PART 3
Developing the New Venture
Business Plan
What is Small Business Marketing?

Small Business Marketing

Business activities that direct the creation, development, and delivery of a bundle of satisfaction from the creator to the targeted user and that satisfy the targeted user.

Small Business Marketing Activities

1. Identification of the target market
2. Determining target market’s potential
3. Preparing, communicating, and delivering a bundle of satisfaction to the target market
Another Definition

There is only one valid definition of business purpose: to create a satisfied customer. It is the customer who determines what the business is. Because its purpose is to create a customer, any business has two – and only two – basic functions: marketing and innovation

Peter Drucker, 1954
Changes in Marketing over 50 years?

- Companies used to “decide” upon combinations of marketing mixes (not the customer)
- Today often the customer “decides” and “chooses” most appropriate combination

Marketing Philosophies Make a Difference

• **Production-Oriented**
  - Emphasizes development of the product and production efficiencies over other activities.

• **Sales-Oriented**
  - Favors product sales over production efficiencies and customer preferences.

• **Consumer-Oriented - The Right Choice**
  - All marketing efforts begin and end with customers
  - The focus is on consumers’ needs, which is most consistent with long-term success of the firm.
Exhibit 7.2  The Marketing Plan and Supporting Marketing Activities

The Marketing Plan
- Market Analysis
- The Competition
- Marketing Strategy
  - Product/Service
  - Distribution
  - Promotion
  - Pricing

Most Detailed Section of the Marketing Plan
Marketing Research Activities

Market Analysis
- Evaluation Process
- Marketing Research
- Market Segmentation
- Sales Forecasting

Entrepreneur
Target Market

Develop Marketing Mix
- Distribution
- Promotion
- Pricing
- Product

Entrepreneur
Target Market
The Nature of Marketing Research

Steps In the Marketing Research Process

1. Identifying the informational need
   - Why do we need to know this?
2. Searching for secondary data
   - Who has researched this topic already?
3. Collecting primary data
   - Who do we ask and what do we ask them?
4. Interpreting the data
   - Got the information, now what does it mean?
Interpreting Data Collected . . .

“He uses statistics as a drunken man uses lamp-posts . . . for support rather than illumination”

Andrew Lang - Scottish author (1844 - 1912)

Be careful that your research does not simply support your assumptions – learn from it instead
Methods for Collecting Primary Data

• Observational Methods
  ➢ Human
  ➢ Mechanical

• Questioning Methods
  ➢ Surveys
    ➢ Mail
    ➢ Telephone
  ➢ Personal interviews
  ➢ Experiments

Which would you use? Why?
Market Segmentation (Customer profiles)

- A description of potential customers (a target market)
- Description must be “measurable”
- For consumer or industrial markets (see handout)
  - Demographic
  - Geographic
  - Psychographic
  - Benefit/ End Use
Segmentation

Demographic
- Personal Characteristics
  - Age, Race, Gender, Hair Color, Height, Weight, Income, Home Owner

Geographic
- Physical Characteristics
  - MSA-metropolitan statistical area, City, State, Country, County,
    Climate, Terrain, Zip code

Psychographic
- Personal Attitudes
  - Golfers, Sports enthusiasts, Parents, Read types of magazine,
    Watch types of movies

Benefit & Volume Related
- Product use Aspects
  - Frequent user, occasional user, Re-order vs. First-time buy,
    Quantity vs. Single units
Exhibit 7.4  An Unsegmented Market Strategy

Target Everyone  
- Use One Mix

Changes Therapeutic Practices

Marketing Mix 1
Product: Therapeutic Massage  
Promotion: Event Sponsorship  
Media: Mass Media by Event Organizer  

Market  
Children through 90-Year-Olds
Exhibit 7.5  A Multisegment Market Strategy

Changes Therapeutic Practices

Marketing Mix 1
- **Product:** Chair Massage
- **Promotion:** Health Fairs
- **Media:** Exhibit Booths and Brochures

Marketing Mix 2
- **Product:** Menthol Creams
- **Promotion:** School Advertisements
- **Media:** School Newspapers and Bulletin Boards

Marketing Mix 3
- **Product:** Therapeutic Massage Followed by Aromatherapy Oils
- **Promotion:** Workshops for Companies and Other Organizations
- **Media:** Brochures

3 Targets with a Distinct Mix for Each

- **Market Segment A:** Executives
- **Market Segment B:** Autistic Children
- **Market Segment C:** Workers Engaged in Strenuous Physical Activity
Exhibit 7.6  A Single-Segment Market Strategy

Changes Therapeutic Practices

Marketing Mix 1
Market: Teenagers
Promotion: School Advertisements and Web Site
Media: School Newspapers and Search Engines

3 Targets, but choose only one with a Distinct Mix

Product A
Natural Acne Medications

Product B
Stress Reduction Treatments

Product C
Yoga
Segmentation in Use

Short Video on Segmentation at Best Buy

Best Buy Segmentation

While watching this film, think about:

1. What are the 4 segments identified?
2. How does Best Buy use these segments?
3. How can you adapt this method for a small business? What would you do?
Think of a personal computer to buy…

As a consumer, what Can You Choose within each “P”?

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
</tr>
</thead>
</table>
| • Goods  
  • Service  
  • Features  
  • Accessories  
  • Packaging  
  • Instructions  
  • Warranty  
  • Branding  
  • Options | • List price  
  • Credit terms  
  • Allowances  
  • Flexibility  
  • Discounts | • Channel type  
  • Middlemen  
  • Market coverage  
  • Transport mode | • Objectives  
  • Advertising  
  • Personal selling  
  • Publicity  
  • Public relations  
  • Sales promotion  
  • Word of mouth |

Customer Selects from Alternatives

Individual Mix

- Product  
- Price  
- Promotion  
- Place
Cater to Different Types of Customers OR Show Dual Use of product/service

Show more than one customer benefits of your product/service …

- Mousetrap and Cheese

Appeal to your segments, separately

- “What’s in it for me?”
Competition? An exercise . . .

You have $500 to spend on a dinner – where will you go?

How about . . .
Beverly Hills

Hollywood

Pico Rivera
Competition? An exercise . . .

How about . . . 
Staples Center – Guest Services  
(213) 742-7-FAN

Candlelight Pavilion Dinner Theater 
(909) 626-1254

Remember: Substitute Products/Services
The Formal Marketing Plan

• Sales forecasts
  ➢ “Most likely,” “pessimistic,” and “optimistic”

• The Competition
  ➢ Profile of key management personnel
  ➢ Assess strengths and weaknesses
  ➢ Related products being marketed or tested
  ➢ Competitors’ entry into target market
  ➢ http://www.scip.org
  ➢ http://www.fuld.com/Tools/ (SCIP Founder)
Exhibit 7.7 Dimensions of Forecasting Difficulty

- Conditions That Make Forecasting Easier
  - Established Business
  - Experienced Entrepreneur/Manager
  - Entrepreneur Familiar with Forecasting Techniques

- Conditions That Make Forecasting More Difficult
  - New Venture
  - Limited Entrepreneurial/Managerial Experience
  - Poor Understanding of Forecasting Techniques
1. The Starting Point

- **Breakdown process (chain-ratio method)**
  - Forecasting begins with a macro-level variable and works down to the sales forecast (top-down).

- **Buildup process**
  - All potential buyers in various submarkets are identified and then the estimated demand is added up (bottom-up).
## EXAMPLE
### Sales Forecasting with the Breakdown Method

<table>
<thead>
<tr>
<th>Linking Variables</th>
<th>Sources</th>
<th>Estimating Values</th>
<th>Market Potential*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. State population</td>
<td>U.S. census of population</td>
<td></td>
<td>1,429,096</td>
</tr>
<tr>
<td>2. State population in target age category</td>
<td><em>Sales &amp; Marketing Management Survey of Buying Power</em></td>
<td>12%</td>
<td>171,492</td>
</tr>
<tr>
<td>3. Target age enrolled in colleges and universities</td>
<td><em>State Department of Education</em></td>
<td>30%</td>
<td>51,448</td>
</tr>
<tr>
<td>4. Target age college students preferring convenience over price</td>
<td><em>Student survey in a marketing research class</em></td>
<td>50%</td>
<td>25,724</td>
</tr>
<tr>
<td>5. Convenience-oriented students likely to purchase felt-tip pen within next month</td>
<td><em>Personal telephone interview by entrepreneur</em></td>
<td>75%</td>
<td>19,293</td>
</tr>
<tr>
<td>6. People who say they are likely to purchase who actually buy</td>
<td><em>Article in Journal of Consumer Research</em></td>
<td>35%</td>
<td>6,753</td>
</tr>
<tr>
<td>7. Average number of pens bought per year</td>
<td><em>Personal experience of entrepreneur</em></td>
<td>4</td>
<td>27,012</td>
</tr>
</tbody>
</table>

SALES FORECAST FOR STATE

*Figures in this column, for variables in rows 2-7, are derived by multiplying the percentage or number in the Estimating Value column by the amount on the previous line of the Market Potential column.*
2. The Predicting Variable
   • Direct Forecasting
     ➢ Use of sales as the predicting variable
   • Indirect Forecasting
     ➢ Use of related variables related to sales as proxies to project future sales
Follow instructions on the Project handout sheet
• Write ONLY in 1st person “I …” (Not “Mrs. Jones …”)
• Type input into text file, then edit your work for content
• Provide detailed responses – ask for more details

Look at Grading Rubric (on syllabus)
• Screen your own paper through the rubric (to maximize pts.)
• After editing again, please copy and paste into web form
• Verfiy that your project posted correctly