

Basics of Marketing for Small Businesses and Entrepreneurs

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Marketing is the process by which a product or service is conveyed from the producer to the customer. For your business to be profitable—indeed, in order to have any money at all coming in—someone must buy your output. The issues discussed here apply to all types of marketing situations, from those of the product manufacturer who is selling to wholesalers to those who are selling a service. For the sake of simplicity, I will refer to the specific thing offered for sale, be it a product or service, wholesale or retail, as the market offering.

While there are, of course, differences facing any particular business in a specific situation, the following general principles are applicable across situations. A complete discussion of the complexities and issues surrounding marketing is beyond the scope of this publication, but the interested reader could consult the additional reading sources listed as references. Rather than consider specific types of marketing activities that may be appropriate to a given situation (promotional campaigns, market research, pricing decisions), my purpose here is to explain some of the key issues that confront anyone who wants to market a product or service.

Step 1: Understand the customer

A major key to successful marketing is understanding the marketing concept. Although a variety of different definitions have been offered, a widely accepted one is:

“The marketing concept holds that the key to achieving organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.”

This marketing concept suggests that a business will be profitable to the extent that the marketer is able to understand and successfully meet the needs and wants of the actual or potential customers. Customers buy the market offerings that they feel will best meet their needs. To be profitable, a business has to develop and market products and/or services that meet those needs. Businesses that achieve this goal will have sufficient customers and those that fail will not. In the long run, if your customers are not better satisfied by the product or service that you offer than by those of your competitors, you will not be in business. To effectively market, you must understand your customers’ wants, needs and perceptions.

The marketing concept is what differentiates marketing from selling. As Theodore Levitt put it in his classic article in *Harvard Business Review*, “Marketing Myopia”:

“Selling focuses on the needs of the seller, marketing focuses on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash, marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and, finally, consuming it.”

The marketing concept maintains that the starting point for good marketing, whether it be for a service or a product, is to understand the situation from the perspective of the customer. To appreciate the customer’s view of your business and your market offering, you need to appreciate several factors.

First, many of your customers or potential customers view anything offered by a business with a good deal of suspicion. They have been bombarded for years with advertising and other promotions offering deals that are “too good to be true” and they have often been dissatisfied with products or services they purchased. They have a healthy

skepticism about any new product, service or business and will frequently refuse to believe evidence you consider undeniable. Based on their past experiences, they are careful about buying anything that they are not familiar with, and they may be quite resistant to any promotional efforts you use to try to convince them otherwise.

A second factor is that your potential customer's perceptions and knowledge about the product or service is probably substantially different from your own. As a specialist in your area of business, you know a lot more about what's good and what's bad, what's going on in the industry and so on. Your customers are probably unaware of differences in design, materials, product features and manufacturers. Additionally, their perceptions are influenced by information from a variety of sources including other businesses, sales people, their friends and relatives, the media and advertisements. Some of the information, correct or otherwise, may not agree with what you're telling them and they may be less likely to trust you because they know that you're trying to sell them something.

A third point is that not all of your customers or potential customers are looking for the same thing. We describe this as "different market segments." Consider the example of restaurants. There are differences in what individuals want in a place to eat at a particular time or on a particular occasion. Some are looking for the most food at the best price, some are looking for fast service, some are looking for a specific type of atmosphere and some seek a special type of cuisine. Not all of these potential customers are going to be satisfied by the same restaurant. Because of these differences among customers, it is possible for several different types of restaurants to

exist relatively close to each other. Each caters to a different type of customer with different preferences. The restaurants that meet the needs of large enough segments will be profitable. Restaurants that don't meet the needs of enough customers better than their competition does will soon be out of business.

The segment of the market for which you design your offering is known as your target market. The starting point for successfully marketing your offering is to make sure that you provide something that is appealing to your target market, and that this group is large enough to support your business. Not only does your offering have to appeal to one or more segments of the market, it has to do so more effectively than the offerings of competitive businesses.

If the foregoing discussion seems predominantly negative, that's because there are major challenges associated with the introduction of a new product or service. The truth is that even Fortune 500 corporations with large marketing budgets and access to state-of-the-art research are often unsuccessful in their attempts to introduce new products. New products and services are inherently risky and there is no guarantee of success, even for well established and historically successful businesses. But the picture is not totally bleak. There are many examples of situations where small, innovative newcomers have been successful in marketing their offerings—sometimes wildly successful. In most of these cases, the success can be attributed to the ability of the entrepreneur to understand the perspective the customer brings to the transaction.

Step 2: Create value for your customer

A successful marketing effort requires a market offering that

creates value for the customers. This is where understanding the wants, needs and perceptions of your customers is critical. Customers buy to increase their well being. The best way to appreciate this is to imagine the thought processes of a customer considering a purchase. Customers considering a particular product or service will compare the want and need satisfaction potential of the market offering to the want and need satisfaction potential of other uses of their money. They are more likely to buy your offering if they perceive (correctly or incorrectly) that what you are offering is going to meet their needs and wants better than whatever else they might buy.

Accordingly, to get the sale, you must convince them that you can better meet their needs. This is called your competitive advantage. A competitive advantage is some aspect of your market offering that makes it different from those of competitors, and identifies the superior value that it contains. Unfortunately, this is an exceedingly complex issue. There are many dimensions on which the customer will evaluate your offering, and different customers will have different ideas about what is important. Fortunately, each of these dimensions reveals a possible differentiation factor on which a marketer can establish superiority for a particular offering. These factors might include the following:

- Product or service features
- Social skills of employees
- Price
- Credit or payment terms
- Image of product or seller
- Service, before or after sale
- Location
- Convenience
- Atmosphere of store

To create a successful marketing effort, you must develop a market offering that provides value to the customer that is superior to the offerings of your competition. This means that you must differentiate your offering on one or more dimensions from those of competitors. Further, the dimensions that you choose to differentiate on have to be significant to your particular target markets. Because target markets differ in what's important, many combinations can be successful. Consider the market for personal computers. Some computer businesses provide demonstrations, extensive inventory, set-up service, training, software and service after the sale. Others sell hardware through mail order and compete mainly on the basis of price. There is room in the market for both, since different segments of the computer market have different needs.

The important point is that you need to develop a market offering, be it product or service, that can be differentiated from those of competitors. And there must be sufficient customers for whom the differentiating factors are important enough that they will view your offering as a superior value when comparing it to your competitors' offerings.

Step 3: Communicate your value to your target market

Once you have created a differentiated market offering which provides superior value to your selected target markets, the next step is communication. The key problem here is to present your market offering in such a way that your target customers perceive the superior value that you are offering. Unfortunately, this is often difficult, particularly for new and different products or services. Americans are constantly bombarded with persuasive messages

telling us about the vast selection of products and services that we can buy. Over 100 billion dollars is spent yearly on advertising in America. This doesn't even include the massive amounts of money spent on sales people, brochures, coupons, rebates, games and sweepstakes, and on public relations efforts. The ultimate goal of all this is simply to get customers to buy particular market offerings.

Understandably, the public has responded to these massive attempts to persuade by becoming less aware of, less interested in and less responsive to persuasive efforts. Think back to the last hour of prime time television you watched. How many products can you recall being advertised during that hour? If you are like most people, you can probably recall one or two that struck you for one reason or another. The fact is that you probably saw somewhere between 15 and 20 different ads. Overall, only about 5 percent of people who see an ad remember it. The other 95 percent can't even recall seeing the ad (although there is some evidence that recalling an ad is not necessarily the best measure of the ad's effectiveness).

Given the mass of persuasive attempts that are being made to capture customers, and the relative indifference of most customers to most of these attempts, communicating your superior value is a difficult task. While the intricacies of promotion are beyond the scope of this discussion, there are several rules of thumb that bear mentioning.

1. Everything you do communicates

Customers and potential customers will draw conclusions about you and your market offering from everything they know about you. The way you look, the atmosphere of your business, the attitudes of your employees, the packaging and

design of your products and any promotional material will influence their perceptions. It is critical that these various elements communicate the same basic message.

2. Word of mouth is critical

Studies of the importance of different types of information sources on purchase decisions routinely show that buyers identify word of mouth as the most important. Other studies have shown that satisfied customers will convey their satisfaction to about a third as many people as dissatisfied customers will. There are many examples of companies that have built successful businesses on the basis of favorable word of mouth reputations. This underscores the importance of providing superior value, which in turn, creates satisfied customers.

3. You never get a second chance to make a first impression

Because of the tremendous number of businesses and the massive promotional efforts, customers are not likely to spend much time or effort trying to understand your market offering. If they are turned off by their first contact, your chances of changing their minds are slim.

4. Publicity is important

For most small and new businesses, editorial coverage (newspaper stories, magazine articles, television news coverage, product reviews, etc.) has a significantly greater impact on sales than an equivalent amount of advertising. Customers are less likely to ignore and more likely to believe media content compared to advertising. Additionally, media coverage of this type is often free, although the business has little control over what's said about their offering.

5. Keep it simple

Given the massive clutter in the promotional environment, and the

resulting indifference of much of the audience, complex messages tend to get lost in the background noise. Effective marketing requires a message that can be communicated clearly and simply to the target market. If you can't explain why your offering is superior to those of competitors in a sentence or two, it'll be difficult to get the target market to pay attention long enough to sell them.

The point of all this is that it's not enough to have what you think is a superior market offering. You must convince your target market. Given the native skepticism of your potential customers and the large number of competitors trying to accomplish the same objective, this can be a major stumbling block.

Step 4: Make it easy for the customer to buy

Now that you've understood the wants and needs of your customer, created a market offering that satisfies those needs and creates value, and then communicated the essentials of that offering to the market, the remaining step is to make it as easy as possible for the market to buy. Studies of mail order businesses have demonstrated that those that have an 800 number and accept credit cards generate substantially more sales than those that don't. While the specifics depend on the particular situation, the general principle works for all businesses. The easier you make it for your customers to buy, the more likely they are to buy.

Depending on the situation, making it easy to buy might in-

clude any or all of the following strategies:

- Setting hours of operation that are convenient for customers
- Making credit readily available
- Selecting convenient locations (for retailers)
- Finding good retail outlets (for manufacturers)
- Delivering products to customers in a reasonable and timely manner

Step 5: Create a long-term relationship

Now, if you've successfully worked your way through the first four steps of the marketing process, you're in a position to achieve the best possible situation—a long term relationship with a satisfied customer. This is the key to a profitable business. It is difficult to attract a new set of customers every time you want to sell something. Loyal, repeat customers will provide a

solid base for your business and provide a steady stream of revenue. Whenever possible, you should think of how you can turn a first time customer into a repeat buyer.

It is well worth taking time to assess the satisfaction of your customers. Many may have minor complaints (often too minor to mention) that you can easily resolve. Studies suggest that there is a "rebound effect" that occurs when you find and solve a customer problem. Rather than blaming you for the problem, customers are likely to respond to the attention by feeling even more positive about you than those who never had a problem.

At a minimum, you should be keeping a data base (even if it's only on 3x5 cards) of your customers and trying to stay in touch and provide special opportunities and attention to your best customers, because they will be the lifeblood of your business.

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