

Small Business Marketing Fundamentals

Over the years I found understanding marketing one of the most difficult tasks I had. So many books, so many articles, so many opinions and trying to figure out how any of it relates to me and my business. It seemed that marketing became a large, mystical “thing” that was important but it was as illusive as a ghost. After only 32 years I think I have a better understanding of this thing we like to call marketing.

First of all, when someone tells me they want to know more about marketing what they are really saying is they need more customers and marketing seems like a neat word to use. Secondly, there usually is not a basic understanding of marketing, sales and the business processes involved so we use the word marketing.

Let’s clear up some of this mystery...

There are two basic types of marketing a new or small business needs to fully understand and utilize **Strategic** and **Functional**.

STRATEGIC MARKETING

This is the first thing you must do if you are to develop an ongoing business that is self-sustaining. Remember the primary reason a business exists—To Survive! Strategic Marketing is done at least annually and it addresses at least the following issues:

Know your competition—you must research them and learn what they are selling, how they are selling, how much they are selling it for, to whom they are selling and what is their process of selling. You cannot know enough about your competitors—EVER...

Your product/service mix—what are you going to sell? How are you going to sell it, to whom, at what price and what are your selling processes. If you do not have a comprehensive understanding of your selling processes then how can you possibly do any realistic forecasting of sales? You need to know what products/services you are going to sell into what market segment.

Market segments—you must fully understand your market segments. Let me explain this a bit further. Let’s say I sell web sites for small businesses and every small business needs one. One thing I can do is to attempt to reach everyone all the time. The reality of this is there are about 240,000 businesses in Colorado and 230,000 of them are small business. My target is small business, but how can I possibly reach 230,000 prospects? It costs me 65 cents to do a simple mailing that amounts to \$156,000.00 and that is not in my advertising budget yet. I need to look at a smaller group or market segment. I need to look at these 230,000 companies and put them into categories I can understand. Then I need to prioritize the categories based upon some basic factors like the one I have the most knowledge of, the one I know the most people in, the one that is growing the most or projected to grow the most. From this process you will pare down the list of 230,000 to a number that makes more sense to your time and budget and you will have much more success.

Once you have this preliminary work done you need to develop your lists. You need to figure out where to get a list of key prospects. Some libraries have the information and you may even have to go to the Denver Public library or their databases on line to get what you need. You need to have definitive information such as contact person, company name, address, phone, (e-mail) and web address for every one you wish to target. You need have a solid understanding of every company you wish to target.

Product/Service Pricing—this is a major gotcha for so many companies. If I were to sell web sites at \$25.00 each I could sell thousands of them, but I would not make any money. Remember the fundamental reason a business exists..... to survive! At \$25.00 each I would not survive. Based upon our research we determined our starter web site will be sold at \$660.00. This eliminates some of the prospective buyers and we are sorry about that indeed. However, when we sell one of these sites we make a reasonable profit so we can survive. Conversely, if we sold the same six page web site for \$2,000.00 then we would find even less customers, but those we find will generate very high profits. You have to determine what you want to accomplish, with whom and at what price.

You must be constantly aware of pricing for sale or pricing for profit. A business must make a reasonable profit to survive and to then grow and prosper. These specifics are addressed in workshops on finance.

The best place to sell—also the most forgotten—your customers. Do you have a plan in place right now that sells to your customers? Do you meet with them frequently and learn more about their business? Do you meet with them just to say hello and how are you? So many people fall into the trap of doing what the phone demands every day and lose complete track of managing their business. Keeping in mind that your customers are your business, no customers = no business! Remember, **your customers are your**

competitors prospects! If you do not have a Customer Development Plan of some sort that is organized and executed properly you just stacked the odds against your success. Many companies, including mine derive 80% of the annual revenues from customer work, NOT new customers. Work with someone like the local SBDC or Score to help you develop a comprehensive Customer Development Program. Next year is much easier if you start January 1, 2005 knowing you have 80% of your projected revenues already covered... Think about it.

This about covers **Strategic Marketing** that you do at least annually, next month we will get into **Functional Marketing**, the stuff you do every day, week and month.