

CE29x Team-Project Challenge

Marketing

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with acknowledgements to Keith Primrose and Michael Fairbank

Lecture outline

1. Introduction and definitions of Marketing
2. Successful Marketing
3. Creating a Marketing Plan
4. Conclusions

Basis of Lecture

- * Primarily based on ideas from “Business Plan for a Startup Business”
 - * freely available on the web from a number of sources
 - * You can [download it from our Moodle page.](#)
 - * 31 pages long
 - * The document gives you a template for the major activities you need to consider when launching your own business.
- * Today we will concentrate on Marketing & Finance
 - * but other topics are covered in the document in more detail.

I. Introduction + Definitions of Marketing

Thought Experiment:

- * Imagine you have written a new piece of software
 - * - it might be a new game you hope to release on an appstore.
 - * - or it might be a new website for helping people solve a common problem easily.
- * You want some payback for your efforts
- * Otherwise you'll have to go out and get a real 9-5 job, and that would be the last cool piece of software you have time to build
- * So how are you going to cash in?
- * You need a marketing strategy of some kind.
- * Do it quick before your idea is copied by someone else.

What is Marketing (I)?

"Marketing is the management process responsible for identifying, anticipating, and satisfying customer requirements, profitably."

(Chartered Institute of Marketing)

Goals:

1. Attract new customers by promising superior value.
2. Keep and grow current customers by continually delivering satisfaction.

What is Marketing (2)?

Marketing is a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others.

(Philip Kotler, Kellogg School of Management at Northwestern University)

Professor Kotler's book, [Marketing Management](#) (ebook link), is the one of the world's most widely used textbook in marketing teaching.

What is Marketing (3)?

Slightly more informally:

The right product,
in the right place,
at the right time,
and at the right price.

(Dennis Adcock, Coventry Business School)

What is Marketing (4)?

- * Marketing is the activity, set of instructions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

OLD view of marketing:

*Making a sale –
“telling and selling”*

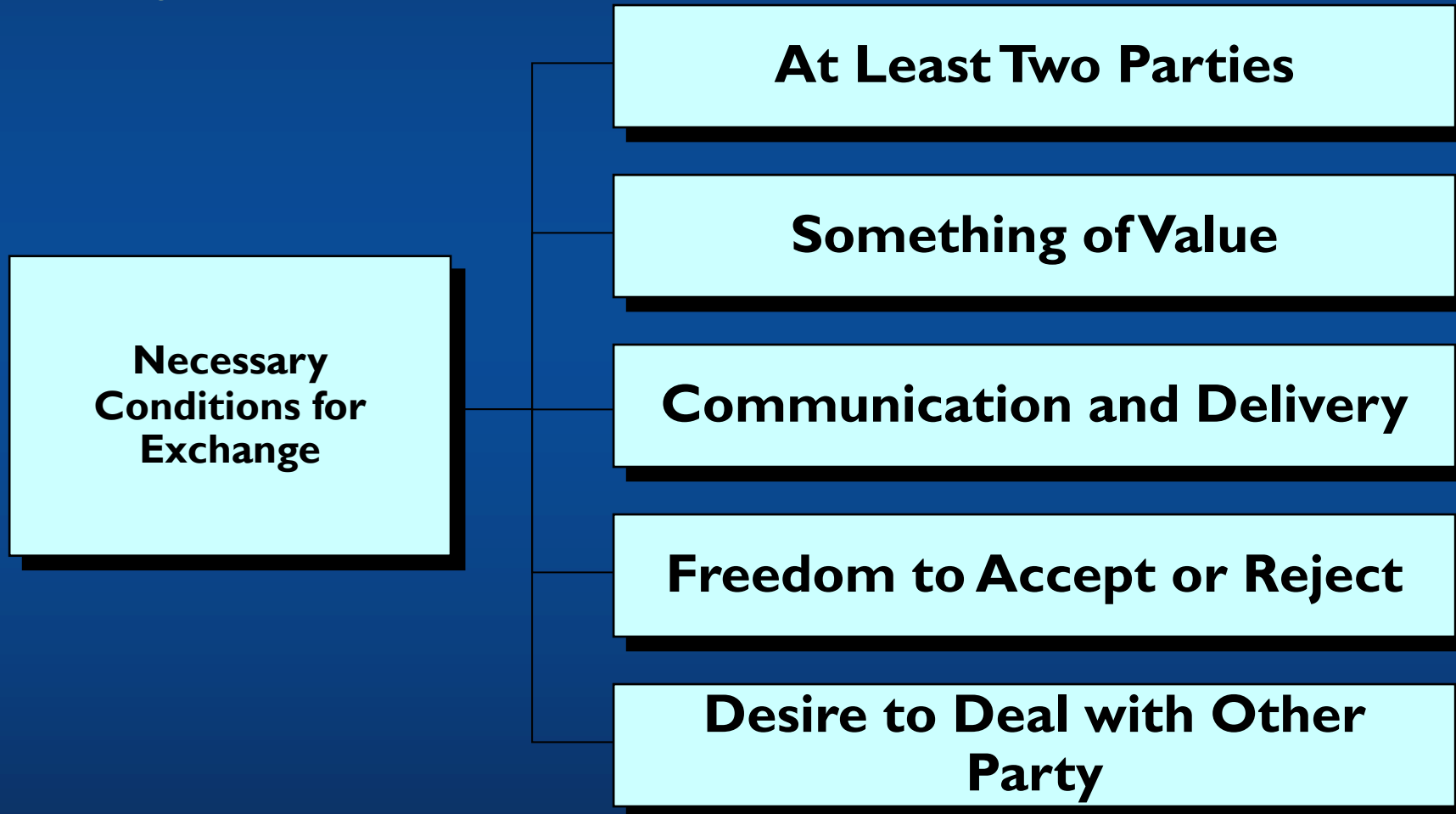
NEW view of marketing:

*Satisfying
customer needs*

(Mary Mundell, Durham Business School)

The Concept of Exchange

Several of the previous marketing definitions involved the concept of an “exchange” of something of value.



2. Successful Marketing

The Marketing Concept

- * Choosing and targeting appropriate customers
- * Positioning your offering
- * Interacting with those customers
- * Controlling the marketing effort
- * Continuity of performance – i.e. it's not a one-off activity (otherwise your business will eventually fade)

Success requires POISE:

- * Profitable (must not cost more than sale)
- * Offensive (rather than defensive)[#]
- * Integrated (must not be a separate activity)
- * Strategic (is future orientated)
- * Effective (gets results)

(Hugh Davidson, Cornfield University; see his book “[Offensive Marketing](#)” (univ library link – not e-book))

[#] An approach to marketing that recognizes the importance of initiative and a proactive competitive stand in the marketplace

Marketing Management Process

These are steps to consider when you are managing the marketing process:

- * Analysis / Audit - where are we now?
- * Objectives - where do we want to be?
- * Strategies - which way is best?
- * Tactics - how do we get there?
- * Implementation - getting there!
- * Control - ensure arrival.

Questions to ask yourself about your marketing

- * Who are our existing / potential customers?
- * What are their current / future needs?
- * How can we satisfy these needs?
 - * Can we offer a product / service that the customer would value?
 - * Can we communicate with our customers?
 - * Can we deliver a competitive product or service?
- * Why should customers buy from us?

3. Create a Marketing Plan

Create a Marketing Plan

The following topics are detailed on the next slides:

1. Market Research
2. Economics
3. The 4 Ps:
 - * Product
 - * Place
 - * Promotion
 - * Price
4. Customers
5. Competition
6. Sales Forecast

Marketing Plan: I. Market Research

- * Market research can be “primary research” or “secondary research”
- * Primary Research means gathering your own data.
- * For example, you could:
 - * do your own 'traffic' count at a proposed location,
 - * use the yellow pages to identify competitors,
 - * do surveys,
 - * run focus-group interviews to learn about consumer preferences.

Secondary Market Research

- * Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles.
- * Local libraries are pleased to guide you through their business data collection.
- * There are more online sources than you could possibly use.
- * Chambers of Commerce have good information on the local area.
- * Trade associations and trade publications often have excellent industry-specific data.

Marketing Plan: 2. Economics

- * What is the total size of your market?
- * What percent share of the market will you have?
- * What is the current demand in target market?
- * What are the trends in target market? E.g.
 - * growth trends,
 - * trends in consumer preferences, and
 - * trends in product development.

Q: Think about the above points for a new game that you have written. Imagine that you are hoping to make it successful on the Android/Apple app-stores.

Note: we had a talk at CSEE recently by the founder of swrve.com, which is a startup dedicated to providing app developers the marketing data they need to promote their new apps successfully.

Marketing Plan: 2. Economics

- * What barriers to entry are there? Examples are:
 - * High capital costs
 - * High production costs
 - * High marketing costs
 - * Consumer acceptance and brand recognition
 - * Training and skills
 - * Unique technology and patents
 - * Unions
 - * Shipping costs
 - * Tariff barriers and quotas

Marketing Plan: 3. The “Four Ps”

Product

Place

Promotion

Price

The Marketing Mix

This refers to the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market.

- * Product:

- * Variety, features, brand name, quality, design, packaging and after sales services (e.g.: delivery, warranty, service contracts, support, follow-up, and refund policy).

- * Place:

- * Distribution channels, coverage, logistics, locations and transportation.

- * Promotion:

- * Advertising, sales promotion, public relations, image, sales collateral (brochures etc.).

- * Price:

- * List price, discounts, payment period and credit terms.

Marketing Plan: 4. Customers

- * Identify your customers, their characteristics and their locations.
- * Description will be dependent on whether you plan to sell to other businesses or directly to consumers.
 - * If you sell a consumer product, you could sell it through a channel of distributors, wholesalers, and retailers or directly (e.g. for online B2B or B2C)
- * You must carefully analyse both the end consumer and the middleman businesses to which you sell.
- * You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile.

Customers Demographic Profile

- * Age
- * Gender
- * Location
- * Income level
- * Social class and occupation
- * Education
- * Industry (or portion of an industry)
- * Location
- * Size of firm
- * Quality, technology, and price preferences
- * Other (specific to your industry)

Marketing Plan: 5. Competition

- * What products and companies will compete with you?
- * List your major competitors.
- * Will they compete across the board, or just for certain products, certain customers, or in certain locations?
- * Will you have important indirect competitors? (e.g.: video rental websites compete with cinemas and theatres, although they are different types of businesses.)
- * How will your products or services compare with the competition?

Competitive Analysis

Compare yourself to each competitor in terms of:

- * Products
- * Price
- * Quality
- * Selection
- * Service
- * Reliability
- * Stability
- * Expertise
- * Reputation
- * Location
- * Appearance
- * Sales Method
- * Credit Policies
- * Advertising
- * Image

For each factor rate your performance 1 to 5:

	Strength	Weakness	Importance to Customer
Competitor			
Me			

Marketing Plan: 6. Sales Forecast

- * Try to estimate how many of your product you can sell
 - * How many, of what?
 - * When?
 - * Give a month by month forecast
 - * What sales price?
 - * Allow for initial discounts / forecast price increases
- * Base it on market research / past sales
- * For new products, compare to past similar products to make an educated guess

Reminder: Cash-Flow Forecast

Month	Jan	Feb	Mar	Apr	May	Jun
Cash outflow						
Rent and property taxes	750			750		
Energy costs		425	425	325	225	225
Payroll costs	9,400	11,516	11,516	11,516	11,516	11,516
Communications		83	83	83	83	83
Insurance	750					
Components		4,000	7,000	10,000	10,000	10,000
Advertising		500		250		500
Road tax and insurance (van)	700					
Professional fees			300			
Van operating costs	300	300	300	300	300	300
Monthly cash outflow	11,900	16,824	19,624	23,224	22,124	22,624
Cash inflow						
Income from retail sales	4,000	5,000	6,000	6,000	6,000	6,000
Income from trade sales		5,000	7,500	12,500	15,000	18,000
Monthly cash inflow	4,000	10,000	13,500	18,500	21,000	24,000
Net monthly cash flow	(7,900)	(6,824)	(6,124)	(4,724)	(1,124)	1,376
Cumulative cash flow	(7,900)	(14,724)	(20,848)	(25,575)	(26,696)	(25,320)

(Reminder from management accounts lecture)

4. Conclusions

Conclusion

- * Marketing is essential for any business:
 - * Initially, you have to find target and reach customers
 - * It should be ongoing; you need to keep customers
- * You will be asked to do some market research and generate a marketing plan for your team-project

A Critique of Marketing

* Some Criticisms

- * Too many advertisements are annoying, misleading, or both.
 - * There are too many unnecessary products.
 - * Middlemen raise prices but don't add value.
 - * Marketing makes people materialistic.
- * Most of the criticisms result from misunderstandings about marketing
- * (Perreault & McCarthy – authors of various marketing books)

Next Lecture

- * Next lecture is on Contracts
- * Quiz on today's lecture on Moodle