

Chapter 9

MARKETING STRATEGY FOR SMALL BUSINESS: MARKETING STRATEGY

Developing Strategic Options

There is rarely one ideal marketing strategy for organizations, but rather a strategy that makes many trade-offs and many assumptions about the environment. It is virtually impossible to optimize all the variables that lead to success.

Generic strategies are a framework for discussing marketing strategies. They provide the agenda for the management team to position the present marketing strategy and to review and evaluate new options. The generic evaluation serves as a starting point for discussion.

Strategic Generic Options

The analytical and evaluative process must eventually be translated into action, but first a set of options must be developed in order to have some choices. Market strategies normally become a combination of resources, opportunities, direction, and functional actions. Generic strategies are a useful way of setting out some broad directions.

Generic Strategies

Day¹ suggests four basic generic patterns:

Improve sales revenue and performance

- increase market penetration
- new products
- enter new markets
- forward integration

Improve profitability

- lower costs
- change price
- vertical integration to control cost

Harvesting

- marketing support reduced or limited
- investment reduced or limited turnaround strategies
- a large effort and support for putting the company back on its feet

Porter² has a different set of generic strategies.

He suggests that there are three directions an organization can pursue.

Assume an overall low cost position

- Invest in manufacturing.
- Focus on technological improvements.
- Focus on developing high productivity and efficiency.
- A cost oriented culture.

Differentiate

- Focus on marketing activities in order to develop a unique, attractive position.
- A high brand image and brand loyalty are important.
- Create high value for the customer.
- A value creating culture.

Focus on a particular segment only.

- Niche marketing.
- Deliver something that is of value to the niche
- Could be product or service, differentiation, or cost based.
- A service creating culture.

The Basic Content of the Marketing Strategy

1. The product market where you wish to compete (within scope and business mission).
2. The funds and investment strategy needed.
3. The competitive advantages supporting the creation of value.
4. The functional programs that will execute the strategy.

Deciding How and Where to Compete

Strategy is about the direction of the firm, but on the way to direction comes the primary decision of what markets, segments, or niches the firm will compete in. The ideal market for the smaller organization is the niche, since it is by definition small, and a focussed effort is easier. A smaller market also fits in well with the skills of a smaller organization.

Day³ delineates three patterns of niche marketing strategy:

1. The niche specialist who markets a select product to a select market.
2. The product specialist who sells one product to certain market segments.

3. The market specialist who markets a number of products to a select market (they satisfy a large proportion of the select market's needs).

Part of this decision also includes selecting and identifying the competitive advantages of the organization. These topics are covered in depth elsewhere.

The choice of markets to serve sets the tone for other strategies (strategic choices are interdependent), and to a large extent determines how the organization will compete. The how is all about differentiation and providing value for the customer segment selected. This process is analyzed in depth in previous sections.

There is both a present and future dimension to these decisions. Market structures and customer needs change over time and the strategic choices made must be constantly evaluated in light of market changes.

Customer Satisfaction

When all is said and done, the ultimate "how" strategy is to create customer satisfaction. Customer satisfaction is the strategy that will serve organizations the best in the long run. Without satisfied customers, most smaller organizations face a bleak future.

Customer satisfaction is not a quick fix, but a long road with constant effort by the whole organization. We saw previously that customer satisfaction is also a strong competitive advantage.

Steven Shnaars⁴ sees four principal practices that lead to long term customer satisfaction.

Relationship Marketing

Building long term relationships with customers.

Not seeing customers as one-shot sales prospects, but as people you will be dealing with for many years.

Excellent Service

Guarantee your product or service unconditionally.

Value and Handle Complaints Efficiently

There are always going to be customers who are not totally satisfied. How their complaints are dealt with often determines whether they will be lost as customers or whether they will be turned into satisfied customers. The process of handling complaints (i.e., speed, courtesy, fairness) is often more important than the actual results or reversal of the problem.

Marketing Growth Strategies

The alternative strategies can be delineated on a two by two matrix. (see Figure 9-1)

This growth matrix sets out the alternatives, and each quadrant can be explored on the basis of the analytical base developed earlier. For example, A Toronto security company was seeing growth slow down. A consultant studied the industry, the competition, the customers, and the organization, and then used the growth matrix to set out the direction and alternatives for the marketing strategy. Initially, there had been a call by management for new services, but upon closer scrutiny it was found that Quadrant I offered the best opportunities, followed by Quadrant III. Only after exploring and investing in these opportunities should the organization consider Quadrants II and IV.

Quadrant I

This quadrant basically places resources behind a

Figure 9-1

	Current Product/Service	New Product/Service
Current Market	Quadrant I	Quadrant II
New Market	Quadrant III	Quadrant IV

strategy for increasing market share. This can be achieved by searching for new customers within the present market, or increasing the amount of product or service consumed. The points give-away, such as frequent flyer points, has been a very useful vehicle for increasing the usage of many retail establishments. Many small computer systems companies increase the level of consumption of their current customers by making a detailed analysis of the work processes of their clients and trying to help them change the process in order to operate more effectively.

This calls for an in-depth analysis of current customers. Dentists, opticians, and veterinarians have made effective use of computers to generate reminders of "your next visit is due". This quadrant basically says that I am going to stay with my current customers and supply them with my current product and services. But my focus is on getting them to buy more and/or more often, and to stay loyal to me. The value of the current customer is often overlooked in a rush to acquire new ones.

Quadrant II

In this quadrant, the existing customer base is explored for new products or services. For example, if you are providing guard service, expand it to machine or computer monitoring within the factory. Again, this calls for an extensive understanding of the customer and an excellent relationship. The "new" product may be a refined product/service or an enhanced product/service, or it may be a brand new and different product/service.

Quadrant III

This quadrant moves off the familiar territory. It places emphasis on investment in sales, marketing, and research, and is generally a more costly quadrant to work in. Expanding geographically, such as exporting to the U.S., is a familiar route. Segmentation analysis may uncover more segments predisposed to your product or service.

Quadrant IV

This is the high risk quadrant, with two unknowns

the product and the market.

Risk reduction may take place if you are entering a related market, or introducing new products that are related to or similar to your current product.

Performance Objectives

Objectives are essential in order to have some performance measurements built into the mission and vision; both of these are soft directions. The ideal performance objectives spell out the specific type of performance and the timing of this performance. It converts the mission and vision into measurable variables and targets. The vision can be vague, but the objectives must be succinct. You need performance targets to motivate the organization and to eventually evaluate whether the marketing strategy worked. Hard numbers (increase market share by 10%, decrease cost of marketing by 5% by April 5th) are measurable objectives.

Good objectives:

- Stretch the organization
- Are quantifiable
- Have a time component
- Are achievable
- Are internalized by the whole organization

Figure 9-2 puts the whole process of marketing strategy in perspective, along with the analytical tools used at each stage.

Endnotes

1. George S. Day, *Market Driven Strategy*, The Free Press, 1990.
2. Michael E. Porter, *Competitive Strategy*, The Free Press, 1980.
3. George S. Day, *Market Driven Strategy*, The Free Press, 1990.
4. Steven P. Schnaars, *Marketing Strategy*, The Free Press, 1991.

Figure 9-2

