

Marketing the Product or Service

Chapter 11

Small Business Marketing:
Strategy and Research

Small Business Marketing

- What is Marketing?
 - It is much more than just selling and advertising.
 - It involves all the activities needed to get a product from the producer to the ultimate consumer.
- Drucker on Marketing
 - Businesses have two—and only two—basic functions: marketing and innovation.
 - These are the only things a business does that produce results; everything else is really a “cost.”

2 Source: Hatten, Small Business Management, 4th Edition

Small Business Marketing (cont'd)

- Production Concept
 - Concentrating more on the product the business makes than on customer needs.
- Selling Concept
 - Making products and then convincing people to buy the products.
- Marketing Concept
 - Determining the wants and needs of customers before goods and services are produced.
- Relationship Marketing
 - Concentrating on establishing a long-term buyer-seller relationship for the benefit of both parties.

3 Source: Hatten, Small Business Management, 4th Edition

Marketing Strategies for Small Business

- Marketing Strategy
 - States *what* marketing efforts are intended to accomplish and *how* they are intended to accomplish it.
 - Is identified in the marketing section of the business plan.
 - Will help management to be proactive, not reactive, in running the business.
 - Includes a description of marketing objectives, sales forecast, target markets, and marketing mix.

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Source: Hatten, *Small Business Management*,
4th Edition

Developing a Sales Forecast

- Sales Forecast
 - The quantity of products (dollars and units) a business plans to sell during a future time period.
 - The "top line" figure for projected revenues
- Areas Impacted by Sales Forecasts
 - Channels of distribution
 - Sales force requirements
 - Advertising and sales promotion budgets
 - The effects of price changes

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Source: Hatten, *Small Business Management*,
4th Edition

Identifying Target Markets

- Market Matchup
 - Target Market:
 - People with a common want or need that a business can satisfy
 - People who are able to purchase your product
 - People who are more likely to buy from your business
 - Market that a Business Needs:
 - People with a need that your products can satisfy
 - Enough people in the target market to generate profit for your business
 - People who are in possession of, and have the willingness to spend, enough money to generate profit for your business

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Source: Hatten, *Small Business Management*,
4th Edition

Understanding Consumer Behavior

- Consumer Behavior
 - Why people purchase products
- Kurt Lewin's "black box model" of personal influences:
 - Inner needs
 - Thoughts
 - Beliefs
 - Attitudes
 - Values
 - Motives
 - Perceptions
 - External environmental forces

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Source: Hatten, Small Business Management, 4th Edition

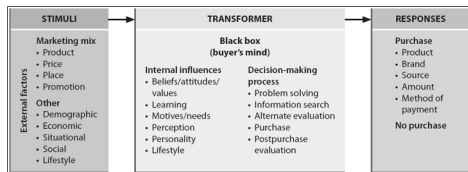
Understanding Consumer Behavior (cont'd)

- Evoked Set
 - The group of brands or businesses that come to a customer's mind when he or she thinks of a type of product.
- Cognitive Dissonance
 - The conflict (i.e. remorse) that buyers feel after making a major purchase.

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Source: Hatten, Small Business Management, 4th Edition

Figure 11.1: The Black Box Model of Consumer Behavior



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Source: Hatten, Small Business Management, 4th Edition

SOURCE: "The Black Box Model of Consumer Behavior," from Warren Keegan, et al., Marketing (Englewood Cliffs, NJ: Prentice Hall, 1992), 193. Reprinted by permission of Sandra Morarty.

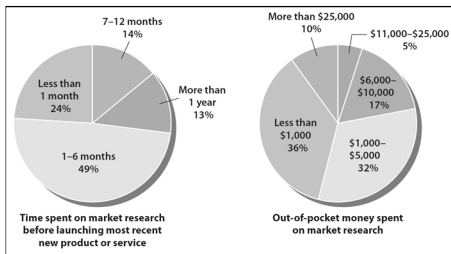
Market Research

- Market Research
 - The process of gathering information that will link consumers to marketers to improve marketing efforts.
 - The function that links the consumer, customer, and public to the marketer through information.
- Uses of Market Research Information
 - Identify and define marketing opportunities and problems.
 - Generate, refine, and evaluate marketing actions.
 - Monitor marketing performance.
 - Improve understanding of marketing as a process.

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Source: Hatten, Small Business Management, 4th Edition

Figure 11.2:
Market Research Expenditures

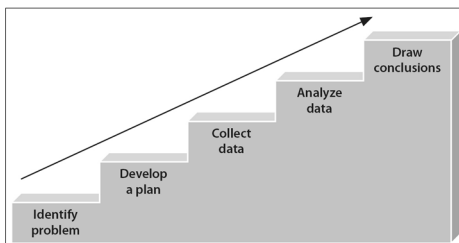


Source: Hatten, Small Business Management, 4th Edition

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SOURCE: Survey of 173 CEOs, 57 percent from companies with sales of \$10 million or less, by Inc. and The Executive Committee, San Diego, 1992; Susan Brown, "Sales & Marketing," Inc., July 1992, 118.

Figure 11.3:
The Market Research Process



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Source: Hatten, Small Business Management, 4th Edition

Market Research Process

- Identifying the Problem
 - Is the most difficult and most important part of the market research process.
 - Requires a clearly stated, concisely worded problem in order to generate usable information.
- Planning Market Research
 - Identify the types of information that you need.
 - Identify primary and secondary sources of data.
 - Select a representative sample.
 - Select a research method and measurement technique.

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Source: Hatten, Small Business Management, 4th Edition

Market Research Process (cont'd)

- Qualitative Data:
 - Refer to research findings that cannot be analyzed statistically.
 - Are useful if looking for open-minded responses to probing questions, rather than yes-or-no answers.
 - Can be obtained through personal interviews or focus groups.
 - Help identify trends in answers or obtain specific detailed responses to your questions.

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Source: Hatten, Small Business Management, 4th Edition

Market Research Process (cont'd)

- Quantitative Data
 - Are structured to analyze and report numbers.
 - Help illustrate relationships between variables and frequencies of occurrences.
 - Are useful in providing information on large groups of people.
 - Can be analyzed statistically to show causation.
 - Can be obtained through telephone interviews, personal interviews, and mail surveys.

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Source: Hatten, Small Business Management, 4th Edition

Market Research Process (cont'd)

- Data Analysis
 - The process of determining what the responses to your research mean
- Processing Data into Information
 - Clean the data to remove forms that are incomplete or unreadable.
 - Code and examine the data to identify trends and develop insight.

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Source: Hatten, Small Business Management, 4th Edition

Market Research Process (cont'd)

- Presenting the Data and Making Decisions
 - Conclusions based on data analysis may be obvious.
 - Data may show exactly what to do next to answer the research problem.
 - Market research provides you with information that will allow you to be proactive.

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Source: Hatten, Small Business Management, 4th Edition

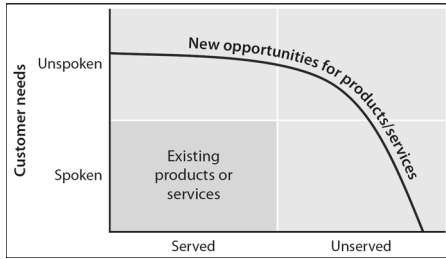
Market Research Process (cont'd)

- Limits of Market Research
 - Research can provide a picture of what people currently know and expect from products or services, but it has limited ability to indicate what people will want in the future.
 - Innovation does not come from market research.
 - The ideal is to concentrate on defining markets rather than on reacting to them.

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Source: Hatten, Small Business Management, 4th Edition

Figure 11.4: Matrix of Customer Needs and Types



Source: Hatten, Small Business Management, 4th Edition

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