

# Components of an Effective Marketing Plan

## Overview

This document has been created to support the success of our MicroLoan clients. Marketing is often misunderstood but the development of a successful marketing plan is the key to the profitability and growth of any small business.

In the clamor for attention in today's business marketplace, small businesses do not have the capital resources to successfully gain the attention of their target market. The good news is that there are many ways to connect to your market that cost little, require a reasonable amount of time, and offer great returns.

One of the biggest changes in the marketing world is the need to offer information and expertise for free as a way of growing a customer base. Entrepreneurs typically specialize in a niche market so, even though there may be a lack of marketing skills, the business owner can typically get lots of attention by providing information and education to their prospective client base. A dog groomer can offer tips on keeping pets healthy, a fitness center can provide fitness information, food services can offer cooking tips and a chiropractor can offer information on effective exercising.

The medium for providing this information varies with the business but there are many new ways to communicate inexpensively with a target market. Social networking, web sites, blogs and face to face networking are all ways to exploit one's expertise and build a loyal following.

The single biggest mistake we see in the market today is the small business owner who waits for the world to find them, is too distracted or disorganized to offer the kinds of information we are suggesting, and who can't or won't get out from behind their four walls. The line between success and failure is drawn between the entrepreneur who understands the social aspects of marketing their business and the ones who are content to struggle while waiting for their business to "take off".

The following is a synopsis of the components of a successful marketing plan for the current business climate. It is our hope that each of our entrepreneurs will tap into the pieces of this overview that best suits their business and find ways to increase their customer base and ultimately their profitability.

## *The Planning Process*

Identify the Target Market – This is the first and most critical part of any marketing plan.

Marketing is communication. It is the bridge between the products and services one has to offer and the group of people who would benefit from using those products and services. One of the most common errors is the failure to identify the market that the business needs to reach.

Entrepreneurs are typically terrified of turning away a single customer, but in trying to be all things to all people, their message gets watered down and confusing. If each market speaks a different language then it is the entrepreneur's most important task to identify the language that their target market speaks and then communicate in that language.

Pricing - Getting pricing right is the single most important part of balancing the business model. All too often we see entrepreneurs struggling to be profitable because they are under pricing their products. Pricing is often done arbitrarily without consideration to the competition, the strategic advantages of one's own offering and, most importantly, the costs associated with providing the product. A typical approach to small business is to draw income after the business becomes profitable but the profitability never comes because it is not built into the pricing. The "make it up in volume" approach does not work for small business because there are too many variable costs that follow an increase in volume.

Pricing then must start with an accurate assessment of the cost of providing the goods and a target profitability. Then the customer can vote with their wallets if they feel that the product offered is worth the money. Another pitfall is to emotionally price a product so as not to appear greedy. And yet another is to set pricing based solely on what the competition is charging. Again the arbitrary nature of this kind of pricing strategy will almost always undervalue the offering and undermine profitability.

Discounts are a key element in pricing a product. Discounts should be built in to the regular price. When large companies offer discounts they don't typically take a loss. They get the gravy when they sell at full price but their business modeling reflects the discounted pricing so they can maintain their profitability.

Strategic Advantage – This is a key component of marketing because it is what sets products and services apart from one another. Each entrepreneur should create a list of their identifiable, strategic advantages, as compared to the competition. If it's quality, then one can usually take a lower volume, higher price, approach. If it's lower price, then volume has to be readily available to carry the lower margins. Most small businesses have a hard time identifying these advantages and then communicating them to their target market, but this communication is what justifies the pricing strategy.

## Delivering the Message

Once the target market has been identified and the pricing is set, the message about the company's strategic advantages is ready to be delivered to the target market. These advantages should be clearly stated in all communications to the customer base. Let's take a look at a model of an inexpensive, grass roots marketing approach for a typical small business that has great products and services, the right pricing, passionate ownership, lots of strategic advantages, and a limited amount of capital. These five avenues of communication should be used by most entrepreneurs.

**1) Signage** – In store and outdoor signage is a big miss for many businesses. Most businesses have multiple revenue streams but do a poor job at promoting their offerings. A food business that also offers catering should create an in store and outdoor environment where no one that enters the store leaves without knowing the company does catering. A dance studio that offers Zumba classes should clearly promote that offering in all their correspondence. A dog groomer that offers overnight boarding services should make it abundantly clear to their clientele that this service is available.

In short, the entrepreneur has to overstate their offerings and assume nothing. Customers are typically pre-occupied with other things when they shop so it is imperative to hit them between the eyes with the message. The beauty of signage is that it is typically a one time cost and can often be flexible to reflect changes in the business model.

**2) Face to face networking** – Every entrepreneur will benefit from being an active member in their local Chamber of Commerce but it is often difficult to convince business owners, already tired from working long hours, to network their businesses in this way. We believe that many consumers purchase from people they know, people they like and people who have something more to offer than just what they are selling. If I like you I will remember you, buy from you, and promote your business for you.

Libraries, churches, schools, senior centers, assisted living facilities, colleges, etc., all offer great venues for educating potential markets about one's business. Offering free talks is an excellent way to become the local expert in one's field. It is also advisable to bring experts in associated businesses into your own business to offer free seminars. This cluster marketing can create amazing referral networks and add to one's growing reputation. The jewelry store can connect with the local tattoo parlor, the liquor store can offer wine tastings at a local restaurant, and the landscaper can connect with the local garden shop.

**3) Website** – No business should be without a presence on the web. Simple websites are easy and inexpensive to design and web hosting costs less than \$10/month. The days of expensive yellow pages advertising are over. People go to Google and look for business's to find hours of operation, services offered, contact information and pricing. But don't stop with the basics. Be

sure to include all the services and offered and the advantages of using them. Tell the customer why they should patronize your business and offer them incentives for trying you out.

**4) Incentives** – These work for almost every business. Discounts, first time buyer deals, giveaways, memberships, and free with purchase programs, all create additional sales and help build brand loyalty. When the consumer feels like they got a deal they feel good: the sandwich they just bought tastes better, their haircut looks nicer and the shirt they bought looks better on them. One of the most overlooked pieces of incentive marketing is the use of referral programs. Every business owner should give strong consideration to investing time in a referral program. Here are a couple of ways to approach such a program:

- 1) Give referral coupons to existing clients with their names on them. When a client's referral ticket is turned in by a new client, both the referring client and the new client receive a discount the next time they use your service or buy your product. Coupons are cheap to produce and you can even put one on your website for people to download themselves, so the cost is zero.
- 2) Use an intake form that identifies where customers found out about your business. This is especially good for service businesses. A simple spreadsheet or a more sophisticated point of sale system can provide a discount for the new client and for the referring client.

**5) Social networking** – While there are lots of social networking sites now, each site has specific applications. Some small businesses might benefit from Twitter or Blogspot, some would achieve better results with Facebook or Linked In. These are free to use but they require a commitment to consistent communication. There is a sushi bar that snaps a picture of its daily special sushi roll each morning and posts it to Facebook. There are chiropractors who successfully blog about treatments that they are finding effective for different maladies, there are professionals who keep track of their referral sources on Linked-in. Social networking is a great way to stay in contact with one's target market, continually communicate strategic advantage, and educate one's clientele about new products.