Marketing Plan - Outline

1) Analysis of Target Market and Profile of Target Customer
   a) **Customer Characteristics -**
   The segmentation variables I will look at are:
   b) **Customer Segment Characteristics –**

Segmentation Variable	How I will Define it

   c) **Number of Potential Customers**
      i) **Number of Potential Customers**
      Number of Potential customers (list mutually exclusive segments with appropriate numbers)
      ii) **How Many Will Buy From You**
      Number of Potential customers I expect to buy from me (list separate segments with appropriate numbers)
      iii) **Annual Average Customer Sales**
      Average sale per customer per year. (list mutually exclusive segments with appropriate numbers)
      iv) **Annual Sales Volume**
         (1) Best Case Scenario (original projections): $
         (2) Most Probable Scenario (Cut "best case scenario" in half): $
         (3) Worst Case Scenario (Cut your "most probable scenario" in half): $

2) Business and Marketing Strategies
   a) **Strategies Based on Business Orientation**

Lowest Cost	**Uniquely Distinguished**	**Individualized Focus**

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

b) Strategies Based on Positioning

Attack Rivals	**Build Barriers**	**Bundling**
Constant Innovation	**Cost Control**	**Empire Builder**
Focus on Revenue	**Niche Player**	**Quality Focus**
Satisfied Contender		

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

c) Strategies Based on Industry

Build Barriers	**Cost Control**	**Current Customers**
Empire Builder	**Fewer Bells and Whistles**	**Focus on Revenues**
Geographical Focus	**Go Global**	**Niche Player**
Quality Focus	**Specialist Focus**	

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

d) Strategies Based on Company Diversification

Offset Opportunities	**Profitability Focus**	**Empire Builder**
Brand Builder	**Quality Focus**	**Do One Thing Well**

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

e) **Identify Basic Marketing Strategy**

Non-Segmented	**Multi-Segmented**
Single-Segmented	**Individualized**

Key issues and emphasis: To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

3) Combined Strategy Statements and Customer Appeal
   a) **Strategy Statements**
      i) **Business Orientation strategy:**
      ii) **Positioning Strategy:**
      iii) **Industry Strategy:**
      iv) **Company Diversification Strategy:**
      v) **Segmentation Strategy:**
   b) **Customer Appeal**
      i) **Appeal**
      ii) **Implementation –Emphasis for each of the marketing mix elements**
         (1) **Product**
         (2) **Price**
         (3) **Promotion**
         (4) **Distribution**

4) Sales System
   a) **Selling skills**
   b) **Type of sales**
   c) **Selling Methods**
      i) **How**.
      ii) **Frequency**
   d) **Sales Compensation**

5) Distribution Channels
   a) **Distribution Channels (Describe)**
   b) **Distribution Channel Conflicts**

6) Sales Promotion and Advertising
   a) **Marketing Tools (check)**

	Airplane flyers (exhaust messages, flying banners)
	Audio (cassette tapes, CD-ROMS)

	Awards (plaques, trophies, certificates)
	Blimps
	Contests
	Direct Mail (ADVO, flyers, bulk rate, reply-card packs, throw-aways)
	Directories (association directories, professional directories, industry directories, book of lists)
	Door hangers (circular door hangers, flyers on windshields)
	Educational events (seminars, training sessions, workshops, informational meetings)
	Internet (banner ads, chat groups, discussion lists, home page)
	Journals (academic journals, industry journals, association journals)
	Magazines (popular magazines, business magazines, hobby magazines, special interest magazines)
	Movie tie-ins (tie-ins with movie promotions, theatre advertising)
	Newsletters (general interest, subscription, special interest, employee, political party, association, non-profit organizations)
	Newspapers (local, regional, neighborhood, national, international, daily, Sunday editions, weekly, classified, insert, special reports)
	Outdoor display (billboards, bus stops, building murals, street banners)
	Personal contact (customer service personnel, maintenance and repair personnel)
	Point-of-purchase (displays, signage, hand-outs, in-store banners)
	Promotional give-aways (magnets, calendars, paper pads, letter openers, pens)
	Public transit providers (bus tear-offs, train tear-offs)
	Radio (AM, FM, news stations, talk radio, music stations, public service announcements)
	Reports (annual reports, quarterly reports, monthly reports)
	Sales literature (brochures, product/ company catalogs, information booklets)
	Sidewalk sandwich boards, hand-held signs
	Sports events (sponsorship of non-professional teams, stadium/arena signage)
	Telemarketing (telephone canvassing, facsimile, telephone operators)
	Telephone directories (yellow pages, white pages, ethnic-specific directories, business-to-business yellow pages)
	Trade shows (trade shows, county fairs, national fairs, state fairs, exhibitions)
	TV (local, national, network, cable, satellite, public service announcements)
	Videos (infomercials, distribution systems)

b) Budget

Specify for each of the above-selected activities (in the following table)

c) **Timing**
List the timing issues for placing the chosen marketing tools (in the following table).

d) **Advertising Message -** state “recognition” or “buy now” - (in the following table)

Marketing Tool	**Budget ($)**	**Frequency**	**Timing**	**Message**

7) Pricing Strategies

a) **Pricing Strategies**
   i) **Overall Pricing Strategy**
   ii) **Pricing Range**
      (1) **Lower Limit**
      (2) **Upper Limit**
   iii) **Payment Methods**
   iv) **Price List**

b) **Open Account**

c) **Discounts**
   i) **Volume Discounts**
   ii) **Use-quantity**
   iii) **Bundling discounts**

Marketing Plan

1. *Analysis of Target Market and Profile of Target Customer*

a) **Customer Characteristics** - Identify ALL customer segmentation variables that you feel may be relevant to your business. At this point you need to identify which type of segmentation variables you consider to be important when identifying your customer base. Please consider this as a starter list - you may need to add your own segmentation variables that might be specific to your business type or industry. You also may wish to identify more than one customer base, each with its own set of segmentation variables. As an example, if you sell retail to consumers and wholesale to retailers, you will have two distinct sets of segmentation variables.

Segmentation for Consumer Products or Services		
Basis	**Segmentation Variables**	**Often Used Definition**
Demographic	Age	Under 5; 5 to 9; 10 to 14; 15 to 19; 20 to 24; 25 to 29; 30 to 34; 35 to 39; 40 to 44; 45 to 49; 50 to 54; 55 to 59; 60 to 64; 65 to 74; 74 to 84; 85 and Over; Median Age
	Age of Children	Youngest child under 6; Youngest child 6 or older; No children under 18;
	Education	Not over 9th Grade; 9th to 12th – No Diploma; High School Diploma; College – No Degree; Associate Degree; Bachelor Degree; Master Degree; Doctorate Degree
	Ethnicity	Asian; Black; Hispanic; White; Other
	Family Status	Married Couple; Never Married; Divorced; Widowed; Single Head of Household
	Gender	Male; Female
	Household Income	Under $10,000; $10,000 to $19,999; $20,000 to $24,999; $25,000 to $29,999; $30,000 to $34,999; $35,000 to $49,999; $50,000 to $74,999; $75,000 to $99,999; $100,000 to $149,000; $150,000 and over
	Housing Ownership (Value of Home)	Not Over $50,000; $50,000 to $74,999; $75,000 to $99,999; $100,000 to $149,999; $150,000 to $199,999; $200,000 to $299,999; $300,000 to $499,999; $500,000 and Over
	Housing Rental (Amount of Rent Paid)	Not Over $499; $500 to $699; $700 to $799; $800 to $899; $900 to $999; $1,000 to $1,999; $1,200 to $1,399; $1,400 to $1,599; $1,600 and Over
	Number of Children	No Children; 1 Child; 2 Children; 3 Children; 4 or Over Children
	Number of Vehicles	0; 1; 2; 3; 4; 5; 6 or Over
End Use	Buying Predisposition	Not Ready; Ready to Buy; Reorder; Must Buy
	Familiarity with Brand	Do not care; Recognize; Insist on
	Frequency of use	Occasional; Light User; Moderate User; Frequent User
	Sellers Frequented	Convenience; Shopping; Specialty

Segmentation for Consumer Products or Services		
	Spending Patterns	How much do they spend on your product or service?
	Strategic Need	Low Cost; Uniqueness; Individualized Product
	Type of Buyer	1st Time Buyer; Regular Buyer; Non-Buyer
Geographic	City	Name of city(s)
	County	Name of County(s)
	State	Name of State(s)
	Region	Pacific; Mountain; Midwest; South Atlantic; Middle Atlantic; New England
	Metropolitan Statistical Area (MSA) By Population	50,000 to 99,999; 100,000 to 249,999; 250,000 to 499,999; 500,000 to 999,999; 1,000,000 to 3,999,999; 4,000,000 or over
	Density	Urban; Rural; Suburban
	Climatic Condition	Cold Winters; Rainy; Hot; Moderate
Psychographic	Beliefs	Buddhist; Catholic; Jewish; Protestant; Muslim
	Group Affiliations	Club memberships; social organizations; industry associations
	Reading Habits	Read certain magazines; Read certain newspapers; Read certain journals; Read certain books
	Viewing Habits	Watch certain programs or watch certain movies by type – Comedy, Drama, Romance, Science Fiction, etc.
	Personality Profile	Extroverted; Introverted
Segmentation for Industrial Markets		
Customer Characteristics		
Demographic	Number of Employees	1 to 19; 20 to 99; 100 to 249; 250 to 499; 500 and over
	Annual Sales Volume	Less than $1 million; $1 million to $10 million; $10 million to $25 million; $25 million to $50 million; $50 million to $100 million; $100 million to $500 million; $500 million to $1 billion; Over $1 billion
	Number of Store/ Factories/ Offices	1; 2 to 5; 6 to 10; 11 to 24; 25 to 49; 50 to 99; 100 to 199; 200 to 499; 500 or more
Geographic	City	Name of city(s)
	County	Name of County(s)
	State	Name of State(s)
	Region	Pacific; Mountain; Midwest; South Atlantic; Middle Atlantic; New England
	SIC code	2-digit; 3-digit; 4-digit; 8-digit categories
Purchasing Behavior	Buying Predisposition	Not Ready; Ready to Buy; Reorder; Must Buy
	Familiarity with Brand	Do not care; Recognize; Insist on
	Frequency of Use	Occasional; Light User; Moderate User; Frequent User
	Purchasing Office	Centralized Buying Office; Decentralized Buying Office
	Spending Patterns	How much do they spend on your product or service?
	Strategic Need	Low Cost; Uniqueness; Individualized Product
	Type of Buyer	1st Time Buyer; Regular Buyer; Non-Buyer; Individual buyer; group

b) **Customer Segment Characteristics –** You will need to describe each customer segment that you have identified as completely as possible, by defining how you will measure the variable (who is "in"). Your description should include ranges and categorizations.

c) **Number of Potential Customers**

   i) **Number of Potential Customers –** Determine the number of potential customers by developing an estimate based on prior performance. If this is a new business venture, you will need to develop a best guess combined with statistical estimates to arrive at a "guesstimate." The idea here is to realistically get an idea as to the size of your potential customer base. This information is used primarily as a tool to identify the opportunity for growth for your business. Financial officers often take a serious look at opportunities for growth, and estimates related to the total size of your potential customer base.

   ii) **How Many Will Buy From You –** The marketing process will act as a funnel, of sorts, as you estimate how many of the potential customers will actually buy from you. There are several ways to do this. Existing firms can estimate based on historic data. New business ventures may wish to estimate weekly sales, then monthly, and extrapolate into annual sales estimates. These may often be set based on realistic goals and objectives. This is one of the reasons that it is most realistic to only write the business plan, and create projections, for one year (not three years). Some businesses make projections on the basis of some percentage of the total market – a detailed understanding of the industry will be required to do this with accuracy.

   Sources of Information (Intelligence) - here is a starter list of commonly used sources of information:
   EDGAR - If there are any publicly traded companies in your industry you can go to the Securities and Exchange Commission's EDGAR database at (http://www.edgar-online.com/). You can order annual reports on-line.

   Franchisers - If there are any franchise operations in your industry you may find it helpful to contact the franchisers and ask for a prospectus. The prospectus usually includes detailed information about average store sales, the customer base, and other valuable "industry averages" that might come in very handy when forecasting sales for your new business.

   Dun & Bradstreet - You can reach them at (800) 526-0651. When you call let them know that you are interested in possibly purchasing a mailing list from their D&B Marketplace CD-ROM database. Their representative will ask several questions on the phone to determine the level of specificity you may need, usually including a 4-digit or 8-digit SIC and a specified geographic area. Additional search parameters can be added in your search, with the resultant count of numbers of businesses available at each stage.

What a great way to determine the size of your market segment (free-of-charge) with the opportunity to purchase the exact mailing list of your choice.

You can also access the D&B iMarket Marketing Center, a free-of-charge on-line service by gong to (http://www.dnb.imarketinc.com/index.htm). This site, after free registration, will allow you to identify key industry trends, view market profiles for your industry based on a 4-digit SIC, and locate marketing resource companies that you may wish to utilize during this process.

Trade Show Exhibition Management Companies - this is great source of information about your industry. Gale Research publishes the directory called Tradeshows Worldwide, which contains indexed listings of all of the major and minor tradeshows around the world. On-line you can access Trade show Central at (http://www.tscentral.com/). This is a great source of information relating to which trade shows exist, and how to contact the show management companies. As a company, you may wish to consider attending a major trade show in your industry, either as an exhibitor or as an attendee.

Contact the trade show management company for the show you wish to consider and ask that they send you the following: trade show exhibitors guide from their most recent show; general demographics about attendees and exhibitors; cost schedule listing booth size availability and amenities; and general catalog for the show. One of the first things to look at is the trade show Exhibitor's Guide. All credible industry associations and industry journals or publications will have a presence at the major trade shows. These are tremendous sources of additional industry information.

Also ask for the following types of information: do they have mailing lists available for show exhibitors and attendees, at what cost; do they provide consulting services related to marketing and sales promotional efforts?

Industry Associations - Contact the relevant industry associations and let them know that you are considering membership. Ask them to send you general demographics about their membership, and the four most recent issues of any of their newsletters or other publications. Ask if they sell mailing lists, and if they provide for a fee any other types of specialized business services/ consulting, and if there is a fee difference for members versus non-members.

Industry Journals and Publications - Industry journals or publications listed in the trade show Exhibitor's Guide may or may not be related to any particular industry association. Contact the major publications of choice and ask if they can send you a complete media kit. Check to be sure that the kit includes copies of the most recent four issues, breakdowns on rates, availability, design services, feature story articles and public relations pieces (as tied to advertising dollars spent), a publication profile, terms and discounts, deadlines, and a personal point of contact. You should also ask for subscription statistics (by number, type of business, and geographic breakdown), and if mailing lists are available at what cost. This information will tell you a tremendous amount about your industry, and allow you to see what types of promotional strategies are being used by your competitors.

iii) **Annual Average Customer Sales –** Determine average customer sales per year. Here you will need to estimate on the frequency of purchasing for your customer base. Existing businesses may do this accurately if they have been collecting customer buying preference data. New businesses will need to make projections based on the "perceived average," usually calculated after talking to industry insiders. You may have different projected spending patterns for each customer segment identified. As an example, you may have some customers who use your services "one time" while other customer types may use your services on an "annual contract basis." If you have identified these as separate customer segments, you will need to come up with separate dollar projections for each segment. This should also assist you to check the accuracy of the segmentation variables you have identified earlier.

iv) **Annual Sales Volume –** You will need to make a projection for your annual sales volume. To arrive at a sales volume number you will need to multiply the number of customers you project to buy from you by the annual average customer sales volume. It is a good idea for new businesses to create three distinct types of projections:

(1) Best Case Scenario – Use your original projections
(2) Most Probable Scenario – Cut your "best case scenario" in half
(3) Worst Case Scenario – Cut your "most probable scenario" in half

The scenario you would most likely present to a bank for funding would be your most probable scenario.

2. *Business and Marketing Strategies*

Basic Strategic Decisions

We will look at strategy from a variety of different perspectives:

- Strategies Based on Business Orientation
- Strategies Based on Positioning
- Strategies Based on Industry
- Strategies Based on Company Diversification

An analysis of strategic implications will be very helpful when designing competitive postures. The options in the following sections are only that – options. The intention here is to give you ideas from which you may choose, combine, or create viable strategies. In most cases, reference to the appropriate marketing mix elements, most affected by the strategy option, will be made. This will assist you as you later design your marketing program and plan.

The key word "consistency" goes along with the word "strategy." Strategy development ensures that there is consistency of thought, consistency of process, consistency of vision, and consistency across implementation. If there are inconsistencies in any of these areas, there will be difficulty in designing strategic direction. The process of establishing strategies (in this section) forces us to look again at all that we have completed up to this point. Any areas of inconsistency will need to be re-thought, and changed.

A. Strategies Based on Business Orientation

Strategies based on business orientation generally deal with the type of approach a firm will use to establish positioning and a corporate image.

1. **Lowest cost** - This strategy involves positioning your products or services on the lowest end of the price range, relative to the competition. The emphasis is on "price", not necessarily on "value." Most companies who have successfully utilized this strategy offer few product or service adaptations. They concentrate on delivering one (or a very few) standardized offerings with focus being placed on achieving economies of scale. This is a common means for new entrants to try to "buy" market share from industry leaders.

2. **Uniquely Distinguished –** Many authors refer to this strategy as one of "differentiation." This strategy emphasizes uniqueness relative to the competition in one or more major way. The cost is often higher than the cost for standardized low-cost alternatives. Advertising costs are higher in order to cover the costs associated with convincing customers as to why the product or service is "better than the rest." To maintain the perception of being better than cheap imitators, this strategy requires consistent product or service innovation, and strives to achieve this through concentration on the marketing mix elements of product, promotion, or distribution practices.

3. **Individualized Focus –** This type of strategy relies on preferences for specialized products that meet individual customer needs. Emphasis is placed on demonstrating how the product or service is "made especially for" individual customers or customer groups. Most companies who have successfully utilized this strategy offer products that have been adapted for use by "specialized" customer segments – they intend to deliver a "special" feeling to customers. The segmentation strategy most often used by new businesses is one of attacking a single segment that was perhaps neglected or ignored by the other major competitors (niche marketing).

Strategy Based on Business Orientation - Which strategy based on business orientation might be most appropriate for your core product or service? Please check the most appropriate box and take note of the issues and emphasis for your choice.

Lowest Cost	**Uniquely Distinguished**	**Individualized Focus**

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out “key words” that describe your strategies

B. Strategies Based on Positioning

Strategies based on positioning will consider a firm’s position relative to its competitors within the industry. The competitive strategies we will explore are for the industry leader, the contender, and the small player.

1) **The Industry Leader –** A firm with the distinction of being labeled an “industry leader” usually is also a firm that is very intent on keeping that distinction. Most major competitors in any industry will defend their territory vigorously. There are several strategies that are most commonly used:
    a) **Attack Rivals –** This strategy is extremely aggressive toward competitive rivals that try to imitate their product or service. With this strategy, the industry leader immediately retaliates to aggressive new competitors with counter-promotions, counter-strategies, price reductions, defamatory (bad-mouth) advertising practices, or other aggressive tactics. Large industry leaders often may pressure their distributors not to carry rival products. This strategy focuses on the external (the competition), not on the internal (the industry leader itself).
    b) **Build Barriers –** This strategy concentrates on raising the difficulty for the aggressive new competitor to gain any ground (or market share) by strengthening existing competitive barriers. Unlike the constant innovation strategy (which concentrates on the marketing mix element of product), this strategy emphasizes measures to make it more difficult for new competitors to enter by enhancing the marketing mix elements of price, promotion, and distribution. Prices may be reduced to make it extremely difficult for new entrants, and perhaps make the segment less attractive (as a niche) to existing competitors. Advertising and promotional budgets are often elevated, and exclusive distribution arrangements are often negotiated. This strategy focuses on the internal marketing systems (of the industry leader itself) with the intention to impact external (the competition) marketing postures.
    c) **Constant Innovation –** With this strategy the firm will constantly innovate. They are usually always on the “cutting edge” within their industry. Other competitors often look at them as one of the major instruments of change within their industry, and try to imitate. These firms try to keep competitors in a reactive mode, by creating the illusion that they are the “center of the universe” for the industry. High budget allocations toward research and new product development are indicators of this strategy.

2) **The Contender –** This is a firm that is not an industry leader, but would be considered a main contender. The marketing position, held by this type of firm, is somewhat weaker than the industry leader. There are several strategies that are most commonly used:
   a) **Empire Builder –** this strategy concentrates on "building an empire" through acquisitions of smaller firms. As the contender grows, it may be a wise strategy to continue to grow through acquisitions. Special analysis should be completed to determine the extent of structural and cultural compatibility. If a smaller firm has remained small due to certain inadequacies where the contender excels, then this strategy might be applicable. The contender will need to be fiscally fit to consider this strategy. Growth strategies of this sort strive to build economies of scale throughout the organization. This may also be an appropriate option for a firm that has recently "gone public" because it will produce growth.
   b) **Niche Player –** This strategy concentrates on identifying and attacking a single segment that was perhaps neglected or ignored by the other major competitors (niche marketing). A firm will often begin exploring this strategy by examining distribution efficiencies and backorders. This strategy is non-confrontational in that it identifies areas for business growth that industry leaders, for one reason or another, have not found attractive.
   c) **Quality Focus –** This strategy focuses on the product or service quality. The primary marketing mix elements emphasized in this strategy are product and promotion. The idea is to specialize on product quality, rather than new products. Often contender firms will pick one particular "best seller" from the industry leader's product portfolio and "improve it." The existing product is enhanced and improved in every way possible. Marketing promotional efforts are primarily focused on what makes your product better (than the competition). Major impact is on high product development costs and promotional expenses.
   d) **Satisfied Contender –** A contender firm postures itself to remain a contender with this strategy. The main idea here is to avoid appearing threatening to the industry leader. The expression "don't make waves" would be applicable here from a competitive perspective. Each marketing program is analyzed in terms of the type of reaction most likely to be elicited from the industry leader. This strategy is most applicable if the market leader often uses the "attack rivals" strategy. The marketing mix elements are focused on developing high profit margins, not on stealing market share.

3. **The Small Player –** This is a firm that is not the industry leader, nor a contender (runner-up). This firm is small or a new start-up. They commonly use several strategies:
   a) **Bundling –** Bundling strategies involve packaging or offering separate products or services as one inseparable product or service. Common examples include "value meals" at fast-food restaurants or perhaps a 32-point automotive maintenance special to be bought at the 60,000 mile interval. Most bundling strategies are designed to meet specific end-use requirements.
   b) **Cost Control –** This strategy focuses on keeping all costs to a minimum. The idea here is to postpone "extra" expenditures. This is usually accomplished through

placing attention on the prioritization of expense items. Small firms often use this strategy to excess, and might inhibit growth as a result. An important consideration to remember, if this strategy is chosen, is to conduct a "growth-impact analysis" whereby the firm forecasts how the cost-reduction program will impact their ability to compete effectively.

c) **Focus on Revenue –** This strategy concentrates on increasing the revenue of the firm. There are many ways that small companies try to accomplish this, such as increasing advertising, cutting prices, offering volume discounts, or increasing the size of the sales force. All elements of the marketing mix are used in an effort to maximize revenue. This strategy is especially useful in the wholesaling business (where "sales volume is king") because it affords better supplier terms, better capacity allocations, and purchasing economies of scale.
d) **Niche Player –** Intuitively, many entrepreneurs base their business (start-up) on the idea of finding and filling an unmet need (niche). This strategy concentrates on identifying and attacking a single segment that was perhaps neglected or ignored by the other major competitors (niche marketing). A firm will often begin exploring this strategy by examining distribution efficiencies and backorders. This strategy is non-confrontational in that it identifies areas for business growth that industry leaders and major contenders, for one reason or another, have not found attractive.

Strategies Based on Positioning – Which strategies based on positioning might be most appropriate for your company? Please check the most appropriate boxes and take note of the issues and emphasis for your choice. Please consider this list as the starting point for further exploration. The intention here is to give you ideas from which you may choose, combine, or create viable strategies.

Attack Rivals	**Build Barriers**	**Bundling**
Constant Innovation	**Cost Control**	**Empire Builder**
Focus on Revenue	**Niche Player**	**Quality Focus**
Satisfied Contender		

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

C. Strategies Based on Industry

Strategies based on industry will consider the dynamics of the industry itself. The types of competitive strategies we will explore will relate to new and growing industries, "mom and pop" industries, and maturing industries.

1) **New and Growing Industries –** This type of industry is new, emerging, and growing rapidly. There are a lot of unknowns. Companies within this type of industry commonly use a few strategies:
    a) **Build Barriers –** This strategy concentrates on raising the difficulty for new companies to enter into the industry by strengthening existing competitive barriers. This strategy emphasizes measures to make it more difficult for new competitors to enter by enhancing the marketing mix elements of price, promotion, and distribution. Prices may be reduced to make it extremely difficult for new entrants, and perhaps make the industry less attractive. Advertising and promotional budgets are often elevated, and exclusive distribution arrangements are often negotiated. This strategy focuses on making the industry unattractive to newcomers.
    b) **Focus on Revenue –** This strategy concentrates on increasing the revenue of the firm. There are many ways that companies try to accomplish this, such as increasing advertising, cutting prices, offering volume discounts, or increasing the size of the sales force. All elements of the marketing mix are used in an effort to maximize revenue. This strategy is especially useful during the introduction stage of the industry life-cycle because it may quickly establish a company as the industry leader. There are many benefits that may come from the fact that your company is being perceived as an industry leader. One of the most important of these benefits is that new entrants might take the content contender strategy and avoid confrontational strategies that steal your market share.
    c) **Niche Player –** This strategy concentrates on identifying and attacking a single customer segment. At this stage of the industry life-cycle, companies often use this strategy to be "first" in the minds of what they perceive to be the largest or most profitable customer segment. The idea here is to identify the most promising customer segment and attack it vigorously. Good results translate into gaining the "number one spot" in the perceptions of the customer segment, which is very difficult (if not impossible) for new entrants to ever duplicate. The intention of this strategy is to develop a permanent leadership position for a specified market segment.

2) **"Mom and Pop" Industries –** This type of industry is characterized by being made up of many small "mom and pop" firms. In many cases there are no industry leaders at all. It may be that it is just too easy to start a business in this industry, or that customer needs are so disparate that no one company can effectively meet them. In other cases there are leaders, but no one company controls any substantial portion of overall industry market share. These industries are often referred to as "fragmented" or "disparate." Companies within this type of industry commonly use a few strategies:
    a) **Geographic Focus –** This strategy limits the focus to a very specific geographic area. Limiting the size of a service area may enhance service to customers. Customer response time will be greatly reduced, and, if "house calls" are required,

transportation costs will be drastically reduced as well. Direct advertising efforts and comprehensive promotional programs for the geographic territory become much more affordable and feasible when the size of the geographic market is confined. This strategy also allows the business to develop a difficult to imitate "local" personality through a concentrated promotional program that usually includes extensive community involvement.

b) **Specialist Focus** - This strategy concentrates on reducing the number of different product line or service offerings. In an industry dominated by small "mom and pop" operations, reducing the total number of product or service lines will afford more of a "specialty store" perception. A small business will usually tend to specialize by carrying a narrowly defined, coordinated product line. This might be a good thing, if no other businesses in your area have taken this posture for similar goods. This allows the small firm to differentiate itself from the pack, and provide a limited number of products or services, usually directed at the largest or most profitable customer segments.

c) **Fewer Bells and Whistles –** This strategy concentrates services on what is needed to keep the customer happy. This strategy also concentrates on eliminating any and all service "extras" that might be nice, but do not necessarily add a lot of value to the product or service. Similar to a cost-cutting strategy, the idea here is to eliminate "extras" and, instead, put those same resources into the core product or service.

3) **Maturing Industries –** This type of industry is characterized by slow growth and consolidation. It is not uncommon for weak companies to close their doors, as the industry consolidates. A fitting term that could be used is "survival of the fittest." During this industry stage, buyers become more demanding of better service and are much more sophisticated when choosing products or services. This is also a time of falling profit margins and heightened activity in mergers and acquisitions. Companies within this type of industry commonly use a few strategies:

a) **Cost Control –** This strategy focuses on keeping all costs to a minimum. The idea here is to postpone "extra" expenditures. This is usually accomplished through placing attention on the prioritization of expense items. Small firms often use this strategy to excess, and might inhibit growth as a result. An important consideration to remember, if this strategy is chosen, is to conduct a "growth-impact analysis" whereby the firm forecasts how the cost-reduction program will impact their ability to compete effectively. This strategy is often used when industry growth slows and profit margins are squeezed.

b) **Current Customers –** This strategy makes use of one of the most powerful assets a firm has – its current customer base. Existing customers are a major force for sales growth, especially when overall industry demand slows. This strategy concentrates on identifying the needs of current customers and filling them. This may mean the company must proliferate (expand) its product or service offerings to meet these needs.

c) **Empire Builder –** This strategy concentrates on "building an empire" through acquisitions of smaller firms. As an industry matures, it may be a wise strategy to find growth through acquisitions. Special analysis should be completed to determine the extent of structural and cultural compatibility. If a smaller firm can add operating efficiencies or economies of scale to an organization, then this strategy might be applicable. This may also be an appropriate option for a firm that has recently "gone public" because it will produce growth, even if overall industry sales have gone flat.

d) **Go Global –** This strategy focuses on expansion through identifying, selecting, and selling to international markets. A mature industry in the United States might be in a stage of growth in certain foreign markets. This strategy involves mapping out and exploiting trends relative to the level of industry growth around the world. This strategy will involve expenditures in all of the marketing mix elements, with a learning curve toward efficiency.

e) **Quality Focus –** This strategy focuses on the product or service quality. The primary marketing mix elements emphasized in this strategy are product and promotion. The idea is to specialize on product quality, rather than new products. Often firms in a mature industry will pick one particular "best seller" from the industry leader's product portfolio and "improve it." The existing product is enhanced and improved in every way possible. Marketing promotional efforts are primarily focused on what makes your product better (than the competition). Major impact is on high product development costs and promotional expenses.

f) **Specialist Focus** - This strategy concentrates on reducing the number of different product line or service offerings. In an industry dominated by small "mom and pop" operations, reducing the total number of product or service lines will afford more of a "specialty store" perception. A small business will usually tend to specialize by carrying a narrowly defined, coordinated product line. This might be a good thing, if no other businesses in your area have taken this posture for similar goods. This allows the small firm to differentiate itself from the pack, and provide a limited number of products or services, usually directed at the largest or most profitable customer segments.

Strategies Based on Industry – Which strategies based on industry might be most appropriate for your company? Please check the most appropriate boxes and take note of the issues and emphasis for your choice. Please consider this list as the starting point for further exploration. The intention here is to give you ideas from which you may choose, combine, or create viable strategies.

Build Barriers	**Cost Control**	**Current Customers**
Empire Builder	**Fewer Bells and Whistles**	**Focus on Revenues**
Geographical Focus	**Go Global**	**Niche Player**
Quality Focus	**Specialist Focus**	

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

D. Strategies Based on Company Diversification

Strategies based on company diversification will consider the company's type of organizational structure. The types of organizational structures we will explore will relate to individual businesses, businesses with related diversification, and businesses with unrelated diversification.

1) **Individual Business –** This type of business has no diversification and concentrates on only one line of business. The advantage of this type of structure is that it has one unified mission or purpose. In this operating form, all strategic efforts will go toward the attainment of goals and objectives central to the entire organization. Expertise in the operation of the single business often becomes the result, over time. Companies within this type of company commonly use two strategies:
   a) **Do One Thing Well –** This strategy involves the company trying to build a sustainable competitive advantage in one business. The idea that a company can sustain an advantage, if that advantage consists of any one competitive element, is questionable. The phrase "back to basics" is often used to communicate that the competitive dynamics of the business can be built over time. Most companies will strive to attain cost and marketing advantages. Build distinctive competence by utilizing the full force of organizational resources and managerial know-how to become proficient at doing one thing well and efficiently.
   b) **Quality Focus –** This strategy focuses on the product or service quality. The primary marketing mix elements emphasized in this strategy are product and promotion. The idea is to specialize on product quality, rather than new products. Often firms in a single line of business will pick one particular "area of advantage" and attempt to find ways to maintain it. The existing advantage is enhanced and improved in every way possible. Marketing promotional efforts are primarily focused on what makes your product better (than the competition). Major impact is on high product development costs and promotional expenses.

2) **Business with Related Diversification –** This type of business attempts to gain competitive advantages by expanding within the same industry. The major tool used by this type of firm is vertical integration, backward and forward. Backward vertical

integration means that a firm expands into playing the role of becoming its own supplier – it expands vertically backward into the supply chain. Forward vertical integration means that a firm expands into playing the role of becoming its own distributor or retailer – it expands vertically forward into the distribution chain. A firm that practices related diversification still seeks “operating synergy” among its business units. The types of operating synergies sought usually include raw materials, distribution systems, managerial know-how, shared customer-base, and shared technology. This strategy overall allows a firm to share what it “does best’ with other businesses in the “company family.” Companies within this type of company commonly use two strategies:

a) **Brand Building –** This strategy builds on the strength of a solid brand or corporate image. If a firm has a solid reputation in a business it may very easily expand into a related area and enjoy the benefits of brand spillover. The spillover impact refers to the fact that many customers will automatically assume that the “new” company will have the same high quality standards of the “original” name they came to know through personal experience. A quality image can become the impetus and initial competitive advantage driving related diversification.

b) **Empire Builder –** This strategy concentrates on “building an empire” through acquisitions of similar firms. It may be a wise strategy to find growth through acquisitions of other firms that may sue a shared sales force, technology, supplier base, or distribution system. Special analysis should be completed to determine the extent of structural and cultural compatibility. If a smaller firm can add operating efficiencies or economies of scale to an organization, or use those of another company “in the family”, then this strategy might be applicable.

3) **Business with Unrelated Diversification –** This type of business grows by seeking opportunities for profit and revenue. A company that believes in unrelated diversification is not concerned about shared resources among the businesses in the “corporate family.” Companies often times will choose businesses that offset sales cycles, in a way that ensures a steady level of cash flow or growth. Companies within this type of company commonly use two strategies:

a) **Offset Opportunities –** This strategy concentrates on seeking out opportunities to acquire companies that offset sales cycles of the firm. This might involve finding a company whose cash flow cycle offsets that of the parent company. In this case as one company goes into its “slow” cash months, the other business is at “growth” levels of cash flow. Companies also may wish to offset resources to end up with overall strength. In other words, a company with a lot of capital in a mature industry might wish to buy a firm with little capital in a growth industry.

b) **Profitability Focus –** This strategy concentrates on building profits for the firm. This strategy often uses a return on investment (ROI) approach to acquisitions. This is often accomplished through a portfolio approach to identifying opportunities, where potential acquisitions are analyzed according to profitability objectives.

Strategies Based on Company Diversification – Which strategies based on company diversification might be most appropriate for your company? Please check the most appropriate boxes and take note of the issues and emphasis for your choice. Please consider this list as the starting point for further exploration. The intention here is to give you ideas from which you may choose, combine, or create viable strategies.

Offset Opportunities	**Profitability Focus**	**Empire Builder**
Brand Builder	**Quality Focus**	**Do One Thing Well**

Key issues and emphasis:
To begin the process of developing strategy, it is usually easiest to draft out "key words" that describe your strategies

E. Identify Basic Marketing Strategy

Identify whether a non-segmented, multi-segmented, single segmented or individualized direct marketing strategy will be used:

Segmentation Strategy	**Description**
Non-segmented Marketing	This strategy sees the entire market as one grouping of potential customers. All of the marketing mix elements are directed toward the market as a whole. This is truly what you can call "mass marketing." This strategy can save much money when implementing a marketing program, and is usually most effective when segmentation variables are found mostly to be not applicable.
Multi-segmented Marketing	This strategy identifies major market segments and seeks to develop independent marketing mixes for each. The advantage of this method is that specific groupings (segments) of customers tend to feel more catered to and satisfied. This strategy will require a large amount of capital resources because multiple marketing mix programs are costly.

<table>
<tr><th>Segmentation Strategy</th><th>Description</th></tr>
<tr><td>Single-Segmented Marketing</td><td>This strategy selects a single customer segment from the entire market and develops a single marketing mix for this segment. Companies with limited resources may wish to start with this strategy because it is less capital intensive to design one comprehensive marketing program. New entrepreneurial start-ups usually begin with this strategy focused on a segment perceived to be attractive and potentially profitable.</td></tr>
<tr><td>Individualized Direct Marketing</td><td>This strategy develops separate customer segments from each individual consumer or end-user. This can be an extremely expensive strategy to implement because of high communication costs with individual customers. New technologies such as the Internet and database marketing systems have made this option much less expensive and more attractive. The advantage is that products and services can be tailor-made to fit exact individual customer requirements.</td></tr>
<tr><td colspan="2">Deciding on an Approach
• Internally, you must consider the goals, objectives and resources of your company
• Externally, you must consider competition and the type of market.
• Cost/benefit analysis should also be used.</td></tr>
</table>

F. Combined Strategy Statements and Customer Appeal

1. **Combined Strategy Statement –** Write down strategy statements as they relate to the sections previously covered (it is usually easiest to draft out "key words" that describe your strategies):
   a) **Business Orientation strategy:**
   b) **Positioning Strategy:**
   c) **Industry Strategy:**
   d) **Company Diversification Strategy:**
   e) **Segmentation Strategy:**

2) **Customer Appeal –** Based on the strategies that you have outlined, write key words (not sentences):
   a) **Appeal –** What is the overall "appeal" being made to your customer base?
   b) **Implementation –** What will be your major emphasis for each of the marketing mix elements? Draft out "key words" that describe your strategies:
      i) **Product –** What will be your strategic emphasis on product or service development? Which products will most contribute to success? What is the product/ service image we wish to project?
      ii) **Price –** What will be your strategic emphasis on pricing? Are we primarily competing based on price? Are pricing policies standard or will we allow regional control? Do we emphasize cost/demand or competitive levels?

iii) **Promotion –** What will be your strategic emphasis on promotional programs? What are our key priorities? Which media are most consistent with our total marketing strategy?

iv) **Distribution –** What will be your strategic emphasis on distribution? Which distribution channels are key? What type of sales organization do we need - is it key to our success? Do we focus on market, distributor territory, or product?

Look at the key words relative to the marketing mix elements (above) and check to see if they match your mission statement, goals and objectives, as written in "the Company" section. If not, they are pointing to inconsistency within your business, as a system.

3. Sales System

a) **Selling skills** - What will be required? What types of skills will be required for your sales personnel to succeed? Do they need to have an extensive technical background, business-to-business experience, group purchasing experience, door-to-door experience, telephone sales experience, or other type of specialized sales experience?

b) **Type of sales force –** Will you use employees (inside sales force) or independent agents (not employees - outside sales force)?

c) **Selling Methods –** What sales methods will be utilized by your firm?

   i) **How –** List whether you will use sales calls (visit, telephone), trade shows, showroom sales, or other methods.

   ii) **Frequency –** How often will each of the specified sales methods be carried out?

d) **Sales Compensation –** On what basis will you compensate your sales force? **Salary versus commission** - What percentage of their compensation will come in the form of salary versus commission? Not all salespeople are compensated with commissions (i.e., Good Guys, Saturn) - if there is no commission structure then sales tends to be performed much less aggressively. If you will compensate with a commission, will the commission be based upon sales volume or based upon the profit contribution of each sale made? If a commission is based upon sales volume, then the incentive is for the salesperson to sell as much as possible (often discounting if necessary to get the sale). On the other hand, if the commission is based on the actual profit contribution of individual sales (like in many furniture stores) then the incentive is for the salesperson to sell at the highest price possible.

4. Distribution Channels

a) **Distribution Channels –** Describe ALL the various types of distribution channels for your industry (who [what type of entity] sells to who, etc..). You may be utilizing several distribution channels to purchase and sell. One example would be - a manufacturer sells to you, you sell to retail, and retail sells to consumers. Another example would be that a manufacturer sells to you, and you sell directly to consumers.

b) **Distribution Channel Conflicts –** Describe any conflicts that may occur between or among the various distribution channels that your firm utilizes. An example would be – we sell our plumbing services to contractors (who resell the entire job to the developers), and we also sell directly to the developers. In this example you would need to watch for conflicts between pricing and availability options to both channels.

5. Sales Promotion and Advertising

a) **Marketing Tools –** Describe the types of marketing tools that you will consider using. Please be sure that these tools are appropriate given the strategies that you have previously outlined. A list of potential tools is provided:

(1) Airplane flyers (exhaust messages, flying banners)
(2) Audio (cassette tapes, CD-ROMS)
(3) Awards (plaques, trophies, certificates)
(4) Blimps
(5) Direct Mail (ADVO, flyers, bulk rate, reply-card packs, throw-aways)
(6) Directories (association directories, professional directories, industry directories, book of lists)
(7) Door hangers (circular door hangers, flyers on windshields)
(8) Educational events (seminars, training sessions, workshops, informational meetings)
(9) Internet (banner ads, chat groups, discussion lists, home page)
(10) Journals (academic journals, industry journals, association journals)
(11) Magazines (popular magazines, business magazines, hobby magazines, special interest magazines)
(12) Movie tie-ins (tie-ins with movie promotions, theatre advertising)
(13) Newsletters (general interest, subscription, special interest, employee, political party, association, non-profit organizations)
(14) Newspapers (local, regional, neighborhood, national, international, daily, Sunday editions, weekly, classified, insert, special reports)
(15) Outdoor display (billboards, bus stops, building murals, street banners)
(16) Personal contact (customer service personnel, maintenance and repair personnel)
(17) Point-of-purchase (displays, signage, hand-outs, in-store banners)
(18) Promotional give-aways (magnets, calendars, paper pads, letter openers, pens)
(19) Public transit providers (bus tear-offs, train tear-offs)
(20) Radio (AM, FM, news stations, talk radio, music stations, public service announcements)
(21) Reports (annual reports, quarterly reports, monthly reports)
(22) Sales literature (brochures, product/ company catalogs, information booklets)
(23) Sidewalk sandwich boards, hand-held signs
(24) Sports events (sponsorship of non-professional teams, stadium/arena signage)
(25) Telemarketing (telephone canvassing, facsimile, telephone operators)
(26) Telephone directories (yellow pages, white pages, ethnic-specific directories, business-to-business yellow pages)
(27) Trade shows (trade shows, county fairs, national fairs, state fairs, exhibitions)
(28) TV (local, national, network, cable, satellite, public service announcements)
(29) Videos (infomercials, distribution systems)

2) **Budget** – List approximate amount you have budgeted for each of the above-selected activities. You will need to check with vendors to cost-out the service you project you will need. List in the table that follows.
3) **Timing** – List the time frame for which you will place the chosen marketing tools. Time frame will need to be examined relative to time of day, day of the week, month of the year, seasonal cycle, and, perhaps, alignment with economic trends (times). List in the table that follows.
4) **Advertising Message** – What is your advertising message for each of the media selected? As an example your advertising message for promotional give-aways might be "we exist", while your advertising message in direct mail might be "come in and save". List the generic message(s) such as "recognition" or "buy now" for each of the tools you have chosen above. List in the table that follows.

Marketing Tool	Budget ($)	Frequency	Timing	Message

6. Pricing Strategies

1) **Pricing Strategies**
   a) **Pricing Strategy** – What type of pricing strategy will you use? Please be sure it is congruent with your overall strategic posture. The following are some ideas:
      i) Penetration – Low price to "buy" market share
      ii) Skimming – Premium (high) pricing to a select segment
      iii) Knock-off – Imitation of the market leader
      iv) Tiered – Varies by types of buyer or distribution channel. Here you need to beware of potential distribution channel conflicts.
      v) Highly Variable – Here you vary the price according to how much the market will bear. As an example, the final price paid for a product varies greatly and often depends upon customer negotiation skills.
   b) **Pricing Range** – What are the top and bottom of your price range?
      i) **Lower Limit** – This is usually set by examining your actual cost to produce the product or services and adding a minimally acceptable profit margin

ii) **Upper Limit –** examining customer demand and then determining how much your customers might be willing to pay usually sets the upper limit. This upper limit is often the starting point for customer-negotiated discounts and bargaining

c) **Payment Methods –** What types of payment methods will you allow your customers? Several choices include: ATM, cash; cashiers checks, certified checks, credit card; consignment, money orders, open account, personal checks, or private paper (debt) payments.

d) **Price List –** you will need to develop a complete price list for all of your product or service offerings. Please be sure to note if there are any special discounts for preferential payment methods. As an example, you may give a discount if paid by cash as opposed to credit card.

2) **Open Account –** If you will offer open account to some of your customers you will need to describe your credit policies. Will you give, as an example, “Net 30 2/10” terms (The net invoice amount is due and payable in 30 days, however, you are giving the customer the option to receive a 2% discount if they pay the invoice within 10 days)? Will you set up revolving credit lines for certain customers? Governments and municipalities often are extended open account terms and most often tend to “pay late” - sometimes it may take months to receive your payment. A trick is to offer discount terms such as “2/10” or “1/15” because they will most likely go for the discount and pay you early - this does wonders for cash flow.

3) **Discounts –** Will you offer discounts based on volume, use or bundling strategies?

a) **Volume Discounts –** Will you offer discounts (as a percentage) based on annual purchasing volume? Often times this technique is combined with the use of “blanket purchase orders” - these are customer purchase orders that cover a wide range of goods or services usually over a period of one year. Blanket purchase orders allow your firm to accurately predict the amount of sales to a customer for the entire year, which may greatly reduce costs associated with inventory planning, distribution, and order processing. It is not uncommon to extend volume discounts based on a blanket P.O.

b) **Use-quantity –** Will you offer tiered pricing discounts? An example of this type of discount would be: 100 units = $500; 200 units = $900; 300 units = $1,300

c) **Bundling discounts –** This strategy bundles together product with a price that costs a little less than if bought separately. An example here would be a “value meal’ at a fast-food restaurant. If you have a narrow line (only a few product or service offerings) of “best sellers” yet also have many other products or services that don’t sell as well (slow sellers), it might be a good strategy to bundle best sellers with slow sellers to help accelerate overall sales growth.