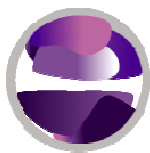
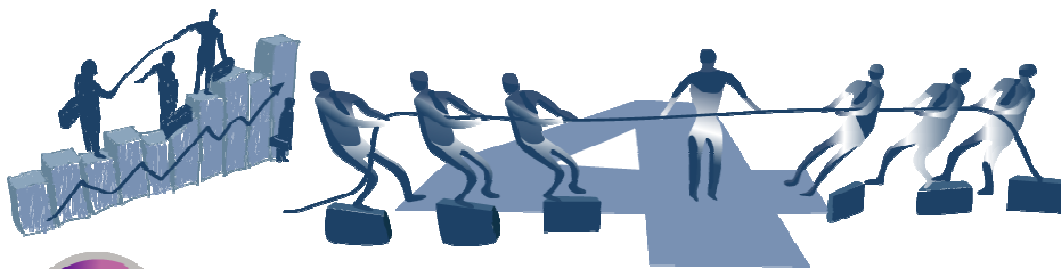


Marketing 4 Results Ltd

Helping To Develop Your Business With Proven Marketing Strategies

In This Issue:

*Marketing and Selling:
The Need to Plan*



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Marketing and Selling

⇒ *Increasing revenues with market planning*

Overview

Marketing and selling are both about adopting the right approach to three distinct challenges. First, finding potential customers: new customers who do not currently buy your product from anyone. Second, capturing customers from rivals, while keeping your existing clients from defecting to competitors. Third, fighting for the best possible share of business from customers, who are not exclusively with you or anyone else.

To achieve this, several factors are essential:

- ◆ Researching and developing the **product**, to ensure that it meets a clearly defined need and target market.
- ◆ **Pricing** the product competitively.
- ◆ **Placing** the product (or information about the product) to attract target customers, and ensuring that the product is in the right place at the right time to be sold.
- ◆ **Promoting** the product so customers understand its benefits and are persuaded to buy. Selecting the right media and the best message are both critical.

These four factors form the **marketing mix** (also known as the 4Ps), forming the basis for effective marketing and selling. Each of these four factors closely inter-relate and affect each other. Within these four aspects of marketing, there are considerable variations, which determine how each factor is applied to separate and distinct markets and products.

Benefits of market planning

Marketing plans are vital for business success for several reasons. Obviously, when they succeed they increase both sales volumes and revenues in the short and long-term, but they do this in interesting and far-reaching ways. For example, they may be applied to launch a new product, to enter a new market with an existing product or to slow the decline of a specific product.

They help to develop the strength and value of a brand, to match, deter or demolish competitors and to build customer loyalty. Effective marketing plans also inform the way the business is structured, the products and value proposition that is offered, the type of employees that are recruited and the way people are developed and managed.

Marketing relies on many things, but the most significant are understanding your customers, monitoring the effectiveness of your plan – whether it is achieving its objectives – and continuously refining and improving your activities.

Action checklist: preparing and implementing a marketing plan

Developing a successful marketing plan requires careful consideration of the following issues:

- ◆ Segment the target market.
- ◆ Understand the product.
- ◆ Understand what customers want.
- ◆ Know your competition.
- ◆ Differentiate your product.
- ◆ Decide your pricing strategy.
- ◆ Sell.

As with any plan, it needs to be as clear and simple as possible. This also needs to be reflected in the sales approach, which has to be straightforward for customers and it has to remove any obstacles to actually making the sale. The plan needs to be maintained and updated as an active tool: it can help in managing the budget, analysing responses and refining the effectiveness of the organisation's marketing activities.

Segment the market

Market segmentation involves methods of analysing groups of current and potential customers. It is valuable for understanding the organisation and composition of the market: analysing market information, developing the effectiveness of marketing plans and targeting potential customers.

Market segmentation is essential when developing product and marketing strategies.

Segmentation needs to be focused: the larger a segment is the greater the danger that it will lose value. The value of segmentation lies in highlighting differences and specific characteristics: this requires clarity and insight. Segmentation should also be as simple as possible, by avoiding unnecessary complications and making certain that decisions and views are rational and can be clearly communicated. Segmentation also needs certainty – it is tempting to jump to conclusions or make assumptions about segments based on one's own specific experience, background or even prejudice. However, these can often be mistaken and a key element in successful segmentation is analysis: not only understanding *how* something is but *why* it is that way, with hard evidence and facts to support these views.

Understand what customers want – and how the product benefits customers

It is vital to accurately match the product to the needs of the customer, as this underpins the whole marketing plan. For example, if the product has a niche market then this needs to be clearly understood when making decisions about pricing or sales methods. Furthermore, a detailed knowledge of the product or service, combined with an understanding of what the business does, is vital for successfully

selling the product. This understanding guides decisions and initiatives affecting sales and helps match the product to the right market.

Techniques that can help you to understand customers include **market research**. This can be either formal (using detailed surveys or desk research) or informal. Often a simple discussion with current or potential customers is helpful when devising the marketing plan. Also, consider completing a **feature/benefit analysis**. The features of the product or service are the attributes that it possesses. For example, a computer may have a top of the range internal modem and the latest processor chip, and these are useful in turning people's heads and getting attention. However, it is the *benefits* for the customer that will result in the sale: the fact that connection to other networks is quicker and processing time is faster. Knowing what product benefits can be turned into valued and popular features is necessary for developing a sales message that will appeal to customers and will work.

Know your competition and differentiate your product

Understanding the competition – what they have done, currently offer and may do in the future – should influence the development and execution of the marketing plan. This is because success is relative: however effective the marketing plans are, if they are inferior to their competitors' actions then their value is severely reduced. Two general techniques are useful when considering competitiveness. First, consider the competitor's weaknesses in relation to the market and how these might be exploited. In particular, focusing on the unique selling propositions attached to your product will help to drive the marketing and sales methods and message. Second, plan how to limit the competitor's room for manoeuvre and plan what your fallback position might be in the event of competition intensifying.

Determine your pricing strategy

Pricing needs to be consistent, competitive and reasonable in the eyes of the customer. It is important to consider not only how much will be charged but other issues such as when prices might change, what discounts to offer, how competitive the price is and how customers (and distributors) can be given incentives to keep buying.

Pricing strategies include **loss leading**, where a product is sold at less than cost to remove competitors or establish market share. **Penetration pricing** combines a very low price (usually just above break-even) with determined marketing activities that rapidly establish profitability. Once established in a market – and especially for products in a mature market, **barrier pricing** can be used to reduce prices to deter or remove new entrants to the market.

Consider whether **price differentiation** is feasible – this can be a very useful technique and involves charging variable prices for the same product in different markets, according to what customers are willing to pay. Common techniques include **target or average cost pricing**, with the price resulting from a calculation of total costs and the desired profit margin, and then dividing this total by likely sales volumes to set a base price. **Skimming** is when a premium price is charged for top quality versions of an established product; this technique relies on a market need for a top quality version, otherwise the brand may be seen as out of touch with customers and weak or even desperate. **Marginal cost pricing** is also popular in certain sectors and reflects the extra cost of supplying one extra item to the customer, while **variable pricing** involves reducing prices to stimulate business and sometimes

even raising them to deter business (for example, if production capacity is full). Finally, **customary pricing** is when the same price is charged but the contents of the package are reduced.

Clearly, there is much more to pricing than top-down views of the market or bottom-up calculations of cost. When setting a price, remember that customers' perceptions are critical. How will they respond? Have all the likely responses from customers and competitors (current and potential) been considered? Pricing strategies need to be consistent to avoid confusion or resentment, and this means thoroughly understanding the competitive position and other market and economic issues. Finally, remember that price is a tool that can be used to reinforce other areas of business strategy, including brand development and customer loyalty.

Thoroughness and boldness are vital for selling: remember, a sale is only completed when the customer has paid. This requires tenacity and attention to detail, and in the complexity of moving on to the next sale the danger is always that this rule will be overlooked.

Increase sales revenues

The key to selling successfully is to develop an individual, personal approach that is bold, clear and sincere, using the sales person's individual skills and abilities. The salesperson therefore needs to develop their sales style. First, selling needs to be powerful and persuasive – this can involve

highlighting the benefits as well as the risks involved in not buying. Selling should also be ethical, by avoiding practices that customers consider unwelcome and by maintaining high standards of professionalism. This is because customers expect to be treated well. This fact is often overlooked. Selling requires attentiveness and sincerity, or at the very least the ability to understand what the customer wants and to be able to relate to them. Without professionalism and communication, the task of selling can become much harder, if not impossible.

Also, innovation is important when selling: this requires an approach that sets the product apart from its competitors and is relevant to the needs of the market. A fresh, innovative approach will interest and motivate potential customers. Above all, sales methods need to be appropriate to the market and the product.

Sales techniques that are particularly powerful include **direct selling** in the form of key account management, telephone selling and sales representatives, who generate or follow up sales leads. The benefits include dealing directly with customers in such a way that provides information, control and flexibility. Also, costs can be controlled, as employees can be paid on commission, according to results.

Database and direct mail marketing enables customers to be directly targeted with sales information and promotions with the greatest appeal. Also, offers can be selectively targeted, markets can be tested to ensure maximum cost-effectiveness and information can be built up about customers' preferences and habits. However, the need to ensure that customers value (rather than dismiss or resent) your communications are essential. **Special offers** are good for launching new products, as well as regenerating interest in established ones. They also provide a means of direct selling, as well as market testing products and gathering detailed market intelligence. Offers should be genuinely appealing, but success may be short-lived if customers are only interested because of the offer. They also need to be carefully

planned: they can reduce profitability. **Internet selling** appeals both to corporate and domestic markets. It is relatively easy, low cost, universal and international. However, targeting the right customers can be difficult: links with other sites where potential customers may go is vital. Also, consider the potential of other activities such as network marketing (a person selling to their network of contacts); public relations to raise awareness of the product, sponsorship, and trade fairs.

Gain and maintain the loyalty and trust of customers

To do this:

- ◆ View the situation from the customer's perspective.
- ◆ Make your commitments and stick to them.
- ◆ Avoid basing decisions about customers on assumptions. Sustain a productive dialogue with customers as this provides greater insights of a higher quality.
- ◆ Share information and insights about customers throughout the organisation, as this helps to co-ordinate activities and decisions. After all, success is much more likely if decisions are based on the same information and perceptions. Also, discussions with colleagues and others involved in key decisions (such as agents) can be invaluable in ensuring success.
- ◆ Highlight the product's benefits, not simply its features, and highlight where it *genuinely* compares favourably to competitors.
- ◆ Build the customer's loyalty to your business and respect for your brand. If there is something about your business that appeals to customers, then find this and develop it. Customers will then be much easier to keep.
- ◆ Consider using a range of incentives to close the deal that customers actually value, such as discounts or easier payment terms.
- ◆ Compete by developing uniqueness: either unique insights into customer needs that competitors do not possess or innovative features in the product or sales process that are distinctive and popular – or both.
- ◆ Act quickly and decisively to impress or reassure customers. Hesitation, for whatever reason, may be interpreted as a lack of concern.

Above all: when you are making changes or something goes wrong, tell customers what is going on.

Avoiding problems

Marketing problems can be avoided by constantly working to understand customers: what they want and they value. In fact, if customers are not put at the centre of the way the business operates – meaning that the whole organisation is geared to serving customers – then severe problems and missed opportunities will inevitably arise. To avoid problems with sales and marketing:

- ◆ Decide where your marketing priorities lie: for example, is it attracting new customers, retaining existing ones, selling more to current customers, taking market share from a competitor or something else.

- ◆ Keep in close touch with customers, developing products, enhancing service and anticipating their needs as far as possible.
- ◆ Segment your markets to improve your understanding of – and focus on – customers.
- ◆ Ensure that pricing is competitive.
- ◆ Monitor competitors: what they are doing, why they appeal to customers and how you can improve your offer relative to them.
- ◆ Understand your product benefits and work ceaselessly to find the best ways to communicate these benefits.
- ◆ Monitor and measure marketing effectiveness: the amount of revenue generated for each sum spent.
- ◆ Be responsive to customers.
- ◆ Never forget to ask for an order, and remember that a sale is never made until the cash is received.

Dos and don'ts

Do:

- ◆ Ensure that segmentation is focused.
- ◆ Explain to colleagues about segmentation: how we decided on these segments and why they are significant.
- ◆ Manage the details of the marketing plan.
- ◆ Choose the best marketing activities for a reason, not simply because you have always done things that way. Be inventive and eye-catching.
- ◆ Appeal to customers' emotions and think *why* a customer would want to buy from you.
- ◆ Plan a customer management strategy for each segment. Knowing who our customers are and what they want should mean that we are now better able to take action to meet their needs.

Do not:

- ◆ Make assumptions about segments based on experience, background or even prejudice, preferring analysis instead.
- ◆ Ignore customers or treat them all the same.
- ◆ Pester or irritate customers.
- ◆ Fail to honour commitments or over promise – always keep your word.
- ◆ Forget to monitor marketing effectiveness and take appropriate action to improve it.
- ◆ Ignore market realities, such as competitor, economic or regulatory changes.

Key questions

- ◆ Are your market segments clearly focused and simple and do people understand your segmentation?
- ◆ Are customer needs researched and clearly understood when making sales decisions? Could this be improved?

- ◆ Are competitors monitored and are marketing messages sufficiently differentiated?
- ◆ Does your organisation collect, analyse and use all of the available data? Is information kept up to date?
- ◆ Are customers contacted consistently and are senior managers actively involved?

Things you can do

Set objectives

These need to be realistic and time-focused, stating in overall terms the purpose of the plan and what it is intended to achieve. They should be based on current and future realities, including external market conditions as well as internal organisational factors. Objectives might typically include:

- ◆ Increasing revenue (turnover) to a specific amount by an agreed date.
- ◆ Generating a specific number of new accounts, or x% of revenue from new customers, again, by an agreed date.
- ◆ Setting targets for the number of customers (in real terms) that you will keep or the percentage of customers that will buy more than once.
- ◆ Another major area of focus for marketing plans is cross-selling: setting targets for the number of products a customer will buy. This is similar but subtly different to increasing the average revenue per client, which might also be an objective.

Of course, marketing plans can include multiple objectives (and many more besides the ones mentioned above), but the important points are: understanding where the focus for activity needs to lie; matching activities with objectives; measuring where you are now and how much progress you are making, and resourcing your plans. In particular, consider including:

- ◆ A market review – what the key market factors are and how these are being included in the plan.
- ◆ A market strategy – what the general approach is and how that will be translated into specific action.
- ◆ Targets for sales volumes, turnover and profitability.

Marketing plans need to combine innovation and an understanding of the overall approach with a keen eye for detail. Flexibility is also a valuable attribute: the ability to know when to refine, change or vary the approach.

Plan marketing activities

These need to be timed, researched and planned to ensure that they achieve the objectives as effectively as possible. This means selecting the most effective marketing technique. Also, consider how best to apply the technique to the product, and implement it effectively. For example, print and TV advertisements need to be visually

interesting, informative and appealing, whereas radio advertisements often 'paint a picture' or use a specific approach to capture the audience's interest and attention.

Budget for marketing expenditure

A simple rule is whatever the marketing budget is it is not enough. This is an inherently dangerous situation and the marketing budget is an essential tool for gauging progress and controlling profitability. It is usual for the budget to be set early so that it guides the techniques and methods used. If the plan succeeds then it can be extended; if the plan fails to perform then the solution is to realise this early (before the entire budget is spent) and consider altering your approach. This may mean, for example, keeping the message but changing the method.

Segment your markets and measure customer profitability

Segment your customer database and establish a process to continually update this market view. You should concentrate on analysing and identifying the most profitable customers; establishing criteria for segmenting customers in the future and assess the characteristics of each customer segment. When you segment your markets work hard to find ways to understand your customers: what they have in common with you and each other, as well as their differences. Discuss with colleagues how best to target initiatives at the most profitable customers and manage the least profitable customers. Also, find out how other businesses segment their customers.

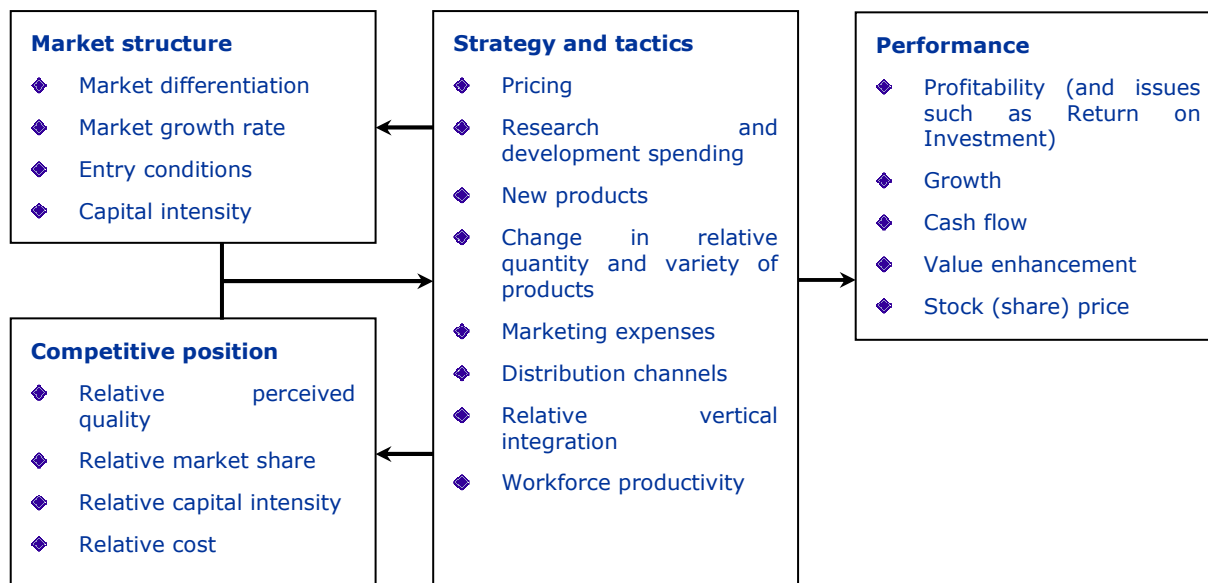
Analysing revenue and costs can measure customer profitability. Some of the most important issues to consider are:

- ◆ Revenue per customer
- ◆ Number of orders per customer
- ◆ Referrals from customers
- ◆ Reasons for not purchasing (or going to a competitor)
- ◆ Future needs and likely volume and value of purchases
- ◆ Cost per customer (cost of sale, as well as total cost per customer)
- ◆ Cost per order
- ◆ Cost of retaining customers (cost of loyalty programmes and special offers)
- ◆ Cost of acquiring a new customer
- ◆ Likely (or target) growth and future cost implications

Finally, tell people about the results of this segmentation and use these insights to improve general awareness and understanding of customers.

Understand the issues affecting the success of your marketing strategy

It can be argued that three principal factors determine an organisation's commercial performance: their business strategy, competitive position and market/industry characteristics. The diagram below is based on the *Profit Impact of Market Strategy (PIMS)* – a research study which assessed the key variables affecting profit and how they interrelate.



Points to note include:

- ◆ **Market structure** – the factors in the marketplace that influence the effectiveness of the organisation’s plans.
- ◆ The **competitive strength** of the organisation in the market relative to competitors.
- ◆ **Strategy and tactics**, the broad range of factors defining the organisation’s direction.
- ◆ **Performance** represented by measurable success criteria.

Linkages between market structure, competitive position, strategy and tactics are interdependent and affect performance. In particular, market share and profitability are closely related and most strategic factors that boost returns on investment also contribute to long-term shareholder value. Also, over time, the single most important factor affecting performance is product quality and the value proposition, relative to competitors’. Market leaders command higher prices and maintain their leadership position by providing products that are superior relative to those offered by their competitors.

Further action

Use the following table to identify areas for further development.

Issue	Response	Further Action
Develop a competitor database so you understand your competitors’ weaknesses and strengths. As well as informing people of your sales plan, relevant information should also be communicated to everyone dealing with customers, so		

they know why your products are preferable.		
Plan your approach from the buyer's perspective. If you can, test your understanding of the most important issues facing your customer.		
Create a sense of urgency, encouraging the customer to act now. This can be achieved by demonstrating that conditions beyond the control of both of you are changing. Show how these changes may affect your customer, and indicate that you have a solution.		
Maintain and build your customer's interest by outlining the benefits that they will gain. When meeting customers, check that these are regarded as benefits and that their worth is appreciated. Link the benefits logically to prove that if one is achieved then the others will follow, and show that the final benefit in your chain of logic is the customer's key objective.		
Issue	Response	Further Action
Tell your customer all that they need to know about your product, in sufficient detail.		
Do you always ensure that you ask your customers for the order – clearly and simply?		
Ensure that people across the business co-operate.		
Find ways to build a sales culture that generates increased revenues.		
Ensure that customer information regularly flows to everyone in the team, and allow people the opportunity to comment. This may elicit ideas for improvement or suggestions for ways in		

which you can build on successes.		
Do you review and learn from the effectiveness of past sales and marketing techniques?		

**For Further Information On How To Grow your
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