Chapter 8
MARKETING STRATEGY FOR SMALL BUSINESS:
THE FOUNDATION OF MARKET STRATEGY—
MARKET/CUSTOMER AND ORGANIZATION

Customer/Market Analysis
Markets are dynamic, the needs and wants of cus-
tomers change, technology and new products change
market structures. It is important to identify the
change agents that lead to shifts in customer demand.

The product life cycle (PLC) tries to deal with
the dynamics of market evolution by suggesting that
products start with rapid growth, eventually mature,
and decline when new products or technology
change demand structures. Unfortunately, most
products do not follow this ideal pattern. There are
numerous patterns of market growth and it seems
impossible to predict the shape of the curve of a new
product in advance.

A better approach appears to be to try and identi-
fy the reasons for shifting, and the forces or variables
that are likely to cause a shift or change in the mar-
ket. The first step in looking at the market is to iden-
tify and analyze the impact of these change agents or
drivers. The pressure points of change must be
understood in order for the marketing strategy to be
developed with these forces in mind. Some forces
are common to many markets, while others are
unique to specific markets. Following is a discussion
of the most common change agents.

Consumer Based Changes
Demographics are one of the most powerful and
sweeping change agents. Most consumer products
are affected by dramatic demographic changes, such as:

- Age distribution - the baby boom and the aging
  population. There are fewer teenagers. The baby
  boomers are growing up and creating a large
demand for products such as fitness equipment
  and healthy beverages. The aging population is
  changing demand for housing and medical prod-
  ucts.
- Immigration has created a host of demands for
  many new products.

Demographics are predictable and their impact
on the market should be tracked and analyzed.
Although these consumer based changes seem to
impact only on consumer products, most filter
through and impact on industrial products. For
example, the greying population creates changes in
the building industry, such as size of apartments, fur-
niture design, etc. The increased number of women
in the workforce impacts on the service industry. So,
although the small organization may be far down the
chain of direct consumer contact, it will still feel the
winds of change.

Social Trends
The values of society change and result in different
demand patterns; for example, the “healthy lifestyle”
trend has created a demand for health and fitness
products and reduced the demand for alcoholic bev-
erages. Social trends are, of course, related to demo-
graphics. Consumer interest in safety and the envi-
ronment has created a whole set of new products in
the automotive market as manufacturers move
towards a safer and more environmentally friendly
automobile. Niches in the market are created as the
values of consumers create a shift in what is manu-
factured.

Technology
Advances in technology change how, why, and what
customers (businesses and consumers) buy. Technology
sends existing products into oblivion and creates whole new markets with many spin-offs
and opportunities. Technology reduces costs, can
lead to better customer service, is a competitive
advantage, and generally moves the frontiers. CD
players are a good example of a product that has cre-
ated a large and growing market. In effect, the
development of the CD technology has created a
whole new industry with many products, all based on
CD technology. Lasers are another product that has
changed how we manufacture and how we collect
data. Technology changes the landscape of an indus-
try and, in many cases, allows the smaller firm to
compete equally with larger companies.

Economic Trends
Overall economic growth or decline affects customer
demand and product/service growth. Economic
shifts produce changes such as organizational downsizing or upsizing, increase or decrease in investment, changes in consumer confidence and purchase behaviour, and the entry or exit from markets by companies.

**Market and Product Innovation**
As with technology, new products obviously affect markets. New marketing innovations, such as new channels of distribution and different ways of promoting a product, change demand and create opportunities for some and problems for others. For example, all the new products developed for pollution abatement will reduce the market for service companies who clean up pollution, and this in turn will mean that the manufacturer of clean up tools will face a lower demand for its products. Internet, which is both a new product and a technology, has created massive opportunities for smaller software companies, for training companies, and for intermediaries. Internet has also given a boost to the virtual reality organization.

**Government/Legal/Regulatory Trends**
New regulations create significant market changes. For example, the U.S./Canada Free Trade Agreement changed trading patterns, opened up new markets, brought on new competition, and forced many U.S. and Canadian companies to review their marketing plans in view of the new act. Likewise the NAFTA agreement made it easier to sell to Mexico or to import from or manufacture in Mexico. The huge U.S. government market is now open to the smaller firm, and although difficult to access, it is an enlarged opportunity. Free trade has provided large opportunities for the small and innovative organization across the board.

**Internationalization**
A much higher emphasis has been placed on marketing to other countries or producing in other countries.

**Segmentation**
Segmentation is one of the cornerstones of customer analysis. This topic has been covered in detail earlier. Segmentation is the basis for differentiation and for developing a sustainable competitive marketing advantage.

**The Customer**
The industry analysis developed the macro insights for the market. What is also needed is a micro analysis focusing on the customer and on the behaviour of the customer.

**Customer Needs**
Customers come in two basic types, consumers and organizations. It is important to understand what motivates the customer, and what lies behind the decision to purchase. Both psychological and emotional factors figure in the purchase decisions of both consumers and organizations. It is important not only to know the demographic characteristics of the customer, but also the motives and reasons for purchasing, and the customers’ needs, including unmet needs.

For example, the consumer who purchases a personal computer has a set of needs that are very different from the needs of the organization that is buying twenty personal computers. The individual, traditionally, has less experience and knowledge and does not set up specifications, but looks for a good price, guarantee, convenience, and buys from a retailer. The organization may buy from a distributor, or direct from a manufacturer’s sales representative; brand may be important, fit with existing computers is a must, service may overshadow small price differences, and the overall reputation of the supplier may be extremely important.

**The Individual**
For individual consumers, it may be important to understand the total dimension of their needs. Needs are what energize, motivate, and eventually lead to buying a particular product or brand of product. The smaller firm must ensure that it has the skills to meet the needs of its customers. For example, a small fast food outlet may identify fast service as a key motivator of its customers. Market research is often used to identify the needs of a market or customer group. The other side of needs are the unmet needs; that is, customer needs which are not currently being satisfied. Probing unmet needs often leads to new market opportunities. The segmentation process often uncovers niches in the market not met by current products or suppliers. Marketers must try to answer the following questions about their customers and potential customers:

- Who buys the product–service?
- Why do they buy the product or service? (Or, why do they shop here?)
- How do they buy? Is there a conventional way
or process that can be identified?
• When do they buy? Is there a particular time or season for the purchase?
• Where do they buy? Is the product purchased direct or retail? Is location important?

The Organization
The organization as a buyer is really a collection of individuals within an organizational environment. All the individual motives and needs exist with a structure of organizational needs and objectives. Organizational goods are often purchased in order to be used directly or indirectly by the organization in the production of a product or the delivery of a service. Some products or services are purchased in order to be resold; for example, a distributor buys products and then resells them. The market may be as different as silicon chips are from potato chips, but many of the questions are still the same. The who, when, why, where, and how questions apply equally well to organizations.

Some of the characteristics of the organizational market, such as informed buyers, small numbers of concentrated customers, multiple buying responsibilities, and derived demand means that we will get different answers to our questions, but we still need to understand the motivation and need structure of our organizational customers.

The Internal Organization
Marketing strategy must be a fit between the external and the internal environment. The organization’s capabilities, skills, and resources must be evaluated in order to develop a proper fit. The process of internal analysis is not dissimilar to the method of analyzing competitors. It is often easier because data are easier to obtain, but on the other hand, a certain subjectivity creeps in.

Performance of Current Marketing Strategy
The best starting point is to evaluate how well the present strategy is performing. This involves analyzing profitability, and sales or revenues of the organization.

The traditional performance indicators are:
• Market share (~ of market obtained)
• Return on investment
• Sales growth
• Profit margin
• Customer satisfaction (an index)

SWOT Analysis
The SWOT analysis is an attempt to identify the internal strengths of the organization, and the external weaknesses, opportunities, and threats facing the organization. This is a summary measure, or as mentioned before, a strategic balance sheet. The final marketing strategy must reflect the results of the SWOT analysis.

Cost Analysis
For an organization to remain competitive, the cost structure must be competitive. For example, the cost of raw material may differ between two organizations, leading to a disadvantage; advertising and sales costs may differ from company to company. Smaller organizations often have higher manufacturing costs, for example, because of their smaller scale. It is often difficult to get a competitor’s costs. This may involve disassembling the competitor’s product in order to estimate component costs, identify rental costs, etc. It is important to understand whether a cost advantage or disadvantage exists and how big the gap is.

One of the better checklists for organizations with a set of questions for managers to ask themselves was developed by the Wolverine Company and is reprinted in Figure 8-1.

Figure 8-1
Self Examination Checklist
Are we easy to do business with?
• Easy to contact?
• Fast to provide information?
• Easy to order from?
• Make reasonable promises?
  Do we keep our promises?
• On product performance?
• Delivery?
• Installation
• Training?
• Service?
Do we meet the standards we set?
• Specifics?
• General tone?
• Do we even know the standards? Are we responsive?
• Do we listen?
• Do we follow up?
• Do we ask “Why not,” not “Why?”
• Do we work together?
• Share blame?
• Share information
• Make joint decisions
• Provide satisfaction