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Marketing Manual

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COMPETITIVE SECTORS PROGRAMME

NORM CONSULTING

BORSAB

Contents

MARKETING

There are many marketing definitions. The better definitions are focused upon market orientation and the satisfaction of customer needs.

Kotler and Armstrong defines marketing as; “Marketing is the social process by which individuals and organizations obtain what they need and want through creating and exchanging value with others.”

Another definition for marketing was made and approved by American Marketing Association Board of Directors (AMA) is “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. “

Again, in common with Kotler and Armstrong above, the AMA focuses its definition on value creation and delivery, and the longer-term retained customer.

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably."
-The official academic definition from CIM (The Chartered Institute of Marketing).

This means the ideas, the brand, how you communicate, the design, print process, measuring effectiveness, market research and the psychology of consumer behaviour all count as part of the bigger picture of ‘marketing’.

An understanding of what customers need and value, is central to marketing.

Learning your customers' needs and how you can add value through marketing activities paves the way for a successful business in the long term.

Marketing is implemented through a marketing strategy, which starts with the setting of objectives that will support the overall aims of the business. Next, a company needs to decide on a strategy that will allow these objectives to be achieved. The strategy may involve research into product or service development, how the product or service will reach the market (channels) and how the customers will find out about it (communication). It will also attempt to define a unique positioning for the product or business to differentiate it from its competitors.

Reputation based on quality and innovation, brand recognition in market, ownership of patents and trade secrets, customized or registered software or technology, talented and creative staff access to scientific resources are the differentiators.

Main competencies that make an SME unique in competition are;

- Investments on production and equipment
- Expertise in design
- Cheaper access to production materials
- Continuous productive process
- Effective distribution channels
- Effective employment practices, efficient production and operation systems
- Modern equipment and technology
- Strategic partnership with customers

It is very important to understand the needs and wants of customers. The needs of customers may vary between different groups of people.

Customers needs include:

Good customer service – This would include the after care service and the service provided when the purchase of the goods is made. This may be friendly environments, return policies, good clear advice and good services such as express tills.

TARGET CUSTOMERS

- **TARGET CUSTOMERS**
  - Who are current users?
    - Industry
    - Social Group
    - Male / Female
    - Income bracket
    - Age group
    - Special interests
  - Who are potential users?
    - Can our product broaden above groups?
    - New markets
    - Development opportunities
    - New users
  - Who supplies now?
    - Domestic suppliers
    - International suppliers
    - Supply route - distributors, dealers, sub-dealers
    - No one!!!

- Why should present supplier be changed?
  - Unique selling features
  - Reason to break loyalties
  - Benefits of OUR product & company
  - Complacency
- Why should they source from us?
  - Unique selling features
  - 'Wow' factor

- **Segmenting the market**
  - Tackle all or conquer by market or geographical sector
    - Small steps - learn & improve
    - One line - one region
    - Development strategy

- **Customers' specific needs**
  - Does your product suit?
    - Market survey - before & continuous
    - Watch competition
    - Market trends
    - Competition from unexpected areas (e.g. carburettor or drum brake manufacturers)
    - Other alternatives (e.g. trucks or uniforms – military budget)

♦ Should we modify?	Keep close to consumers as well as dealers
♦ Producing new products to fill niches	Market intelligence Ever vigilant for new opportunities

♦ **Getting the customer's attention**

♦ Features and Benefits	What's in it for the customer? What's in it for the dealer? Which features are unique - what benefits?
♦ Unique selling feature	What are all the benefits? Can they be copied? What is their value?

♦ Advertising - which media? *Select most relevant*	• Billboards • C of Commerce • Catalogues • Company prospectus • Demonstrations / samples • Exhibitions	• Film • In flight • International • Internet • Magazines • Muppys • Newspaper	• Own mobile exhibit • Radio • Trade press • Trade shows • TV • Video

- Target attack vs. blanket coverage

  Specific audience

  Cost per potential customer

  Cost effectiveness

- Unique promotional opportunities

  Special events - national
  - trade
  - other relevant (e.g. motor sport)

- **Building customer confidence**
  - Service

    Have in place FIRST

    Demonstrate support

    Parts / components / replacements / exchange

    Training – dealers / customers

  - Samples

    Double check quality

    Presentation

    Instructions

    Applications

    Relevant (not 'similar to')

♦ Quality	Demonstrate
	Detail quality systems & procedures
	References
	ISO / QS
♦ Packaging	Quality
	Imaginative
	Eye catching
	Durable
	Withstand all freight movements
♦ Warranty	Competitive or better
	Show confidence
	Honour
	Simple - understandable
	Train dealers - ensure they interpret & honour

ANALYSING MARKETING OPPORTUNITIES

ANSOFF'S MATRIX - PLANNING FOR GROWTH

This well known marketing tool was first published in the Harvard Business Review (1957) in an article called ‘Strategies for Diversification’. It is used by marketers who have objectives for growth.

Ansoff’s matrix offers strategic choices to achieve the objectives. There are four main categories for selection.

Ansoff's Product/Market Matrix

Market \ Product	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

Market Penetration

Here we market our existing products to our existing customers. This means increasing our revenue by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered and we do not seek any new customers.

Market Development

Here we market our existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product, or marketing it in a new region, are examples of market development.

Product Development

This is a new product to be marketed to our existing customers. Here we develop and innovate new product offerings to replace existing ones. Such products are then marketed to our existing customers. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

Diversification

This is where we market completely new products to new customers. There are two types of diversification, namely related and unrelated diversification. Related diversification means that we remain in a market or industry with which we are familiar. For example, a soup manufacturer diversifies into cake manufacture (i.e. the food industry). Unrelated diversification is where we have no previous industry nor market experience. For example a soup manufacturer invests in the rail business.

MARKETING BUDGET

The marketing budget is a plan for the forthcoming year for the marketing department, outlining what it hopes to achieve in terms of sales volume, sales revenue, expenditure and profit. It will often outline the month-by-month targets for the department and show the departmental personnel the objectives that they need to achieve over the next 12 months.

The marketing department must ensure that it sets a budget based on the overall objectives of the business, as well as taking into account any expected changes in the external environment (e.g. if there is expected to be an economic downturn, then this needs to be translated into the sales and revenue targets for the next 12 months).

There are several ways that a business may set its marketing budget:

Based on the amount of finance available. The amount of money and finance that is available for the whole business will clearly affect the amount of planned expenditure within each department. The biggest source of expenditure within the marketing department is often the promotional campaigns.

Based on previous years' budgets. Some businesses will set the forthcoming year's marketing budget based on last year's figures, including a small percentage change in each category.

Based on the budgets of competitors. In very competitive industries (such as supermarkets) the amount spent on advertising and other promotional campaigns may be in relation to that spent by your main rivals.

Based on the sales levels from previous years. It may be the case that a business will use a set percentage of last year's sales revenue figure for its budgetary expenditure figure for the forthcoming year.

Based on the expected size of the product portfolio this year. If a business is planning to expand its product portfolio this forthcoming year, then the marketing expenditure budget will probably need to be set at a significantly higher level to reflect the extra money spent on the launch and advertising of the new products.

Any differences between the budgeted figures and the actual outcomes are known as a variance.

Favourable variances occur where the actual income of the business is more than the budgeted figure, or where the actual costs are less than the budgeted figure.

Adverse variances occur where the actual income into the business is less than the budgeted figure, or where the actual costs of the business are more than the budgeted figures.

MARKETING STRATEGY

The benefits of a planned marketing strategy are numerous. Business owners often rely solely on their intuition to make business decisions. While this informal knowledge is important in the decision making process, it may not provide you with all the facts you need to achieve marketing results. A marketing strategy will help you in defining business goals and develop activities to achieve them.

Here's How:

Describe your company's unique selling proposition (USP).

1. Define your target market.
2. Write down the benefits of your products or services.

3. Describe how you will position your products or services.

4. Define your marketing methods. Will you advertise, use Internet marketing, direct marketing, or public relations?

Tips:
Your Unique Selling Proposition sets you out from the rest, don't try to develop a marketing plan without one.

1. It's important that you have a budget developed for your marketing plan. Marketing is an investment.

2. Revisit your marketing plan at least once every quarter. Are you on target? Do you need to revise it?

Building a Successful Marketing Plan

Every business, small or large, will be more successful with a business plan. And the key component of a business plan is the marketing plan. A good marketing plan summarizes who, what, where, when, and how much questions of company marketing and sales activities for the planning year:

- **Who** are our target buyers?
- **What** sources of uniqueness or positioning in the market do we have?
- **Where** will we implement our marketing spending plans?
- **When** will marketing spending plans occur?
- **How much** sales, spending, and profits will we achieve?

The financial projections contained in your business plan are based on the assumptions contained in your marketing plan. It is the marketing plan that details when expenditures will be made, what level of sales will be achieved, and how and when advertising and promotional expenditures will be made. Here are the major elements of a marketing plan:

- The situation analysis describes the total marketing environment in which the company competes and the status of company products and distribution channels.

- The opportunity and issue analysis analyzes the major *external* opportunities and threats to the company and the *internal* strengths and weaknesses of the company, along with a discussion of key issues facing the company.

- The goals and objectives section outlines major company goals and the marketing and financial objectives.

- The marketing strategy section provides the company's marketing strategy statement, summarizing the key target buyer description, competitive market segments the company will compete in, the unique positioning of the company and its products compared to the competition, the reasons why it is unique or compelling to buyers, price strategy versus the competition, marketing spending strategy with advertising and promotion, and possible R&D and market research expenditure strategies.

- The sales and marketing plan outlines each specific marketing event or action plan to increase sales. For example, it may contain a summary of quarterly promotion and advertising plans, with spending, timing, and share or shipment goals for each program.

Marketing Data Mining software

Data mining is a critical market research step for your Intelligence Platform. Combine data mining with online surveys, phone surveys, and focus group research to create a winning marketing plan and competitive advantage business strategy.

Simply put, a marketing analysis data mining effort searches for meaning and insight among the stacks of sales data and marketing data already within a sales and marketing organization. Thus, data mining is the search and the use of techniques that squeeze out meaning. Such tools include **advanced statistical tests** and **modelling**, and the use of **neural networks**. Through these tools we can better target your best customers, find which advertising and promotion methods are most efficient and effective.

For decision-makers involved in creating a marketing strategy that has competitive advantage, its not the techniques that are important, rather that it should be done, especially when reviewing or plotting new business strategy. One of the first steps, for example, in opportunity scanning is data mining. It should be done for example before or concurrently with a major external market research study to scan for market opportunities.

Data mining can uncover emerging usage patterns within a newly defined market segment; high margin customers with increasing buying velocity; or an undetected trend in customer account losses. Data mining is often used to gauge the customer lifetime value in direct marketing efforts.

Research & Analysis Tools

▪ **focus groups** ▪ **Decision Mapping** ▪ **Intelligence Platform** ▪ **Decision-Research Matrix** ▪ **Decision Pathway** ▪ **market research panels** ▪ **executive surveys** ▪ **photo ethnography** ▪ **data mining**	▪ **online surveys** ▪ **motivational research** ▪ **web site evaluation** ▪ **segmentation research** ▪ **customer satisfaction** ▪ **competitive intelligence** ▪ **idea generation Strategy** ▪ **Newsletter**

▪ **market surveys**	

PRODUCT

Products can generally be classified under two headings **- consumer products** and **producer products...**

Consumer products

Purchased and used by individuals / citizens for use within their homes and these products fall into 3 categories:

- Convenience products. Fast-moving consumer goods (f.m.c.gs) sold in supermarkets, such as soap, chocolate, bread, toilet paper, etc. These often carry a low profit-margin.

- Shopping products. These are durable products which are only purchased occasionally, such as dishwashers, televisions and furniture. They often carry a very high profit-margin.

- Speciality products. These are very expensive items that consumers often spend a large amount of time deliberating over, due to the large investment requires to purchase the product. Examples include cars and houses. The profit-margins are, again, very high.

Producer products

Purchased by businesses and are either used in the production of other products, or in the running of the business. **For example**, raw materials (timber, steel), machinery, delivery vehicles, and components used to make larger products (e.g. tyres and headlights for vehicles).

A **product line** is the term used to describe a related group of products that a business produces (e.g. a business may produce televisions, and its product line may include portable televisions, 12-inch screen models, 18-inch screen models, televisions with a built-in video facility, etc). **Product mix** is the term used to describe the different collection of product lines that a business produces (eg the same business may also produce video recorders, camcorders and computers, as well as televisions).

Most businesses will wish to change their product portfolio over time. This can be the result of changing consumer tastes, replacing those products which have entered the 'decline' phase of the product life-cycle or to try to break into new markets or new segments within an existing product. **There are generally considered to be a number of stages in the development of new products:**

- The generation of ideas. A number of issues need to be considered, such as will the new product meet the objectives of the business? Does the business have the spare capacity to produce the product? Will the new product contribute to the continued growth of the business? Will new personnel be required, or will the business have to re-train the existing staff?

- Testing the new concept. Is there a sufficient market for the new product? This stage of the product development process will involve carrying out extensive primary market research to test consumers' reactions to the suggested product. Consumers may suggest slight alterations and modifications to the suggested product in order to make it more marketable and desirable.

- Analysing the costs/revenues. What will be the costs of production? How many units will the business be able to produce? What will the selling price be set at ? What will be the profitability of the new product?

- Developing a prototype. The design, materials, quality and safety of the product will now become paramount. A prototype of the product will be developed using the details that the market research indicated that consumers wanted. It is essential to ensure that this stage of the development process is detailed and extensive, since to make alterations and modifications at a later date will be extremely expensive and time-consuming.

- Test marketing the new product. The business may often decide to test market the new product in a small geographic area, in order to test consumer response, before it launches the product nationally. If the consumer response is favourable, then the product is likely to be launched nationally. However, if the consumers indicate that some element of the marketing mix is ineffective (price, packaging, advertising, etc) then this is likely to be changed before the national launch of the product.

- National launch. This is where the product enters the 'Introductory' stage of its product life-cycle. This is a very costly operation, since a national launch needs to be supported by extensive advertising and promotional campaigns.

It is inevitable that many new product ideas will not get to the market place, and many of those that do succeed in being launched will fail within a few months of their commercialisation. However, the businesses which seem to be most successful in bringing new products to the market place tend to meet a number of vital criteria:

- they develop 2 to 3 times the number of new products as their competitors;
- they get the product to the market place quickly;
- they compete in many different markets;
- they provide strong after-sales service.

PRICE

The price level that a business decides to sell its product(s) at will affect both the quantity of sales and the profit-margin received per unit. There are many considerations that a business will need to take into account before it decides upon a selling price for a new product, such as:

- The objectives of the business – if the main objective of the business is to maximise profit, then it is likely that the product will be priced at a high level.

- The degree of competition in the industry – the number of competitors in the industry will affect the price level that the business decides upon for its product(s).

- The channels of distribution – the more intermediaries that are used in getting the product from the factory to the consumer, then the higher the selling price is likely to be.

- The business image – if the image of the business is prestigious and up-market, then a higher price is likely to be charged for the product(s).

There are many methods and strategies that a business can use in order to arrive at a selling price for its products:

Cost-plus pricing. This is where the cost of producing each unit is calculated, and then a percentage profit is added to this unit cost to arrive at the selling price.

Mark-up pricing. This is where the business adds a profit mark-up to the direct cost for each unit in order to arrive at the selling price. This profit mark-up will need to cover the fixed overheads and then contribute towards profit.

Predatory (or destroyer) pricing. This method of pricing involves a business setting its prices at such a low level that other (often smaller) competitors cannot compete profitably, and as a result they are forced out of the industry. This leaves the larger business in a dominant position, and it can then raise its prices to a much higher level in order to recoup any losses that they incurred when their prices were low.

Skimming pricing. This is a pricing strategy for a new product, designed to create an up-market, expensive image by setting the price at a very high level. It is a strategy often used for new, innovative or high-tech. products, or those which have high production costs which need recouping quickly.

Penetration pricing. This is a pricing strategy for a new product, designed to undercut existing competitors and discourage potential new rivals from entering the market. The price of the product is set at a low level in order to build up a large market share and a high degree of brand loyalty. The price may be raised over time, as the product builds up a strong brand-loyalty.

Prestige pricing. This strategy is used where the business has a prestigious, up-market image, and it wishes to reflect this through high prices for its products (e.g. Rolls Royce).

Demand-orientated pricing. This method of pricing involves setting the price of the product at a level based upon customers' perceptions of the quality and value of the product.

Competition-orientated pricing. This method of pricing ignores both the costs of production and the level of customer demand. Instead it bases the price level on the prices charged by the competitors in the industry – either undercutting the competitors, charging a higher price, or charging the same price. **'Going rate'** pricing is the term used to describe a business charging a similar price to competitors for a similar product.

PLACE

This refers to:

- firstly to the **stores and the retail outlets** where consumers can purchase the products of the business,

- secondly to the **channels of distribution** that the business uses to get its products from the factory to these outlets.

The channels of distribution refer to the intermediaries that a business chooses to use to transport its product and make it available to consumers (e.g. wholesalers, distribution companies and retail outlets).

Often, a manufacturer will sell its output in a large quantity to a wholesaler, who pays a low price per unit (this is known as **'bulk purchasing'**). The wholesaler then breaks this large quantity into smaller batches, and sells each batch to a retailer after adding on a profit margin (this is known as **'breaking bulk'**).

The retailer then sells each batch of products to the consumer, after adding on a profit margin. The more intermediaries that exist in the distribution of a product from a factory to the consumer, then the higher the final price of the product, since each intermediary will add on a profit margin in return for offering their services.

In order for the distribution channel for a product to be efficient, then the following criteria must be met:

- It must be able to make products available to consumers quickly and cheaply.

- Some products, such as perishable and fragile products (fruit, glass products) need to have minimum handling and travelling time, in order to minimise the risk of damage to the products.

- Large and dispersed markets will require many intermediaries – these must be chosen carefully to ensure the swift transportation and availability of the products to the consumers.

- Heavy and bulky goods will often need a direct channel of distribution from the factory to the retail outlets.

The trend over recent years has been for businesses to eliminate many of the intermediaries in the distribution channel, and for the product(s) to be sold directly from the factory to the retail outlets, or even directly to the consumers themselves.

This reduces the final price of the product that the consumer has to pay, and it also speeds up the delivery and distribution process.

Retailing is a fast-changing sector of the economy and there have been many developments in this sector over the last decade, including the development of out-of-town shopping centres, the widespread use of Electronic Point Of Sale (E.P.O.S) systems, longer opening hours to fit in with busier lifestyles, and an increasing demand from consumers for many products to be sold in one outlet.

These developments are enabling the larger businesses to dominate markets and hold a significant percentage of the overall market share. These retail outlets can, therefore, exercise more power than ever before when buying stock from factories and warehouses – enabling them to dictate the prices that they will pay for their supplies. The factory providing them with their stock and supplies will have little alternative than providing the supplies at a low price, since they cannot afford to lose such a large and important client.

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