

Marketing Strategy for Small Business

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PREFACE

Small business is the engine of growth for the Nineties.

This book tries to provide a guide to marketing strategy for those charged with marketing in a smaller organization.

The underlying premise of the book is that marketing is a business process that should permeate the whole organization. The book takes a practical and applied approach to marketing strategy. It is a marketing pathfinder for small business.

The three cornerstones of small business growth, according to a 1992 Statistics Canada survey, are management skills, skilled labour, and marketing capability. This book is devoted to increasing the marketing skills and understanding for small business and the entrepreneur.

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Chapter 1

MARKETING STRATEGY FOR SMALL BUSINESS: AN INTRODUCTION

Marketing is the process of satisfying the organization's stakeholders and creating value for these stakeholders. Marketing management is the management of this process.

Stakeholders are persons or organizations that have a relationship with the organization. Every organization has a different set of stakeholders, although many have the same type. Stakeholders are affected by the actions of the organization and many of these stakeholders are the focus of marketing efforts. Typical stakeholders include customers, employees, distributors, suppliers, owners, and the community.

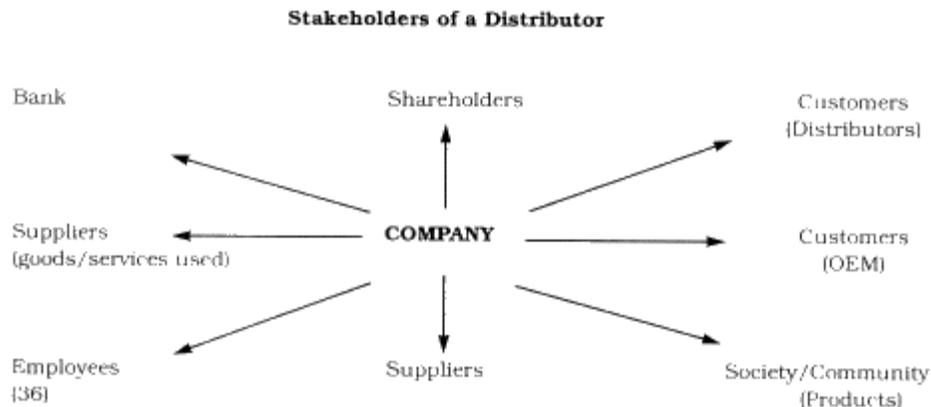
Figure 1-1 shows the stakeholders of Ontario Distributor Inc. The success of a company is determined to a large degree by how it manages and satisfies the relationship with its stakeholders.

Marketing is the common thread that ties all the

stakeholders together. Many of the relationships are obvious, but let's look a little closer at an obscure one – the bank. From a marketing point of view, you have to establish constructive communication with the bank. You must ensure that the bank maintains a positive attitude towards your company. You are selling your organization to the bank very much like you are selling the organization to your customers. And just as your objective is to keep your customers happy, your objective here is to keep your bank manager happy. The campaign may be simpler, but the process is the same.

Marketing for Ontario Distributors Inc. is to deliver satisfaction and value to all of its stakeholders. It does this in a number of ways, but the only way that Ontario Distributing's marketing efforts can be successful is to have the whole organization marketing oriented.

Figure 1-1



A number of assumptions flow from this concept:

- (a) You know what your stakeholders want.
- (b) You know who your customers are and what their needs are.
- (c) You have some idea of the forces that impact on your customers (e.g., competition)
- (d) You have an efficient way of delivering satisfaction, and you can do this better or at least as well as others.
- (e) You can do all these things without upsetting any one in your sphere. It is a balancing act; for example, you drop the price and make your customers happy, but your shareholders unhappy, and your employees are upset because they will not receive their annual bonus due to low profits.

It is important to keep in mind that marketing is a way or process of doing things, a state of mind, or a view of how business should be done. Ideally, this mindset or business philosophy should be embraced by everyone in the organization. This is critical in the smaller organization where every person's actions count.

Specifically, marketing is about customer satisfaction. Customers are persons or organizations that buy or acquire an organization's product or service. Customers are either consumers or other organizations.

Marketing is a diverse part of business. It is many things; for example:

- advertising for product
- keeping customers
- anti-wife abuse messages
- a sign for soda
- a newsletter to employees
- a plan to bring a product to market
- a strategy for your company
- working with distributors and/or retailers

Marketing is a systematic way of organizing business decisions.

Marketing as a Set of Activities

Marketing can also be considered as a series of activities carried out by the organization. The following illustrates many of these activities

Activities

Market Research

Market Strategy

Market Planning and Management

Pricing Management

Channel Management

Communications Management

Sales Management

Service Management

Product Management

Marketing Activity

Researching the marketplace and the customer.

The overall direction of the marketing for the company and its objectives.

The planning and managing necessary to reach the company's objectives.

The assessment of the right pricing structure for the product or services.

Developing a cost effective way of reaching the final customer. This might include physical distribution, retailers and wholesalers.

Developing advertising and promotional vehicles to communicate to selected audiences.

Directing and organizing the sales force.

Developing both the service and the quality side of the company's output.

Developing new products and managing the existing products.

Marketing As a Set of Decisions

Another way of looking at marketing is as a set of decisions that must be made by the company whether it is launching a new product, reviewing an old one, or starting out on an entrepreneurial venture.

Suppose you have discovered a very pure source of water on your property. You and two friends set up a company to take advantage of this discovery. Before you proceed, a series of business decisions that have to do with the market must be made.

1. The name of the product must be coined. The name becomes part of the product, and a good name will help differentiate the product.
2. Who are the customers – consumers or business? What geographic boundaries should I set?
3. What form should the product take – 4L bottles, 25L bottles, or bulk? How should it be packaged?
4. How should I distribute the water – directly to consumers or to offices? Should I use retailers, and if so, which type? Or should I use a wholesaler?
5. What customer service programs are needed or what services should I add – for example, a cooler?
6. How should I price the product?
7. Should I advertise, use coupons, or have a salesforce?

These are just some of the marketing business decisions that must be made at the same time as financing and manufacturing decisions are made.

Formal Definition of Marketing

The American Marketing Association (AMA) defines marketing as follows:

~“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.” This new (1985) definition by the AMA is wide ranging and it clearly signals that marketing is a *process* ultimately leading to an *exchange* of some type. There are many diverse definitions of marketing.

Peter Drucker took a broader perspective when he wrote. “Marketing is not only much broader than selling, it is not a specialized activity at all. It

encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customers’ point of view. Concern and a responsibility for marketing must, therefore, permeate all areas of the enterprise”.’

The definition you adopt is less important than the working framework that the organization develops, and this book is all about developing the marketing framework for the smaller firm.

Marketing in the Age of Diversity 2

Marketing is everywhere, both outside and inside of the organization. Regis McKenna, in an article titled “Marketing is Everything” in the *Harvard Business Review*, talks about the 1990’s belonging to the customer. The driving force for marketing is technology, as evidenced by the many companies subscribing to the gospel of marketing or customer orientation. This discovery is supported by numerous articles and books outlining how to become customer oriented, and the benefits of this strategy.

Marketing today is no longer a function² but a way of doing business. Marketing is the job of everyone throughout the organization, and this is even more important for the smaller organization with fewer persons. A part of everyone’s job description should include marketing.

Marketing is an intangible², much like service and product quality, and marketing, as previously stated, becomes everyone’s responsibility. A popular objective for many organizations is to become marketing driven; that is, the main force behind every decision and action within the company is made (driven) by a marketing philosophy. According to Regis McKenna² marketing in the age of diversity means:

- More options for goods producers and more choices for consumers.
- Less perceived differentiation among similar products.
- Intensified competition. with promotional efforts sounding more and more alike, approaching “white noise” in the marketplace.
- Newly minted meanings for words and phrases as marketers try to ~‘invent’ differentiation.
- Disposable information as consumers try to cope with an information deluge from print, television, computer terminal, telephone, fax, satellite dish.
- Customization by users as flexible manufacturing makes niche production every bit as economic as mass production.
- Changing leverage criteria as economies of scale

give way to economies of knowledge—knowledge of the customer’s business, of current and likely future technology trends, and of the competitive environment that allows the rapid development of new products and services.

- Changing company structure as large corporations continue to downsize to compete with smaller niche players that nibble at their markets.
- Smaller wins, fewer chances for gigantic wins in mass markets, but more opportunities for healthy profits in smaller markets

Marketing Management

Marketing management is the process of managing the present and future relationship between the company and the customer, the competition, the industry, and the external environment (See figure 1-2).

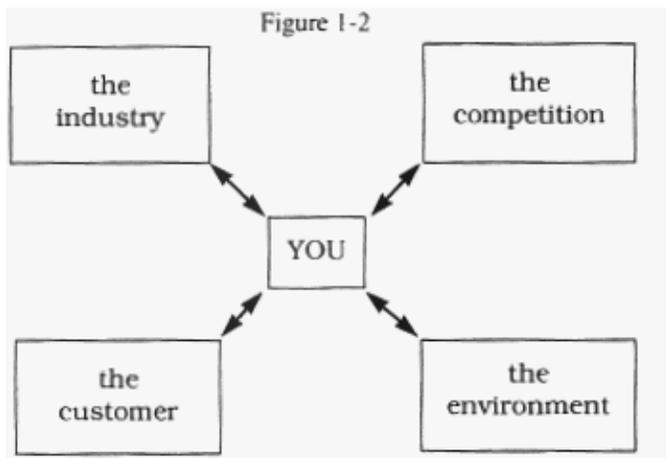
These are the forces that impact on the organization’s success. Marketing must fit with these variables. First, they must be understood; second, the impact of these forces must be explored; and third, a game plan (marketing plan) must be developed by the organization to fit in with and to take advantage of the opportunities presented by this ever changing system.

The Role of Marketing Within the Organization

Marketing is too important to be left to the marketing department. Marketing is everyone’s responsibility. Marketing as an organizational value must pervade the company. The President or Chairman should be the chief marketer. Within the smaller firm, the marketing structure typically looks as follows:

(See figure 1-3)

When the organization grows, specialization of



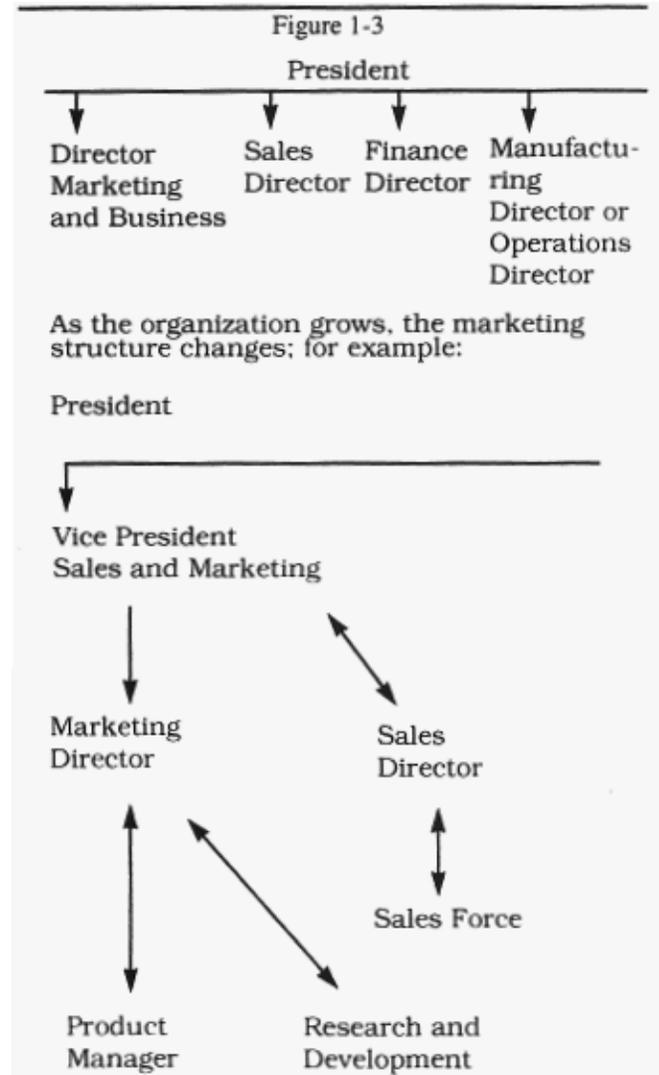
functions takes place and layers of people come between the customer and key decision makers. The President gives away personal control and direction and the organization becomes less adroit.

The smart organization keeps the structure as flat as possible (often labelled a pancake structure) and as flexible as possible. Flexibility and keeping close to the customer are goals of the organization that is marketing oriented.

Small Business . What is it?

Raymond Kao, in his book “*Small Business Management*” lists the following characteristics of small business3:

- The business, as a rule, is managed by the owner or owners of the company. The management team of the business may consist of family members, relatives, and/or close friends.
- The responsibility for decision-making normally lies with one key executive, with very little or no delegation of authority.
- There appears to be a close management employee relationship.



- The business is an extension of the personality of the entrepreneur.
- Generally, the organization has few (sometimes no) functional specialists, such as a full-time accountant or a personnel manager.
- The company employs fewer than 200 people and normally has no more than two tiers of management reporting.
- The company's annual sales are less than \$2 million.
- In most cases, the owner-manager is a verbal communicator.
- The company places little emphasis on long-term planning, although the owner-manager may be aware that a formal long-term plan is necessary.
- Normally, the company's stock is not listed with a stock exchange.
- Capital is supplied and ownership held by an individual, family, or friends.
- The operation has a local or regional base.
- The firm is not dominant in its industry. Its size and market share are small compared with those of larger operations in the same field.
- Often, the management focus is on the need to build up and protect the owner's equity, rather than on maximization of the firm's profit.

There are many definitions of a small business.

Industry, Science and Technology Canada includes "any firm with fewer than 100 paid employees in the manufacturing sector and fewer than 50 paid employees in all other sectors."³

This definition is probably as good as any other based on sales, assets or ownership. The focus of this book is on the smaller enterprise.

Small Business and the Economy

Small business is playing an increasingly important role in the Canadian economy. There are approximately 1 million small businesses in Canada. Forty-eight percent of Canadians are working with companies with fewer than 100 employees. Smaller companies have managed to create a large portion of new jobs in the last decade (1979-1989: 81% of net new jobs were created by companies with fewer than 50 employees).⁴ When it comes to sales and profits, small business accounts for approximately 30% of the total, while having only about 20% of the total assets.

Table 1-1 shows one regional distribution of smaller firms for the years 1979 and 1989.

Table 2-1 shows in what industries the smaller firms exist. The service sector dominates as would be expected. Retail and construction are also prominent.

	Sector Share of Business with <100 Employees (percent)
Primary	7.9
Mining	0.6
Manufacturing	6.1
Construction	11.9
Transportation/Communications	4.2
Wholesale Trade	5.8
Retail Trade	15.9
Finance/Insurance/Real Estate	6.3
Community Services	8.4
Business and Personal Services	27.0
Unclassified	6.0
Total Private Sector	100.0

Source: Minister of Supply and Services, *Small Business in Canada* 1991. 1992.

Newfoundland	1.8	2.3
Prince Edward Island	0.7	0.7
New Brunswick	3.4	3.4
Quebec	25.2	25.2
Ontario	35.4	34.6
Manitoba	4.4	3.9
Saskatchewan	4.6	4.7
Alberta	11.2	11.2
B.C.	14.4	14.3
Yukon/N.W.T.	0.4	0.3

Source: Minister of Supply and Services, *Small Business in Canada*, 1991. 1992.

Endnotes

1. **Peter Drucker**, *The Practice of Management*. Harper & Row, 1954.
2. Regis McKenna, *Marketing in an Age of Diversity*. Harvard Business Review, 1991.
3. Raymond W.Y. Kao. *Small Business Management*, 3rd Ed. Dryden Press, 1992.
4. Minister of Supply and Services. *Small Business in Canada*, 1992.