entrepreneurial innovations. He also is the founder of Snow Masters, a maker of machines that manufacture fake snow, and Foammasters, a company that makes foam cannons. Guerra's innovative new product struck a vein with consumers; first-year revenues for Drink Safe Technology topped \$20 million.<sup>62</sup>*

### Dedication to Service and Customer Satisfaction

Customer service has become a lost art in our society. A recent survey by the Pew Charitable Trusts found that 46 percent of customers had walked out of a store within the past year because of poor service.<sup>63</sup> Smart companies are rediscovering that unexpected, innovative, customized service can be a powerful strategic weapon. Providing incomparable service—not necessarily a low price—is one of the most effective ways to attract and maintain a growing customer base. In fact, a recent study of consumer behavior reported that 73 percent of customers buy for reasons other than price!<sup>64</sup> "If you want to be a great marketer," says Pat Croce, entrepreneur and former owner of the Philadelphia 76ers professional basketball team, "you have to fulfill what you are selling with customer service, with exceeding expectations, with giving a little extra, with surprising the customer."<sup>65</sup>

Although more companies than ever before are preaching customer service to employees, the reality is that most Americans still rate U.S. companies low on customer service. In one survey of 200

companies, 57 percent of the managers said that “customer service” is their top priority. However, 73 percent said that the only way to survive is with “price competition.”<sup>66</sup> This short-run philosophy short-circuits real progress toward superior customer service. “Sales starts a customer relationship,” says one customer service expert. “Service turns it into a profitable or unprofitable relationship.”<sup>67</sup>

Successful businesses recognize that superior customer service is only an intermediate step toward the goal of *customer satisfaction*. These companies seek to go beyond customer satisfaction, striving for *customer astonishment!* They concentrate on providing customers with quality, convenience, and service *as their customers define those terms*.

*After 26 years in the retail boat business, William McGill, owner of MarineMax, an association of luxury boat retailers, recognized that his industry was characterized by extremely poor service. McGill saw an opportunity to differentiate MarineMax by offering customers unparalleled service and “no-haggle” prices. For inexperienced customers or those who are just plain nervous about taking a new boat out by themselves for the first time, MarineMax will provide a captain at no extra charge. The captain will keep coming back until the customer learns to handle the boat alone. The company also has a staff of repair technicians who are on call 24 hours a day. Every MarineMax boat over 20 feet in length carries a full two-year warranty from bow to stern, twice as long as the typical warranty in the industry. Because McGill has learned that his customers’ families influence how often they upgrade to bigger (and more expensive) boats, he sponsors regular seminars and fun events to teach spouses and kids how to get the most out of their boats—and to look at new, larger models. MarineMax also perpetuates customer loyalty through its “getaways,” trips that range from one-day outings on a Minnesota lake to two-week trips to the Bahamas. The company services all boats before a trip and sends along a crew of technicians to fix any problems that crop up. All of this superior service costs MarineMax money, and McGill’s prices reflect the extra costs. The company figures that 2.5 percent to 6 percent of a boat’s price goes to cover the extra service it provides. Customers do not seem to mind slightly higher prices, however; MarineMax’s profit margin is more than twice the industry average, and sales are climbing.<sup>68</sup>*

#### A Company Example

Certainly the least expensive—and the most effective—way to achieve customer satisfaction is through friendly, personal service. Numerous surveys of customers in a wide diversity of industries—from manufacturing and services to banking and high tech—conclude that the most important element of service is “the personal touch.” Calling customers by name, making attentive, friendly contact, and truly caring about their needs and wants are much more essential than any other factor—even convenience, quality, and speed! In our society, business transactions have become so automated that the typical customer is starved for personal attention. Genuine customer service requires a business to bridge that service gap, to treat each customer as an individual, and to transform “high-tech” applications into a “high-touch” attitude.

How can a company achieve stellar customer service and satisfaction?

**LISTEN TO CUSTOMERS.** The best companies constantly listen to their customers and respond to what they hear! This allows them to keep up with customers’ changing needs and expectations. The best way to find out what customers really want and value is to ask them. Businesses rely on a number of techniques including surveys, focus groups, telephone interviews, comment cards, suggestion boxes, toll-free “hot lines,” and regular one-on-one conversations (perhaps the best technique). The Internet is another useful tool for getting feedback from customers; many companies solicit complaints, suggestions, and ideas through their Web sites.

It is important for entrepreneurs to keep customer feedback in its proper perspective, however. Although listening to customers does produce valuable feedback for business owners in many areas, it is *not* a substitute for an innovative company culture, solid market research, and a well-devised marketing plan. Companies that rely solely on their customers to guide their marketing efforts often find themselves lagging the competition. Customers rarely have the foresight to anticipate market trends and do not always have a clear view of how new products or services could satisfy their needs.

**DEFINE SUPERIOR SERVICE.** Based on what customers say, managers and employees must decide exactly what “superior service” means in the company. Such a statement should (1) be a strong statement of intent, (2) differentiate the company from others, and (3) have value to customers. Deluxe Corporation, a printer of personal checks, defines superior service quite simply: “Forty-eight hour turnaround; zero defects.”<sup>69</sup>

**SET STANDARDS AND MEASURE PERFORMANCE.** To be able to deliver on its promise of superior service, a business must establish specific standards and measure overall performance against them. Satisfied customers should exhibit at least one of three behaviors: loyalty (increased customer retention rate), increased purchases (climbing sales and sales per customer), and resistance to rivals' attempts to lure them away with lower prices (market share and price tolerance).<sup>70</sup> Companies must track their performance on these and other service standards and reward employees accordingly.

**EXAMINE YOUR COMPANY'S SERVICE CYCLE.** What steps must a customer go through to get your product or service? Business owners often are surprised at the complexity that has seeped into their customer service systems as they have evolved over time. One of the most effective techniques is to work with employees to flowchart each component in the company's service cycle, including *everything* a customer has to do to get your product or service. The goal is to look for steps, policies, and procedures that are unnecessary, redundant, or unreasonable and then to eliminate them.

**HIRE THE RIGHT EMPLOYEES.** The key ingredient in the superior service equation is *people*. There is no substitute for friendly, courteous sales/service representatives. "You can't create world-class customer care if you hire run-of-the-mill employees," says customer service expert Ron Zemke.<sup>71</sup> Business owners must always be on the lookout for employees who are empathetic, flexible, articulate, creative, and able to think for themselves.

**TRAIN EMPLOYEES TO DELIVER SUPERIOR SERVICE.** Successful businesses train *every* employee who deals directly with customers; they don't leave customer service to chance. Superior service companies devote 1 to 5 percent of their employees' work hours to training, concentrating on how to meet, greet, and serve customers. Leading mail-order companies such as Lands' End and L.L. Bean spend *many* hours training the employees who handle telephone orders before they deal with their first customer.

**EMPOWER EMPLOYEES TO OFFER SUPERIOR SERVICE.** One of the single most important variables in determining whether or not employees deliver superior service is the degree to which they perceive they have permission to do so. The goal is to push decision making down the organization to the employees who have contact with customers. This includes giving them the latitude to circumvent "company policy" if it means improving customer satisfaction. If front-line workers don't have the power to solve disgruntled customers' problems, they fear being punished for overstepping their boundaries, become frustrated, and the superior service cycle breaks down. To be empowered, employees need knowledge and information, adequate resources, and managerial support.

**USE TECHNOLOGY TO PROVIDE IMPROVED SERVICE.** The role of technology is not to create a rigid bureaucracy but to free employees from routine clerical tasks, giving them more time and better tools to serve customers more effectively. Ideally, technology gives workers the information they need to help their customers and the time to serve them.

To use technology effectively, entrepreneurs must ask: "What is the best technology for our strategy?" This question then leads to four key service issues: (1) What is our primary service strategy? (i.e., what do we want customers to think of when they hear our name?) (2) What barriers are preventing our company from fully implementing this strategy now? (3) What, if anything, can technology do to overcome these barriers? (4) What is our strategy for encouraging our customers to adopt the new technology?<sup>72</sup>

#### A Company Example

*StellarCon, a Raleigh, North Carolina-based construction firm that specializes in commercial projects, is distinguishing itself from its competitors with technology that solves many problems its customers have traditionally faced. Members of the family-run company say that the principal customer complaint is feeling "out of the loop" during the construction project, with no convenient way to get their questions answered. To eliminate that problem, StellarCon creates a password-protected Web site for every project that answers the typical questions clients have about their projects—from detailed budgets to updated schedules. Each site also gives customers access to live, remote-controlled Webcams so they can "tour" the site even if they are in another country. On-site superintendents use laptops to post daily updates to each site so customers get timely information. Creative use of technology enabled StellarCon to generate \$30 million in revenues its first year, and repeat customers are already signing up.<sup>73</sup>*

**REWARD SUPERIOR SERVICE.** What gets rewarded gets done. Companies that want employees to provide stellar service must offer rewards for doing so. A recent National Science Foundation study concluded that when pay is linked to performance, employees' motivation and productivity climb by as much as 63 percent.<sup>74</sup>

**GET TOP MANAGERS' SUPPORT.** The drive toward superior customer service will fall far short of its target unless top managers support it fully. Success requires more than just a verbal commitment; it calls for managers' involvement and dedication to making service a core company value. Achieving customer satisfaction must become part of the strategic planning process and work its way into every nook and cranny of the organization. Once it does, employees<sup>8</sup> will be able to provide stellar customer service with or without a checklist of "do's and don'ts."

**VIEW CUSTOMER SERVICE AS AN INVESTMENT, NOT AN EXPENSE.** The companies that lead the way when it comes to retaining their customers view the money they spend on customer service as an investment rather than an expense. One of the most effective ways for entrepreneurs to learn this lesson is to calculate the cost of poor customer service to their companies. Once they calculate it, the cost of lost customers due to poor service is so astonishing to most business owners that they quickly become customer service zealots. For instance, the owner of a small restaurant calculated that if every day he lost to poor service one customer who spent just \$5 per week, his business was losing \$94,900 in revenue per year! The restaurateur immediately changed his approach to customer service.

## Emphasis on Speed

Technology, particularly the Internet, has changed the pace of business so dramatically that speed has become a major competitive weapon. Today's customers expect businesses to serve them at the speed of light! Providing a quality product at a reasonable price once was sufficient to keep customers happy, but that is not enough for modern customers who can find dozens of comparable products with a just few mouse clicks. Speed reigns. World-class companies recognize that reducing the time it takes to develop, design, manufacture, and deliver a product reduces costs, increases quality, improves customer satisfaction, and boosts market share. One study by McKinsey and Company found that high-tech products that come to market on budget but six months late earn 33 percent less profit over five years. Bringing the product out on time but 50 percent over budget cuts profits just 4 percent!<sup>75</sup> Service companies also know that they must build speed into their business system if they are to satisfy their impatient, time-pressured customers.

Victory in this time-obsessed economy goes to the company that can deliver goods and services the fastest, not necessarily those that are the biggest and most powerful. Business is moving so rapidly today that companies "need to accomplish in 90 days what traditionally took a year," explains one entrepreneur.<sup>76</sup> Businesses that can satisfy their customers' insatiable appetites for speed have a distinct advantage.

*England Inc., which makes an average of 11,000 custom-built sofas and chairs each week, uses speed to set itself apart from other furniture makers. England has found ways to reduce the time required to build a custom-ordered sofa to less than three weeks. "In the furniture business, that's like greased lightning," says the owner of a furniture store who buys from England. The challenge is to offer customers enough variety so that they can get exactly the design and fabric they want but to standardize their offerings enough to keep prices reasonable (\$500 to \$1,500) and to get the finished product into the customer's hands long before any competitor can. Offering 85 different frames and 550 different fabrics, however, means that England faces 46,750 frame-and-fabric combinations! Every Monday night, England's computer system plots delivery schedules for all of the orders received for the week. Then the software plans the production schedule down to the minute for every sofa and chair and matches each order with a delivery truck. Bar-coded stickers ensure that every necessary part gets to the correct assembly station on time. Using the production schedule, the human resources department schedules the week's workforce. England requires the same level of discipline from its suppliers that it exercises in its manufacturing process. The company negotiates smaller, more frequent deliveries from its fabric suppliers, which England has culled from 40 to just four. Work crews can earn incentive pay by beating standard times posted. In all, the various components of the system combine in such a way that England is able to beat its competitors in getting furniture to its customers quickly.<sup>77</sup>*

### A Company Example

# YOU Be the Consultant . . .

## The Power of the Little Blue and White Boxes

One day in 1930, Mabel Holmes noticed that a neighborhood boy, the child of a single father, was eating a homemade biscuit that resembled a hockey puck—hard and dry. Realizing that finding the time to make biscuits from scratch was a challenge for a single parent, Mabel decided to develop a ready-made biscuit mix that would be “so simple even a man can do it.” She had no idea that the product she developed would become Jiffy, the nation’s first prepared baking mix and now the market leader in the muffin-and-biscuit-mix category sold on practically every grocery store shelf in the country.

The Holmes family had been in the wholesale flour business since 1802, and at first, Jiffy was just a small sideline operation of the Chelsea Milling Company. Mabel’s husband, Howard Samuel Holmes, ran Jiffy until his death in 1936, when their twin sons Dudley and Howard Sumner took it over and expanded the brand over the next several decades. They added a pie-crust mix in 1940 and a corn-muffin mix in 1950. By the 1960s the little blue and white boxes were selling so well that the Holmes family decided to close the flour wholesaling operation to focus on selling the Jiffy family of products. Today, the Jiffy product line includes 18 products, mixes for everyday products ranging from pizza crust and brownies to pancakes and cornbread.

The privately held family business is the market leader—not an easy task when the competition includes corporate giants General Mills and Pillsbury. Yet in the muffin-mix category, Jiffy commands 55.3 percent of the market when measured by unit sales. Just how does this small company in Chelsea, Michigan, do it? Current CEO Howdy Holmes, Mabel’s grandson, credits the company’s size and agility for much of its success. “In a larger company, the decision-making process is considerably more complicated,” he says. “Here, it’s done by three or four people, not three or four departments. We can make pricing decisions based solely on what makes sense, not on shareholder demands.” Chelsea Milling focuses on efficient operations and handles every aspect of manufacturing, except printing its classic boxes, at its factory.

Chelsea’s marketing strategy also has much to do with its success. Throughout its history, the company has never advertised or used one of the staples of grocery store marketing: coupons. Never using advertising sounds like a recipe for failure for a company making food products in this media-rich, advertising-laden world, but Holmes readily admits he thinks Chelsea Milling is an exception. He credits the company’s long and rich history that has enabled it to build up generations of goodwill as one family member passes on the tradition of using Jiffy products to the next generation.

Despite its lack of advertising, Chelsea Milling does have a marketing strategy, and it is built on the principles of quality and value. “Our approach is to give people the best value, which is a combination of two things,” says Holmes. “That’s the highest-quality ingredients with the best price. The only way to do that is to take out the 30 percent to 52 percent of the end cost that’s passed on to consumers by removing advertising, merchandising, and so forth.”

Because Chelsea Milling does not incur any of these costs, Jiffy’s prices are one-third to one-half less than its competitors. That significant price advantage gets customers’ attention, which, in turn, gets the attention of supermarket retailers. “In our stores, Jiffy does three times the sales of the next closest item,” says a spokesperson for Kroger, the nation’s largest grocery chain. Even Kroger’s private-label mixes can’t compete with Jiffy because “we can’t match them on cost.”

Howdy Holmes, who says his former career as a professional race car driver was perfect training to take over a manufacturing company, saw the need for change when he took over the helm of the family business in 1987. The company had become too entrenched in outmoded business techniques in manufacturing, quality, accounting, and other key areas. Plus, there was no management succession plan in place. “Our business model worked against growth,” he recalls. His goal was to transform Chelsea Milling “from a sole proprietorship into a professionally managed company.” Today, thanks to a preventive maintenance program, enhanced manufacturing scheduling, upgraded quality management techniques, better accounting controls, and other improvements, Chelsea Milling’s production capacity has shot up by 40 percent, to 1.6 million boxes of Jiffy mixes. If Holmes’s other plans fall into place, the company will need all of it. Even in a slowing market, Jiffy’s sales continue to climb. Plus, Holmes says, “Right now we’re just in the retail market, but we are seriously looking at export. We are seriously looking at the institutional [market]. We are seriously looking at food service. All these are possibilities.”

1. What is the basis for Chelsea Milling’s marketing strategy? How effective is it?
2. How easily could a competitor duplicate Chelsea’s marketing strategy for Jiffy? Explain.
3. How successful do you think a company launching a product such as Jiffy today would be if it never advertised? Explain.
4. How would you evaluate the opportunities Chelsea Milling faces for Jiffy products?

Sources: Paul Lukas, “Jiffy’s Secret Recipe,” *FSB*, December 2001/January 2002, pp. 56–60; “Company History,” Chelsea Milling Company, [www.jiffymix.com/history.html](http://www.jiffymix.com/history.html).

This philosophy of speed is called time compression management (TCM), and it involves three aspects: (1) speeding new products to market, (2) shortening customer response time in manufacturing and delivery, and (3) reducing the administrative time required to fill an order. Studies show plenty of room for improvement; most businesses waste 85 to 99 percent of the time it takes to produce products or services without ever realizing it!

*For example, when managers and employees at United Electric Controls, a family-owned maker of temperature and pressure controls and sensors, studied their production process, they were amazed at what they found. In their 50,000-square-foot factory, "We had one product that traveled 12 miles just in our plant," says one manager. Rearranging the plant's layout around products rather than processes solved the problem. "The product that once traveled 12 miles now travels 40 feet," he says. "The outcome was a reduction in lead time from 10 or 12 weeks to just a couple of days."<sup>78</sup>*

Although speeding up the manufacturing process is a common goal, companies using TCM have learned that manufacturing takes only 5 percent to 10 percent of the total time between an order and getting the product into the customer's hands. The rest is consumed by clerical and administrative tasks. "The primary opportunity for TCM lies in its application to the administrative process," says one manager.

Companies relying on TCM to help them turn speed into a competitive edge should:

- "Reengineer" the entire process rather than attempt to do the same things in the same way—only faster.
- Create cross-functional teams of workers and give them the power to attack and solve problems. In world-class companies, product teams include engineers, manufacturing workers, salespeople, quality experts—even customers.
- Set aggressive goals for reducing time and stick to the schedule. Some companies using TCM have been able to reduce cycle time from several weeks to just a few hours!
- Rethink the supply chain. Can you electronically link with your suppliers or your customers to speed up orders and deliveries?
- Instill speed in the culture. At Domino's Pizza, kitchen workers watch videos of the fastest pizza makers in the country.
- Use technology to find shortcuts wherever possible. Properly integrated into a company's strategy for speed, technology can restructure a company's operating timetable. Rather than build costly, time-consuming prototypes, many time-sensitive businesses use computer-aided design and computer-assisted manufacturing (CAD/CAM) to speed product design and testing.
- Put the Internet to work for you. Perhaps nothing symbolizes speed better than the Internet, and companies that harness its lightning fast power can become leaders in TCM.

## MARKETING ON THE WORLD WIDE WEB

Much like the telephone, the fax machine, and home shopping networks, the World Wide Web has become a revolutionary business tool. Although two-thirds of small business owners use the World Wide Web (WWW), the vast network that links computers around the globe via the Internet and opens up endless oceans of information to its users, to research other companies, the majority of them are still struggling to understand how it can work for them and how they can establish a meaningful presence on it. Businesses get on the Web by using one of thousands of electronic gateways to set up an address (called a Universal Resource Locator, or URL) there. By establishing a creative, attractive Web site, the electronic storefront of a company on the Web, even the smallest companies can market their products and services to customers across the globe. The Web gives small businesses the power to broaden their marketing scope to unbelievable proportions. In fact, one of the greatest benefits to small business owners of launching a Web site is providing customers with another convenient shopping channel. According to a study by the Small Business Administration (SBA) Office of Advocacy, 67 percent of small businesses that established Web sites reported that their sites brought in new customers.<sup>79</sup> According to the Verizon Superpages.com Fourth Annual Small Business Internet Survey, 55 percent of small business owners with Web sites say their sites are either breaking even or are earning a profit.<sup>80</sup>

### A Company Example

5. Discuss the marketing opportunities the World Wide Web (WWW) offers entrepreneurs and how to best take advantage of them.

**World Wide Web (WWW)**—the vast network that links computers around the globe via the Internet and opens up endless oceans of information to its users.

With its ability to display colorful graphics, sound, animation, and video as well as text, the Web allows small companies to equal—even surpass—their larger rivals' Web presence. Although small companies cannot match the marketing efforts of their larger competitors dollar for dollar, a creative Web page can be “the great equalizer” in a small company's marketing program. “It's like advertising your product in the world's largest directory,” says the president of the Internet Society. “The [World Wide Web] lets small companies expand far beyond their immediate region. [It is] a phenomenal commercial opportunity that offers businesses a worldwide marketing and distribution system.”<sup>81</sup>

The number of Internet users worldwide has more than doubled from 352.2 million in 2000 to 709.1 million in 2004.<sup>82</sup> The rise in the number of potential customers is creating a huge increase in online revenues for businesses. In that same time period, e-commerce revenues climbed from \$111 billion to \$1.318 trillion.<sup>83</sup> Unfortunately, most small businesses are not yet taking advantage of the Web's tremendous marketing potential; only 33 percent of small companies have Web sites.<sup>84</sup> Of those small businesses that do have Web sites, only 24 percent actually generate revenues from online sales. The most common reasons small business owners cite for not creating a Web presence are concerns that their products and services are not suitable for online sales and the failure to see the benefit of selling online.<sup>85</sup> The result is a disproportionately small impact of small companies on the Web. According to Forrester Research, although small businesses make up 50 percent of all retail sales in the United States, they account for just 6 percent of all *online* sales!<sup>86</sup>

Small companies that have established well-designed Web sites understand the Web's power as a marketing tool and are reaping the benefits of e-commerce. If a business has the proper marketing strategy in place, it can use the Web to magnify its ability to provide superior customer service at minimal cost. A customer-oriented Web site allows customers to gather information about a product or service, have their questions answered, download diagrams and photographs, place orders easily, and track the progress of their orders. As a marketing tool, the Web allows entrepreneurs to provide both existing and potential customers with meaningful information in an *interactive* rather than a passive setting. Well-designed Web sites often include interactive features that allow customers to access information about a company and its history, three-dimensional views or videos of its products and services in use, and other features such as question-and-answer sessions with experts or the ability to conduct e-mail conversations with company officials.

#### A Company Example

*Rodney Moll is cofounder and CEO of TrendSource, a San Diego-based company that provides “mystery shopping” services to companies in a wide variety of industries ranging from hotels and restaurants to car dealers and video rental stores. More than 150,000 times a year, TrendSource employees masquerade as regular customers, visit clients' stores, and then file a complete report on their customer service experiences. Gathering, compiling, and presenting those data in a meaningful way used to take at least five days. TrendSource shoppers would either fax their handwritten forms to the company or leave messages with call centers. Recently, however, Moll established a secure Web site that uses its Rapid Knowledge Transfer system, which enables TrendSource employees to enter their shopping data instantly. Once the company summarizes the data, they become available to clients almost instantly on the Web with the help of security access codes. Not only has the new system enabled TrendSource to cut costs, but it also has reduced customer service times from five days to less than 30 hours! “It's improved our productivity and efficiency and made information available [to clients] virtually within a day,” says Moll.<sup>87</sup>*

The Web gives small businesses the power to broaden their scope to unbelievable proportions. Web-based businesses are open around the clock seven days a week and can reach customers anywhere in the world. Plus, it gives entrepreneurs the flexibility to operate their companies from virtually anywhere in the world.

#### A Company Example

*Jill-Anne Partain launched Pilgrim Designs, a company that makes unique handbags, with \$500 she received as a college graduation gift. Although her handbags are the high-style designs one would expect to see in an upscale New York boutique, Partain opted to locate her business in Lexington, Virginia, and sell attractive handbags (which sell for up to \$500) through her company's Web site. While she was attending college in the area and planning her*

business. Partain fell in love with the locale, where she would drive past abandoned textile factories and think that they would be the ideal location for her business. Her operating costs would be much lower in such a location, and there was plenty of room to expand as her company grew. The Web gave her that option. "Since I'm selling over the Web, it doesn't matter where my manufacturing is," Partain explains. Currently, Pilgrim Designs turns out about 5,000 handbags a year and generates more than \$1.3 million in sales from one of those old converted Virginia textile mills. Partain is so pleased with her company's location that she has formed the Blue Ridge Mountain Business Initiative to encourage other entrepreneurs to launch businesses there. Pilgrim Designs' Web site, which Partain built herself, has received awards from Harper's Bazaar and Inc. magazines.<sup>88</sup>

Small companies that have had the greatest success selling on the Web have marketing strategies that emphasize their existing strengths and core competencies. Their Web marketing strategies reflect their "brick-and-mortar" marketing strategies, often focusing on building relationships with their customers rather than merely scouting for a sale. These companies understand their target customers and know how to reach them using the Web. They create Web sites that provide meaningful information to their customers, that customize themselves based on each customer's interests, and that make it easy for customers to find what they want. In short, their Web sites create the same sense of trust and personal attention customers get when dealing with a local small business.

The World Wide Web also allows business owners to link their sites to other related Web sites, something advertisements in other media cannot offer. For instance, the home page of a company selling cookware might include hypertext links to Web pages containing recipes, cookbooks, foods, and other cooking resources. This allows small business owners to engage in cross-marketing with companies on the Web selling complementary products or services. Small businesses also have the ability to get quantifiable results from their Web-based marketing efforts. Many available software packages monitor the number of visitors to a company's Web site and track their movements in the site, telling entrepreneurs which features are most popular with customers.

The demographic profile of the typical Web user is very attractive to many entrepreneurs: young, educated, wealthy, and almost evenly split between males and females. Studies by Forrester Research show that the average household income of the typical Web shopper is \$52,300, and 39 percent have college degrees.<sup>89</sup> Travel services, computer hardware and software, books, music, videos, and consumer electronics are among the best-selling items on the Web, but creative entrepreneurs say that they can use this powerful marketing tool to sell just about anything.

*Mark Zeabin is the CEO of MHP Enterprises, a small family business in Nelson, British Columbia, that operates a most unusual Web-based business: **Casketfurniture.com!** As its name implies, the company, which is profitable, sells casket-shaped furniture, casket novelty products, "casket wear," and even furniture that is convertible into caskets ("simply remove the shelves"). Casketfurniture.com sells a full line of products over the Web, from the rustic CD coffin, which holds more than 100 CDs (\$199.95), and the coffin coffee table (\$2,495) to the casket phone booth (\$2,236) and the casket entertainment center (\$4,495). Zeabin's great-grandfather founded the casket-building business in British Columbia in 1927 to supply local communities, but Zeabin has taken the family business to another level. "With the evolution of the Internet," says Zeabin, "we are proud to offer our products globally."<sup>90</sup>*

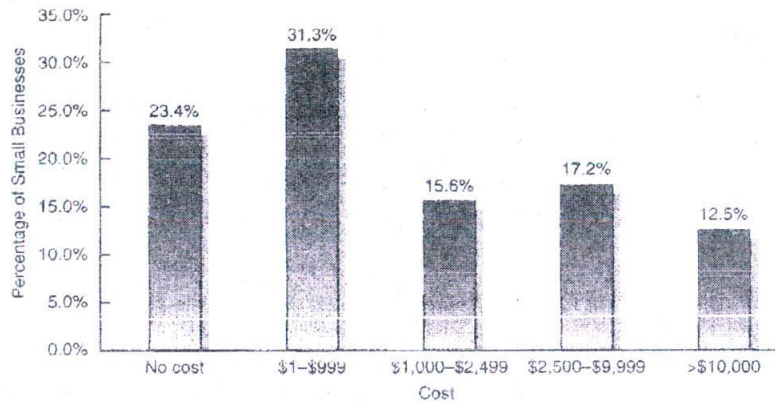
#### A Company Example

Using the Web as a marketing tool requires more than establishing a Web site and waiting for customers to come calling. Just as in any marketing venture, the key to successful marketing on the World Wide Web is selling the right product or service at the right price to the right target audience. Entrepreneurs on the Web, however, also have two additional challenges: attracting Web users to their Web sites and converting them into paying customers. That requires setting up an electronic storefront that is inviting, easy to navigate, interactive, and offers more than a monotonous laundry list of standard items. It also requires promoting the Web site in all of a company's marketing material, from print ads and radio spots to business cards and company letterhead. With a solid marketing strategy



**FIGURE 6.4** Cost to Set Up a Small Business Web Site

Source: Joanne H. Pratt, *E-Biz: Strategies for Small Business Success*, U.S. Small Business Administration Office of Advocacy, [www.sba.gov/advoc/research/rs220r0c.pdf](http://www.sba.gov/advoc/research/rs220r0c.pdf), p. 35.



as a guide, small companies can—and are—selling everything from wine and vacations to jewelry and electronics successfully on the Web. Figure 6.4 provides a summary from an SBA study of the costs small companies incurred when setting up their Web sites.

6. Discuss the "four Ps" of marketing—product, place, price, and promotion—and their role in building a successful marketing strategy.

## THE MARKETING MIX

The major elements of a marketing strategy are the four Ps of marketing—**product**, **place**, **price**, and **promotion**. These four elements are self-reinforcing and, when coordinated, increase the sales appeal of a product or service. Small business managers must integrate these elements to maximize the impact of their product or service on the consumer. All four Ps must reinforce the image of the product or service the company presents to the potential customer. One long-time retailer claims, "None of the modern marvels of computerized inventory control and point-of-sale telecommunications have replaced the need for the entrepreneur who understands the customer and can translate that into the appropriate merchandise mix."<sup>91</sup>

### Product

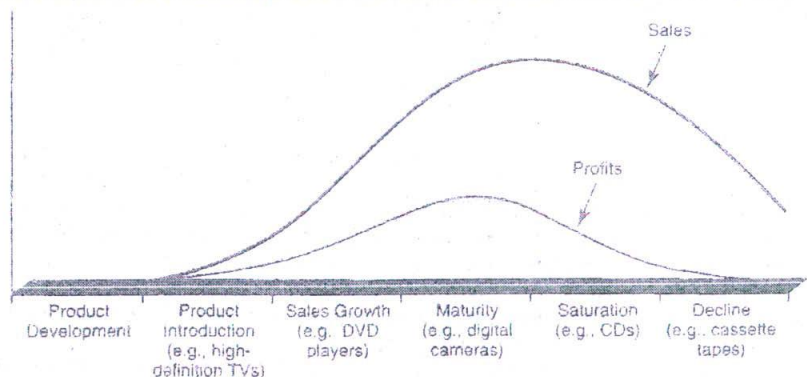
**product life cycle**—describes the stages of development, growth, and decline in a product's life.

**introductory stage**—the stage in which a product or service must break into the market and overcome customer inertia.

The product itself is an essential element in marketing. A product is any item or service that satisfies the need of a customer. Products can have form and shape, or they can be services with no physical form. Products travel through various stages of development. The **product life cycle** (see Figure 6.5) describes these stages of growth. Knowing which stage of the life cycle a product is in allows managers to make decisions about whether or not to continue selling the product and when to introduce new follow-up products.

In the **introductory stage**, marketers present their product to potential consumers. Initial high levels of acceptance are rare. Generally, new products must break into existing markets and compete with established products. Advertising and promotion help the new product be

**FIGURE 6.5** The Product Life Cycle



**FIGURE 6.6** Time Between Introduction of Products



more quickly recognized. Potential customers must get information about the product, how to use it, and the needs it can satisfy. For instance, one Asian clothing maker has introduced a line of business suits with sachets of charcoal and jade powder sewn into the armpits and the crotch. The company says that the sachets not only absorb odors but they block electromagnetic radiation emitted by computer and television screens!<sup>92</sup> The cost of marketing a product at this level of the life cycle is usually high because a company must overcome customer resistance and inertia. Thus, profits are generally low, or even negative, in the introductory stage.

After the introductory stage, the product enters the **growth and acceptance stage**. In the growth stage, consumers begin to compare the product in large enough numbers for sales to rise and profits to materialize. Products that reach this stage, however, do not necessarily become successful. If in the introductory or the growth stage the product fails to meet consumer needs, it does not sell and eventually disappears from the marketplace. According to Greg Stevens, president of a new-product research company, an average of just two new products are launched out of every 3,000 ideas generated; of the two actually launched, only one succeeds.<sup>93</sup> For successful products, sales and profit margins continue to rise through the growth stage.

In the **maturity and competition stage**, sales volume continues to rise, but profit margins peak and then begin to fall as competitors enter the market. Normally, this causes reduction in the product's selling price to meet competition and to hold its share of the market.

Sales peak in the **market saturation stage** of the product life cycle and give the marketer fair warning that it is time to introduce the next generation product.

The final stage of the product life cycle is the **product decline stage**. Sales continue to drop, and profit margins fall drastically. However, when a product reaches this stage of the cycle, it does not mean that it is doomed to failure. Products that have remained popular are always being revised. No firm can maintain its sales position without product innovation and change. Even Binney & Smith, the maker of Silly Putty, which was first introduced at the 1950 International Toy Fair (with lifetime sales of more than 300 million "eggs"), has introduced new gold, Day-Glo, and glow-in-the-dark colors. These innovations have caused the classic toy's sales to rebound, appealing to new generations of children.<sup>94</sup>

The time span of the stages in the product life cycle depends on the type of products involved. High-fashion and fad clothing have a short product life cycle, lasting for only four to six weeks. Products that are more stable may take years to complete a life cycle. Research conducted by MIT suggests that the typical product's life cycle lasts 10 to 14 years, but the length of that life cycle appears to be shrinking.<sup>95</sup>

Thomas Venable, owner of Spectrum Control, Inc., uses the concept of the product life cycle to plan the introduction of new products to his company's product line. Too often, companies wait too late into the life cycle of one product to introduce another. The result is that they are totally unprepared when a competitor produces "a better mousetrap" and their sales decline. "If you are not developing something new early in the current product's life cycle, you're living on borrowed time," says Venable. "If you wait until your line is mature, you're dead."<sup>96</sup>

In Venable's industry, a 12-year life cycle is common. His company's strategy is to begin turning out prototypes of sequel products two to three years before the maturity phase of the original product (see Figure 6.6). "The whole idea behind the process is to avoid crises," Venable says. "You want to be ready to go with the second product, just as the first one is about to die off."<sup>97</sup>

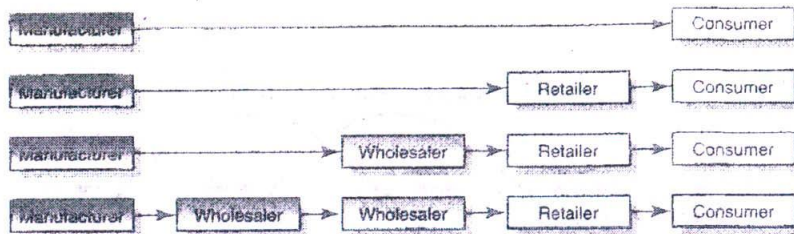
**growth and acceptance stage**—the stage in which sales and profits materialize.

**maturity and competition stage**—the stage in which sales rise, but profits peak and then fall as competitors enter the market.

**market saturation stage**—stage in which sales peak, indicating the time to introduce the next generation product.

**product decline stage**—the stage in which sales continue to fall and profit margins decline drastically.

**FIGURE 6.7** Channels of Distribution—Consumer Goods



### Place

Place (or method of distribution) has grown in importance as customers expect greater service and more convenience from businesses. This trend is one of the forces driving the rapid growth of the World Wide Web as a shopping tool. Entrepreneurs have come up with other clever ways to distribute their products and services and offer their customers more convenience. For instance, many traditionally stationary businesses have added wheels, becoming mobile animal clinics, computer shops, dentist offices, and windshield repair services.

Any activity involving movement of goods to the point of consumer purchase provides place utility. Place utility is directly affected by the marketing channels of distribution, the path that goods or services and their titles take in moving from producer to consumer. Channels typically involve a number of intermediaries who perform specialized functions that add valuable utility to the goods or service. These intermediaries provide time utility (making the product available when customers want to buy it) and place utility (making the product available where customers want to buy it).

#### A Company Example

In 1995, after observing the success of a classical music CD sold by lingerie retailer Victoria's Secret, New York producer and recording engineer Billy Straus launched **Rock River Communications**, a company that produces branded music compilations. He finally convinced buyers at Pottery Barn to test market 15,000 copies of a jazz compilation titled *A Cool Christmas*; the retailer sold the entire order in just three weeks, opening the door to Rock River as the music supplier to other major retailers such as J. Crew, Eddie Bauer, Lane Bryant, Banana Republic, Old Navy, and, somewhat surprisingly, Jiffy Lube and Chef Boyardee. Rock River sells more than \$8 million worth of music compilations annually, making it the equivalent of a midsize record label.<sup>98</sup>

For consumer goods, there are four common channels of distribution (see Figure 6.7).

1. *Manufacturer to Consumer.* In some markets, producers sell their goods or services directly to consumers. Services, by nature, follow this channel of distribution. Dental care and haircuts, for example, go directly from creator to consumer.
2. *Manufacturer to Retailer to Consumer.* Another common channel involves a retailer as an intermediary. Many clothing items, books, shoes, and other consumer products are distributed in this manner.
3. *Manufacturer to Wholesaler to Retailer to Consumer.* This is the most common channel of distribution. Prepackaged food products, hardware, toys, and other items are commonly distributed through this channel.
4. *Manufacturer to Wholesaler to Wholesaler to Consumer.* A few consumer goods (e.g., agricultural goods and electrical components) follow this pattern of distribution.

Two channels of distribution are common for industrial goods (see Figure 6.8).

1. *Manufacturer to Industrial User.* The majority of industrial goods is distributed directly from manufacturers to users. In some cases, the goods or services are designed to meet the user's specifications.
2. *Manufacturer to Wholesaler to Industrial User.* Most expense items (paper clips, paper, rubber bands, cleaning fluids) that firms commonly use are distributed through wholesalers. For most small manufacturers, distributing goods through established wholesalers and agents is often the most effective route.



FIGURE 6.8 Channels of Distribution—Industrial Goods

## Price

Almost everyone agrees that the price of the product or service is a key factor in the decision to buy. Price affects both sales volume and profits, and without the right price, both sales and profits will suffer. As we will see in the next chapter, the right price for a product or service depends on three factors: (1) a small company's cost structure, (2) an assessment of what the market will bear, and (3) the desired image the company wants to create in its customers' minds.

For many small businesses, nonprice competition—focusing on factors other than price—is a more effective strategy than trying to beat larger competitors in a price war. Nonprice competition, such as free trial offers, free delivery, lengthy warranties, and money-back guarantees, intends to play down the product's price and stress its durability, quality, reputation, or special features. We will discuss pricing in more detail in Chapter 8.

## Promotion

Promotion involves both advertising and personal selling. Its goal is to inform and persuade consumers. Advertising communicates to potential customers through some mass medium the benefits of a good or service. Personal selling involves the art of persuasive sales on a one-to-one basis. A small company's promotional program can play a significant role in creating a specific image in its customers' minds—whether it is upscale, discount, or somewhere in between. "Marketing is not a battle of products; it's a battle of perceptions," says one marketing expert.<sup>99</sup> We will discuss promotion in more detail in Chapter 8.

### 1. Describe the principles of building a guerrilla marketing plan and explain the benefits of preparing one.

A major part of the entrepreneur's business plan is the marketing plan, which focuses on a company's target customers and how best to satisfy their needs and wants. A solid marketing plan should:

- determine customer needs and wants through market research
- pinpoint the specific target markets the company will serve.
- analyze the firm's competitive advantages and build a marketing strategy around them.
- create a marketing mix that meets customer needs and wants.

### 2. Explain how small businesses can pinpoint their target markets.

Sound market research helps the owner pinpoint his target market. The most successful businesses have well-defined portraits of the customers they are seeking to attract.

### 3. Discuss the role of market research in building a guerilla marketing plan and outline the market research process.

Market research is the vehicle for gathering the information that serves as the foundation of the marketing plan. Good research does *not* have to be complex and expensive to be useful. The steps in conducting market research include:

- defining the objective—"What do you want to know?"
- collecting the data from either primary or secondary sources.
- analyzing and interpreting the data.
- drawing conclusions and acting on them.

#### 4. Describe how a small business can build a competitive edge in the marketplace using guerilla marketing strategies: customer focus, quality, convenience, innovation, service, and speed.

When plotting a marketing strategy, owners must strive to achieve a competitive advantage—some way to make their companies different from and better than the competition. Successful small businesses rely on the following to develop a competitive edge:

- find a niche and fill it
- don't just sell—entertain
- strive to be unique
- connect with the customer on an emotional level
- focus on the customer
- devotion to quality
- attention to convenience
- concentration on innovation
- dedication to service
- emphasis on speed

### DISCUSSION QUESTIONS

1. Define the marketing plan. What lies at its center?
2. What objectives should a marketing plan accomplish?
3. How can market research benefit a small business owner? List some possible sources of market information.
4. Does market research have to be expensive and sophisticated to be valuable? Explain.
5. Describe several market trends that are driving markets into the new millennium and their impact on small businesses.
6. Why is it important for small business owners to define their target markets as part of their marketing strategies?
7. What is a competitive advantage? Why is it important for a small business owner to create a plan for establishing one?
8. Describe how a small business owner could use the following sources of competitive advantage:
  - focusing on a niche
  - entertaining
  - striving to be unique
  - creating an identity for the business
  - connecting with customers on an emotional level
  - focusing on the customer
  - devotion to quality
  - attention to convenience
  - concentration on innovation
  - dedication to service
  - emphasis on speed
9. One manager says, "When a company provides great service, its reputation benefits from a stronger emotional connection with its customers, as well as from increased confidence that it will stand behind its products." Do you agree? Explain. If so, describe a positive service experience you have had with a company and your impressions of that business. What are the implications of a company providing poor customer service? Once again, describe a negative service experience you have had with a company and your impressions of that business. How likely are you to do business with that company again?
10. What marketing potential does the World Wide Web offer small businesses? What does it take for a company to market successfully using the Web?
11. Explain the concept of the marketing mix. What are the four Ps?
12. List and explain the stages in the product life cycle. How can a small firm extend its product's life?
13. With a 70 percent customer retention rate (average for most U.S. firms, according to the American Management Association), every \$1 million of business in 2000 will grow to more than \$4 million by the year 2010. If you retain 80 percent of your customers, the \$1 million will grow to a little over \$6 million. If you can keep 90 percent of your customers, that \$1 million will grow to more than \$9.5 million. What can the typical small business do to increase its customer retention rate?

#### 5. Discuss the marketing opportunities the World Wide Web (WWW) offers entrepreneurs and how to best take advantage of them.

The Web offers small business owners tremendous marketing potential on a par with their larger rivals. Entrepreneurs are just beginning to uncover the Web's profit potential, which is growing rapidly. Establishing a presence on the Web is important for companies targeting educated, wealthy, young customers. Successful Web sites are attractive, inviting, easy to navigate, interactive, and offer users something of value.

#### 6. Discuss the "four Ps" of marketing—product, place, price, and promotion—and their role in building a successful marketing strategy.

The marketing mix consists of the "four Ps":

- *Product.* Entrepreneurs should understand where in the product life cycle their products are.
- *Place.* The focus here is on choosing the appropriate channel of distribution and using it most efficiently.
- *Price.* Setting the right price for a product or service is partly an art and partly a science.
- *Promotion.* Promotion involves both advertising and personal selling.

## THE BUSINESS DISC

What steps can business owners take to become effective marketers even if they lack the resources of their larger competitors? After reviewing the material in Chapter 6, outline the steps of the guerrilla-marketing plan you intend to implement in your business.

If you are planning to buy a franchise, you should review the reference material on marketing a franchise on *The Business Disc*. From the menu across the top of your screen,

## BUSINESS PLAN PRO

### Business PlanPro

You will use the concepts in this chapter as well as those in Chapters 7 and 8 to create much of your business plan. Indeed, about one-fourth to one-third of your plan should be devoted to the marketing plan. In the following sections of the Business PlanPro you must "tell the story" of how you determined that a market exists for the products or services of your proposed business: the marketing segments are targeting; the unique selling proposition you plan to use to differentiate your products and services; and how you will reach the market and motivate customers to purchase.

#### YOUR COMPANY

This series of steps in *Business Plan Pro* will allow you to create the basics of the executive summary. In part one of this section you can set forth the nature of the business. If the business is in actual operation, you should write a brief history of the business in this section. If the business is not in operation yet, this section should include your rationale for the venture.

#### PART TWO

In this section you should draw material from Chapter 4 of your textbook and the sections that deal with forms of ownership. Your response to this section of the business plan should reflect a detailed analysis of the various legal forms of ownership and why the form that you have selected is the best for your proposed business venture.

#### WHAT YOU ARE SELLING

Use the concepts contained in this chapter to help you describe what you are selling. Remember to consider the intangible needs your product or service meet.

#### SERVICE SUMMARY

Your plan should both discuss the unique nature of the services your business provides its customers and the factors that make these services superior to those offered by your competitors.

select the "Reference" option and then click on "General Information." Click on "Marketing Your Franchise for Success" and review the concepts in this reference guide and in Chapter 6. Write a brief report summarizing your company's target market, the characteristics of the people or businesses in it, and the steps you plan to take to market your franchise successfully.

#### YOUR MARKET

Review the concepts in "Pinpointing the Target Market" on pages 176 and 177 and use them to help you develop a clear picture of your target customers. Be sure to include all the details you can about the specific market for your proposed product/services.

#### THE MARKET ANALYSIS SUMMARY

This one or two paragraph statement must demonstrate to your business plan reader that you have investigated your proposed market thoroughly. Like the financial aspect of your business plan, which focuses on cash flow, net income, and owner's equity, the market analysis projects numbers but analyzes them from a different perspective. Here your ultimate focus must remain on the customer.

#### MARKET ANALYSIS TABLE

Present the detailed target market analysis that you have conducted for your proposed new business venture. Be specific in developing a profile of the segments you are targeting and estimate the growth of each market segment over the five year time horizon. If you report exceptionally large percentage increases or decreases in any segment over the time period, be sure to explain both the causes of these changes as well as the impact on your business venture.

An explanation of each target market segment is included in the "Market Segmentation" section of the software. The more specifically you can describe each market segment, the better you will understand why each segment is important and how the marketing strategies you have developed will succeed.

#### TARGET MARKET SEGMENT STRATEGY

Chapters 6, 7, and 8 will contribute to defining the appropriate strategies for each segment which you have identified and defined. Locating a market segment is only part of the picture; now you must demonstrate the methods or techniques you will utilize to effectively reach your target customers.

"The Section Conclusion" should tie the marketing plan and its strategies together.

## THE BUSINESS YOU'RE IN

In this section write a detailed explanation of the economic and competitive environment your business faces. If other external factors such as the political or legal/regulatory environment are important, include a detailed description of the interaction of all relevant factors and their potential impact on the economic viability of the venture.

## SERVICE BUSINESS ANALYSIS

If your venture is a service business, or if services are an important part of the new venture, be sure to describe how your company will set apart its service offerings to gain a competitive advantage over competitors.

## FACTORS OF COMPETITION

Always critical, this section must include a detailed and thorough discussion and analysis of each of the current and potential competitors. There is no substitute for this level of depth of analysis. The business plan must demonstrate that you have evaluated this critical factor and can identify, in realistic terms, how your business will successfully compete. Know why customers make purchasing decisions and how your proposed venture can gain their business. Be honest as you describe your competitors' strengths and weaknesses. Discuss the customer appeal, pricing, advertising, services of competitors' products and services.

## YOUR SALES FORECAST/SALES STRATEGY

The focus of this section is on how you plan to sell your product/services. Again, it is very specific.

What are the key features that the sales presentation will form upon?

do you know how to qualify the buyer in the market?

how will you evaluate the buyer specific needs?

what are the signs that the buyer is interested?

And very important, how do you close the sale?

Every business is unique, and the sales strategy must be tailored to the relationship between the buyer's needs/wants and the key features of the products/services you are offering.

## SALES FORECAST TABLE

Complete this table and be sure that your sales forecast and the cost of sales are as accurate as possible.

## EXPLAIN SALES FORECAST

This is the narrative that explains the numbers in the Sales Forecast Table. Be sure that you include the assumptions on which you have developed your sales forecast. Explain why your sales are projected to increase or decrease over time. Include key events that may impact your sales and how and why they were included in your sales forecast. For example, if you know that the I believe Winter Olympics should be capitalized. Will be held in your area within the next four years /and you just happen to be selling hot chocolate near the slopes/ it is perfectly acceptable to include this in your sales forecast and accompanying narrative.

Finally, when you evaluate your numbers, and the assumptions that support them, are they realistic? Developing financial forecasts using published statistics from sources such as RMA Annual Statement Studies, market research, industry studies, and other sources lends credibility to your plan.

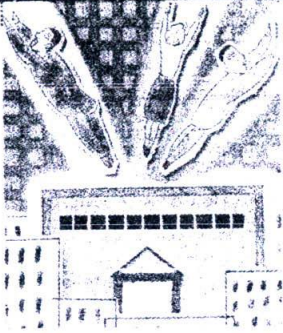
## YOUR MARKETING PLAN

### Competitive Edge

As with all components of the business plan—be detail oriented. Do not make a statement about your competitive edge that is simply a generalization and without an explanation of the strategies you will use to create this advantage. Incorporate material from your marketing and sales plan that will show how these strategic advantages will result in the number of customers you forecast.

### MARKETING STRATEGY SUMMARY

A marketing strategy should present a clear link to generate sales revenue. Never assume that anything is obvious to the reader; spell it out with the use of detailed analysis and explanation of all assumptions on which the analysis rests. Your company's pricing, product, distribution, and promotion plans together should produce a unified marketing strategy.



1. Interview the owner of a local restaurant about its marketing strategy. From how large a geographic region does the restaurant draw its clientele? What is the firm's target market? What are its characteristics? Does the restaurant have a competitive edge?
2. Select a local small manufacturing operation and evaluate its primary product. What stage of the product life cycle is it in? What channels of distribution does the product follow after leaving the manufacturer?
3. Visit the Web site for the Small Business Administration's "Marketing Mall" at [www.onlinewbc.gov/docs/market](http://www.onlinewbc.gov/docs/market). Interview a local business owner, using the resources there as a guide. What sources for developing a competitive edge did you find? What weaknesses do you see? How do you recommend overcoming them? What recommendations can you make to help the owner make better use of its marketing techniques? Evaluate the business's approach to the four Ps of marketing. What guerrilla marketing strategies can you suggest to enhance current marketing efforts?
4. Contact three local small business owners and ask them about their marketing strategies. How have they achieved a competitive edge? Develop a series of questions to judge the sources of their competitive edge—a focus on the customer, devotion to quality, attention to convenience, concentration on innovation, dedication to service, and emphasis on speed. How do the businesses compare?
5. Select three local businesses (one large and two small) and play the role of "mystery shopper." How easy was it to do business with each company? How would you rate their service, quality, and convenience? Were salespeople helpful and friendly? Did they handle transactions professionally and courteously? How would you rate the business's appearance? How would you describe each company's competitive advantage? What future would you predict for each company? Prepare a brief report for your class on your findings and conclusions.