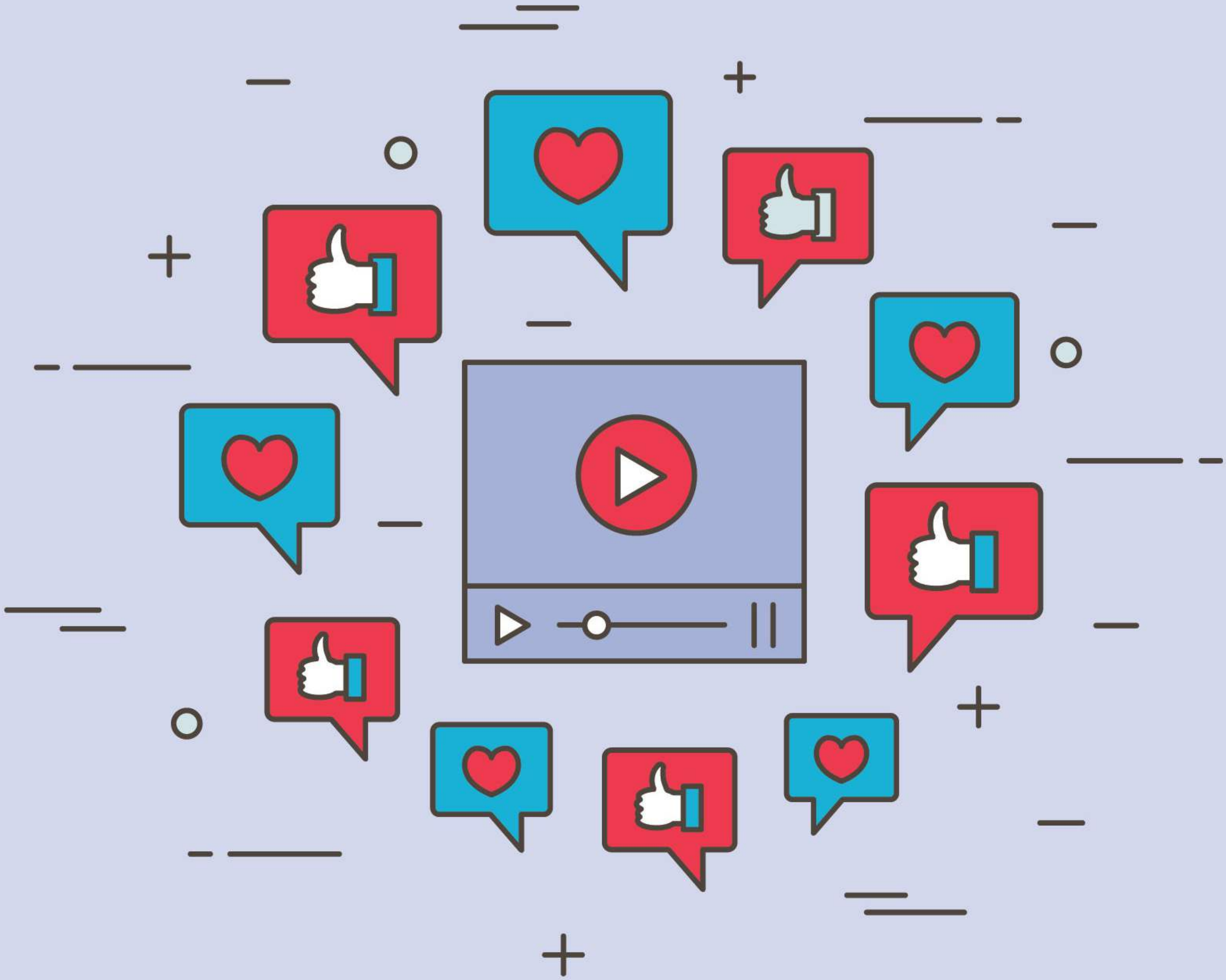

What is MARKETING?

Prof. Ken Ninomiya

What is Marketing?

Everything is marketed. People, places, things, ideas, products, services and dreams. Marketing started long before the techniques we will discuss in this book were developed. Cavemen had to market fire to one another, explorers had to share the benefits of an untapped land, and the founding fathers of America had to help the public understand the new government. Marketing is the foundation of most businesses and can be linked to the improvement in the quality of our lives. Marketing is a method of communication to a targeted group of people – the target consumer. Marketing also provides tools to help educate, persuade, and offer the targeted consumer a product or service.

Communication is a vital element of marketing and when used properly will set the pace for the company's growth. Communication from marketers can come in many forms from full color printed messages to text messages under 140 characters. The fundamental idea of communication used in marketing is being able to say the right thing to the right audience. This is considered to be your targeted message to your targeted consumer. A great marketing plan includes a great integrated communication plan which we will cover in this book.

Marketing also consists of many tools to help create a complete integrated marketing plan. This integrated plan includes communication, deliverables and actions. Marketing starts with an idea. The idea must then be converted into a tangible communication element that someone else can believe in. Your task in developing marketing communication is getting someone else to believe in what you believe in. A marketer must be able to tell their story and have someone else believe in this story. Your audience will always evaluate the facts and the benefits of your offering so your communication should help them to make a choice.

As a marketer you must make a promise to your consumers. This promise will help to separate you from the rest of the pack and is normally unique to your product offering. The marketer must deliver on their promise every single time. Consumers expect the products and services they choose today will meet their needs daily and deliver on the promise of performance. Keep this in mind when constructing your marketing plan. Do not over promise. You should work on delivering value, quality and a promise to your consumer to make your product different. This will help you be a product of choice. Successful marketing creates consumers that choose your product every time they need something you offer. Marketers want to create long lasting loyal relationships with their consumers. Marketers want their consumers to fall in love with them. Building a great marketing strategy will help to create this long-term love relationship with consumers and marketers will fall in love with the business they provide.

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Why are you unique?

Imagine a world of duplicates. Every car is the same, every house is the same, every man, woman and child will be the same. If you can visualize this, you probably would not like it very much. Now take this same concept and apply it to a product or service. Imagine if all Mexican food tasted the same in every restaurant, imagine if every airline flight you took offered the same service, imagine if every toy for our children was the same toy. This makes for a boring world and a boring marketing strategy.

A marketer's product or service must be different. Most successful marketers will find a need or a niche that is not yet filled and work to fill it. Marketers look to make something different while providing innovation to a market place. This point of differentiation and drive in innovation will separate your product from the competition.

Marketers must first understand their point of differentiation while mapping this uniqueness out within the strategy of the marketing plan. Knowing how the product or service is different from what is already offered is vital to a product's success. Differentiation is a very important concept in marketing that must be thought through completely. A marketer must be able to easily define the unique selling proposition (USP) of what makes their product different. Why would someone buy your product? Why is it different?

Differentiation can come in many forms. If you're a service business you can be different by your operating hours, service expectations, performance expectations, actual service deliverables, and different pricing. If you have a product, you can be different in product shape, size, packaging, product expectations, its performance and price. There are many ways to make your offering different but a marketer must decide on

how to do this. A marketer must decide on the product differentiation strategy. This unique selling proposition (or differentiation) will help to determine your place in the market. As you progress throughout this book the marketing mix; Product, Place, Price and Promotion (AKA the 4 P's), will be reviewed. The marketing mix and the marketing strategy will be dictated by your product differentiation.

Remember, marketers must make it different, make it unique and make it their own.

Identify your SWOT.

You may have heard of S.W.O.T. before but do you understand it? Before a marketer maps out the marketing strategy, it is necessary to understand how the world will affect their business and how their business will affect the world. A good S.W.O.T. allows marketers to identify their own STRENGTHS, WEAKNESSES, OPPORTUNITIES and THREATS. A good S.W.O.T. will also help to identify the same for the competition. A marketer must use a S.W.O.T. analysis to understand the competition and their own opportunity. This S.W.O.T. analysis allows marketers to know what they are up against, where improvements need to be made, allow visibility into market opportunities and prepare for future events that may affect the business. A typical S.W.O.T. reviews both the external environments and the internal environments while allowing the marketer to identify market opportunities.

Internal Review

Looking in the mirror can reveal the good, the bad and the ugly of life. A SWOT is often used as an opportunity to see the market like we are looking into a mirror, specifically when we review the strengths and the weaknesses of our analysis.

As we prepare to examine our own company strengths and weaknesses we must look inside ourselves. This internal review evaluates what we do good and what we do not do good at all. Strengths include items like personal customer attention, a unique application or use of an item that no one else has and even a good pricing position can be a strength. A weakness will also be internal. Weaknesses should include items like lack of experience, limited financial resources and small market reach. Both your strengths and weaknesses are looked at as if you are looking into a mirror. Identify your internal strengths and weaknesses during your S.W.O.T. review.

You will also need to create a S.W.O.T. for your competitors in the marketplace. Identify three competitors within your market that you can measure your performance against. Choose from the largest competitor, the most local and the smallest competitor. Understanding how the competition operates will help you succeed in your business. When you have identified three competitors, you should do a S.W.O.T. analysis on each one of them.

External Review

Marketers can control the internal processes, and their own strengths and weaknesses but it is hard to control those events that happen outside of the controllable environment. The OPPORTUNITIES and THREATS analysis reviews what occurs outside of a marketers control, the external review. Opportunities can often be described as opening new locations in new markets, creating new services to serve new customers or even building on a promising brand position. Threats are often reviewed as changes in the marketplace, consumer needs, or changes in how things are normally done within your marketplace. Competition is always a threat so listing a competitor in this section will not help a marketer prepare for something outside the norm. Competition exists in any marketplace and it is a natural expectation. A marketer should always be prepared to consider competition as a threat. The S.W.O.T. analysis helps to identify the competition.

Who is your competition?

A marketer must get to know who the competition is and what they do as the market review begins. Using the S.W.O.T. analysis for each of the competitors will help to identify them as they are compared to your offering. Use the Competitive Analysis chart on the Do page to help you plot out the marketplace. Knowing how your competition will react when you enter the marketplace is a very vital component of being able to penetrate and secure your share of the market.

Suppose you are inventing or creating a new product or service. Then you would naturally assume that there is no competition. This may be a safe assumption but how long will it be before you do have a competitor and what will you do if they enter? These basic questions are part of the initial strategic review when thinking about the competition. There may also be some cases where a similar product or service exists that can be substituted for your item. If this is the case, a marketer must review these items that can be substituted as competitive in scope because a consumer may easily substitute their item for yours.

Handling your competition is one way to ensure your market growth. Marketers must be able to assign resources for growth possibilities that often includes the reaction or being proactive towards the competitive environment. There is always competition in our society and marketers should expect to have competition in the marketplace environment. Handling the competition must be part of your overall strategy and coming up with ways to deal with the competitive issues will help you gain success in the marketplace.

Let's Do a S.W.O.T. analysis on your competition.

Let's now take each element of the S.W.O.T. and do a simulated comparison of your product vs. them. A marketers goal here is to be honest while working towards getting three to five bullet point items with a brief one sentence explanation of that item for each section.

Strengths - Internal

Think of a strength of something you do well that no one else can do. This strength is a core part of your marketing plan and can be considered a core competence. A core competence is something that you do better than anyone else, something that would be difficult to copy and something that you can build your business on. A marketer should be able to come up with three to five internal strengths.

This same thought process must be applied to the top three competitors in the marketplace. A marketer must list the strengths of their identified competition. It's a good idea to be able to identify three to five topics that your competition does well that may give you trouble in the future. Identifying these areas will help you understand how to defend against your competition.

Weaknesses - Internal

A weakness simply stated is the opposite of a strength – something you do not do well at all. This is often hard to identify from the entrepreneurial point of view because most entrepreneurs think they do everything great. In fact, if you are reading this book maybe your marketing savvy is a weakness. A marketer must look at the internal weakness such as experience, knowledge, resources, and other items that are an internal weakness. Once you have identified the three to five weaknesses in this section, you should also do the same for at least three of your competitors. When you examine your competitor's weaknesses you want to identify areas where you can focus your strengths and capitalize on the potential weakness.

Opportunities - External

A marketer has to be able to identify the opportunities in the marketplace. Opportunities are always viewed from an external point of view. In most cases this includes new market places to enter, new geographies, new products to launch, new businesses to buy and entering areas that are not currently being serviced by the marketplace. Identifying opportunities is vital because proper selection will help to create a road map for your company growth while providing areas to explore when you are ready. As a marketer looks for the opportunities they often look where the competition is not, working to fill a market void. Select three to five opportunities and do the same as if you were the marketer of your competition. Put yourself in your competition's shoes as you review where their opportunities may be based on their Strengths and Weakness. In some cases, you may find that you are both heading in the same direction and in other cases you may see that you're going in completely different directions. In either case, you will want to be prepared to adjust your marketing strategy as your business grows based on the strategy.

Threats - External

A marketer must know that competition is always a threat. Marketers also know that the macroenvironment plays a role in how their business is affected. We will discuss the macroenvironment (using the acronym :ISELPT) within the next few pages. A marketer must look past the competition as a threat. External elements like changes in culture, economies, needs and supply will threaten any business. If you have a core competence that only you as a marketer can perform, then the threat of not being able to complete that core competence can close your business. Every marketer has threats that will severely affect their business model. Identifying these threats will be key to helping you prevent them, mitigate them and even plan for them. A marketer must also take a look at how their competition views their threats by listing them as we did for the competitive strengths.

Let's look at the world.

Marketers have to consider many things as they prepare a marketing plan. Knowing the what, where, when, why, who and how of the market and of the product helps marketers to gain a step in the right direction. Using the S.W.O.T. to analyze both the competition also includes a review of the macroenvironment of the world. This review is a test of reality for most marketers and not understanding how the world is currently evolving around them could mean that a marketer will be left behind.

To review the world macroenvironment let's look at the **Internet, Social Standards, Legal Issues, Economic Conditions, Political Events and Motivations, and Technological Changes.** You could remember this by using the acronym -**ISLEPT.** A marketer does not want to get caught sleeping so keep a good view on the ISLEPT conditions. As we review these sections of the macroenvironment, we must list any future changes that will positively or negatively affect the marketing plan

I - Internet

The Internet affects every business all over the world. A marketer cannot ignore the effects that the Internet plays in their business and in the social environment. Social media is not credited for governmental changes from a new president to taking down a dictator. The internet is now very powerful and plays a role in daily life worldwide. Marketers must review the Internet and should include e-commerce effects, social media effects and delivery effects of their business and targeted markets. Most individuals and consumers now use the internet to research just about anything so understanding how these changes online affect your business will help you prepare for them. The world has grown smaller everyday and the internet is open twenty-four / seven.

S - Social Changes

Society and culture play a role in our motivations to buy and participate in certain products and markets. A marketer must outline how society and culture plays a role in consuming or ignoring a product offering. Roles in society often dictate purchasing patterns and help to define market needs.

L- Legal Affects

Laws are created to maintain civility and honesty within our marketplace but sometimes laws are changed to affect the market place. A marketer needs to understand if the product they are offering will be affected by future law changes. Laws are normally a lengthy process so research normally uncovers any possible changes in how a marketers environment will be changed due to a change in existing laws.

E- Economics

Marketers are often after disposable income. The recession of 2008-2010 eliminated a large portion of personal wealth and affected a large majority of disposable income. Marketers must understand how the economy – good or bad – plays a role in the revenue and consumption of the product or service. Marketers can find opportunity in all market conditions if they plan for them.

P - Politics

Oftentimes political motivation translates into new laws that govern business and trade. The politics and legal effects are often tied together so a marketer must consider these two environmental factors as a catalyst for change to their business. Politics can also be reviewed in terms of stability within a particular political party. Political instability affects most markets and causes volatility in the marketplace for a number of goods and services.

T- Technology

Technology is identified as " the understanding of the future of your product or service". How will the advancement of technology affect the deliverables of your product? Will technology lower production cost or allow your competitors to be more efficient? These are the type of factors we look for when we review the technology section of the macro environment.

Who are my customers?

We are always bombarded with marketing messages. Messages like “Try This”, “On Sale,” “New and Improved,” and “Better than the Rest,” are always within eye and ear shot. Sometimes these messages are purposely directly at us, while other times they are just randomly displayed. In most cases, you have been targeted as a prospective consumer by a particular marketer. As prospective consumers, we will receive a series of targeted ads based upon our likes and preferences. In the age of the Internet world, marketers are now able to narrow these targeted characteristics down to color preference, the type of food you prefer to eat and even the books that you like to read. Marketers make these assumptions based on your past history and your future motivations. You have been targeted.

Knowing your customers means getting to know what they like and dislike. A marketer must understand how their consumers like to buy their product, when they often buy, under what conditions they buy it, where they prefer to buy it and most importantly; why they buy a product. A marketer must know their customer.

Think of your marketing as your only communication tool to your customer. You must say the right thing at the right time in order to get them to do the right thing. How a marketer communicates with them is important and knowing what to communicate to them is equally important. This requires research and understanding of your targeted consumer. Research your customers and who they need to be, where they live, how they buy a product similar to yours, why they like any closely related competition and what do your customers want. Your consumers are your key to success. Your targeted consumer market will tell you if you have your product right or not by voting with their wallet. Your marketing research will identify these targeted consumers and your product sales will speak for itself. If you are successful, your consumers will come back to you and help you to build your business. If you do not understand your consumers, they will not be back for a second try and your business will not succeed.

Let's Segment

People are very different. Each one of us has a unique differentiation from one another, from skin color to values. Marketers must understand that consumers are people that will have unique traits. Among these unique individual traits are also a number of mass similarities that many of us share. Many of us will have the same type of values, the same type of likes, similar tastes in foods, similar enjoyment in travel, and many other varied aspects of life, culture, family and personal preferences are all shared among groups of people. Marketers refer to this like grouping as "segmentation".

Our target market is made up of hundreds of thousands and perhaps millions of people. This is known in marketing terms as the “mass” market. The mass market is normally one size fits all. In some cases, a marketer can position their product and promote their product under the “one size fits all” mass market with success. To visualize this concept, imagine standing on the roof of a ten story building with hundreds of people standing on the street below. They are all looking up and waiting for you to throw over a sack full of cash. Your cash sack is stuffed with hundred dollar bills. Some of these bills are folded into small squares, some rolled into a cigarette shape wrapped with rubber bands and others are just plain flat hundred dollar bills. The hundred dollar bills in the sack are all the same denomination but each person on the street below prefers to hold their hundred dollar bills a certain way like in small squares, with rubber bands and straight bills unfolded. When you throw the bills out of the bag off of the roof, the people below collect the bill using their individual preference. Each one of these smaller groups of people would be a “segment” within the mass market. They all collect the hundred dollar bills but each one has a particular preference of how they collect it. They all share similar likes within that smaller segment of hundred dollar bill collectors.

The “segment” is a group of people that all have similar preferences within a larger group. The larger group may still be interested in your product but each smaller segment has a particular preference of your product. Each unique segment has its own set of likes and understanding those particular likes will help you to improve your marketing communications to them.

Quantify your consumers.

You have a great product and now you want to market it. Your friends think it’s great and you think it’s great but how many other people will think it’s great? Quantifying your target is essential to understanding the goal execution of the strategy. If you think that 100 people will buy your product then you need to estimate how much revenue and profit you will obtain from these 100 hundred customers. This is “forecasting” your estimated revenue. A marketer needs to know this because it will help to validate the business strategy and also help to allocate the necessary resources needed to get to execution.

Knowing how many people will eventually buy your product over time will help you to plan your strategy. It is the marketers job to evaluate the possible market scenarios and to use these scenarios to help with a forecast. Using a three level scenario is often the best way to lay out your forecast strategy. To do this a marketer should estimate a worst, acceptable and best case scenario. To illustrate this point let's use the 100 units sold as the acceptable scenario. If you sell 100 units, you will generate enough revenue to pay for the cost of the products, the expenses of the business (including marketing) and leave room for some profit to put in your pocket. The worst case scenario would be 50 units, which will put you in the red and force you to take money out of your pocket to keep the business going. The best case scenario would be selling 150 units, which will provide for all of your expenses, generate profits and also leave money for business growth.

If you cannot quantify the market with acceptable numbers to cover your business overheads and provide for a profit you must re-evaluate the business. Marketers must decide on the market to enter and forecast out the quantity of units sold that will allow for the business to break even and generate a profit. If a marketer cannot satisfy the bottom line number needed to be profitable then a change must be made in the product, the market or the position of the product. Remember, great products can sell themselves once but great marketing can sell great products over and over again eventually building a business and possibly a brand.

Expected Growth of your Market.

Marketers must first decide on who to market the products to. The second decision is to find out where these targeted consumers are. Once a marketer knows the who and the where the targeted consumer is, we must then quantify how many of these consumers will buy our product so that we can forecast sales and expenses. To build a business and a brand marketers must have consumers keep buying their product.

Most marketers can sell a product one time but it takes a true marketer to sell it over and over again. Growing your market is the foundation to growing your business. Marketers must anticipate the growth of the market. If you cannot grow your market then you will have a one time shot to make a profit.

There are several ways a marketer can grow the business. The first most obvious way is to keep getting new customers. To get new customers, you must always promote your product. Making new customers aware that your product exists allows a marketer to have a solution for the consumer's current need. Gaining new customers means penetrating your existing market or entering new markets. Every customer gained will add to the bottom line.

A second way to grow your business will be to create a new product that compliments and enhances the offering of your first product. This means that you must also create a marketing strategy for that product and hope to be able to maximize your current customers into the new product. In this case, a marketer will win both ways.

Buying a competitive line is another way to grow your market. This strategy requires a completely different set of objectives and is often the most costly way to gain market share but grows your business and eliminates the competition in one shot.

The last way to grow your business is by selling more products to your existing customers. This is where the marketer must really do their homework. A marketer can increase sales with promotions, service, and updated versions. Changing the marketing mix will often help the marketer achieve better results to their existing customer base.

In all cases of growth, a marketer must be able to anticipate and plan for growth. Marketers should not be on the short end of the stick when the great product they have turns into a full fledged running business. A fully operational business requires resources and planning and not understanding your growth will quickly put the brakes on it.

Getting Your Product to Market

We are all consumers. In our lifetime we have purchased everything from schooling to food, from cars to houses, from shoes to hats and from books to music. As a consumer, we have many ways to buy the targeted product we need. Most consumers can buy their products from a retail store, an online store, a buying club or in some cases a distributor. The ways a consumer buys the product is through the channels that the marketer sets up. A marketer must identify how they want to get their product to market for maximum results with as little cost as possible. This is identified as the channels of distribution.

In today's Internet environment, the channels of distribution for a marketer are often blurred. This results in an opportunity for the marketer to get their product to a market in a number of different ways. While most large scale marketers choose to be a leader in one marketplace while using only one type of channel, smaller sized and more flexible marketers may be able to operate a parallel strategy in a number of channels. Different channels require different strategies which also translate into different price points from a retail perspective to a wholesale perspective. Consumers want the best product at the best price but every intermediary that brings that product to market must do so with creating some type of profit for their involvement

A marketer must choose the best channel based on the market demands and pricing demands related to the target consumers and the product.

Marketers generally have four options to get their product to market. The most complicated, most expensive but oftentimes most profitable is the direct channel. The direct channel means that the marketer sells the product directly to the consumer. This can be done through an online store, an infomercial on TV or the radio, at consumer shows and in some cases in a retail store. The direct approach is the best way to control your marketing message and have hands-on interaction with your consumer. This approach will yield higher profits because you are the maker and the seller but it also requires more investment in time and financial resources.

The second way to bring a product to market would be to sell into retailers. Retailers are valuable because they already have the traffic that will sell your product and have many resources that can be used to help promote your product. The key to selling to retailers is to remember that putting a product on the retail shelf is one success and getting it off the retailers shelf is another success. Most marketers must have some type of retail support to help them sell the product off of the retail shelf.

The third option would be to sell into a major distributor. These distributors often have close relationships with the retailers.

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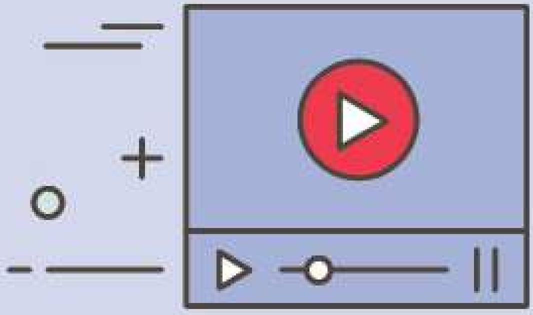

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