Book Creating a Successful Marketing Strategy for Your Small New Business

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Recommendation

Most new business owners don't give much thought to establishing a complete, thorough marketing plan, and it shows: "Some 80-90% of new business start-ups fail within the first two to three years." So says Stanley F. Stasch, who long has studied this phenomenon and offers sage advice to entrepreneurs hoping to beat the odds. Stasch does a solid job of presenting research and case studies that drive home his main points, but less-patient readers may find his guide for small business practitioners repetitively wordy, with too many lists, guidelines, warnings and rules for a small business to implement. Because his book contains good examples of marketing successes and failures, *BooksInShort* considers it more effective as an inspirational guide than as a fully do-able how-to manual, and recommends it to first-time business owners looking to stoke their marketing mojo.

Take-Aways

- Research shows that almost 90% of American businesses fold within the first few years.
- "Inadequate and incomplete" marketing strategies account for many of these failures, along with a limited understanding of customers' motivations and competitors' strengths.
- Time and money are crucial: New firms often take too long to bring in revenues.
- Focus on crafting your marketing plan during your "prelaunch period," so you can minimize the time between launch and sales.
- Five basic ingredients of your marketing plan should operate "synergistically":
- First, decide on your target market and understand its needs and motivations.
- Second, differentiate your product from its rivals, and promote your new small business smartly.
- Third, price your goods or services so that they provide easily recognizable value.
- Fourth, simplify your distribution to get your product to your customers faster, cheaper and easier.
- Fifth, don't overestimate your offering's value and don't underestimate your competition's products.

Summary

Against the Odds

In 2004, *The Wall Street Journal* reported that, while 572,900 new businesses began operating in the United States in 2003, another 554,000 businesses folded that same year. Other research indicates that "some 80-90% of new business start-ups fail within the first two to three years." Why? Two pivotal marketing errors account for this extraordinary failure rate: 1) "inadequate" or "incomplete" marketing strategies and 2) insufficient analysis of both their consumers' motivations and their competitors' business profile. Other contributing blunders include unrealistic marketing budgets and marketing strategies that delay the time when a firm begins earning the revenues that are essential to its survival. As with most things, time and money are of the essence in building a business: It takes time to set up a company, and entrepreneurs often don't have enough money to pay for that process. Would-be business owners should focus on efficient market planning and strategy efforts in the "prelaunch period" before they open their doors for business, so that they can shorten the time span between ideas and income.

> "If your small new business is to have a reasonable chance of being successful, it must have a complete and synergistic marketing strategy."

The small businesses that do survive fit into three categories:

1. **"Marginal firms"** – These companies – which people often start to supplement their income – are typically service providers, such as individual practitioners like handymen, or cafés and gift shops.
2. **"Lifestyle firms"** – Professionals and skilled workers, such as doctors, attorneys, plumbers and electricians, usually base their success on achieving a good living.
3. **"High-potential firms"** – Owners of software or high-tech companies intend to build their start-ups until they are large enough to attract outside investor interest.

> "The fundamental causes of most failures are time and money."

These ongoing successful businesses represents only 10% of all enterprises started in any one year; and only 2.5% of this small minority will attain any significant level of growth.

Achieving Synergy with a Complete Marketing Strategy

Not until the 20th century did economists and social scientists began studying marketing and how companies could use its key components – advertising, shipping, logistics, storage, financing – to promote the sale and distribution of goods. During the 1950s, experts introduced the "four P's" of marketing – price, promotion, product and place – which expanded as more markets developed in the early 1960s.

> "If your new business is to achieve its cash flow goal, it must have its marketing strategy in place and ready to 'hit the ground running' on the day the business enters its launch period."

A complete marketing plan encompasses all these elements, which business owners should use synergistically to achieve economies of scale. Synergy is a powerful marketing force that helps each element of your plan reinforce the others. With synergy, you can stretch your marketing budget: For example, having customers who are satisfied with your quality product and competitive price adds the benefit of powerful word-of-mouth advertising. The five essential ingredients in a synergistic marketing strategy are:

1. **"Target market identification"** – Ensuring that your product or service can meet your target audience's needs.
2. **"Product design or differentiation"** – Distinguishing your product from others.
3. **"Persuasive promotion"** – Advertising your service's benefits to your target market.
4. **"Price to create good value"** – Pricing your offering so that your customers understand its worth relative to the competition.
5. **"Convenient distribution"** – Making it easy to obtain your product.

> "Poor marketing during the launch period is not likely to produce the sales revenue stream a small new business needs to succeed."

The Miller Brewing Company created a synergistic plan when it launched Miller Lite beer in 1976. The target audience for the low-calorie beer was made up of blue-collar, male beer drinkers, aged 21 to 30, who were dedicated sports fans. The beer differentiated itself with its catchy "Tastes Great! Less Filling!" ad campaign. The message resonated with target consumers who wanted to lose weight and still drink flavorful beer. Miller priced the beer to compete with premium brands, while its TV commercials stressed themes of sports, taste and taverns. The campaign worked. Miller essentially invented a new product, light beer, and held "a monopoly" for many years among its loyal male consumers. Miller Lite pushed Miller from seventh place to second place among US breweries.

> "Marketing is expensive!...Individuals starting small new businesses will want their marketing to be both effective and efficient."

New businesses succeed when they select markets with little or weak competition, and offer products or services that are noteworthy in terms of quality, features, value and convenience. The marketing message should be a concise, persuasive presentation of the products' benefits, delivered via the most appropriate medium. The price should offer recognized value. For a good example of a comprehensive marketing campaign, consider how the Hanes Company successfully introduced L'eggs pantyhose. Analyzing its research, Hanes noted that more women were buying hosiery at supermarkets because it was convenient, but not all stores could afford to carry a complete stock. Hanes introduced L'eggs for 99 cents a pair, and marketed them in distinctive, egg-shaped plastic containers. Hanes sold the stockings on consignment, so supermarkets did not have to spend money on inventory. Women quickly connected with the new product's concise ad message – "Our L'eggs Fit Your Legs" – and sales soared.

Avoiding Time Delays

As a small business owner, recognize that you'll start spending long before your company opens for business and achieves a self-sustaining cash flow. Hiring staff, renting space and acquiring equipment all eat into your limited resources, so work on developing a good marketing plan during the prelaunch period so you can build revenue streams quickly.

> "When you have selected your target market, you will also have selected your competitors – those firms that are already active in your target market."

Businesses can lose precious time and money in the prelaunch phase when they haven't identified their target markets correctly, when competitors erect barriers to entry, when distribution channels become unavailable or blocked, or when legal or regulatory challenges emerge. For instance, a start-up's marketing plan should quantify how many target households, people or groups are dissatisfied with their current suppliers and why. This information lets a business owner calculate whether an intended target market is large enough to generate a profit. One small business successfully marketed the MicroFridge, a combination of a microwave and a refrigerator, to people who lived in dormitories and budget motels; the firm succeeded because it carefully quantified its target market by canvassing colleges and universities.

> "Small new business owners usually attribute greater benefits and advantages to their product than do their potential customers."

Don't overestimate your offering's value and don't underestimate your competition's products. Entrepreneurs tend to consider what they have to offer as immensely superior to what's already out in the market, so they don't do their homework to test those assumptions. Two furniture craftsmen believed their high-quality, European-inspired, wooden desk chairs could go up against the full lines of office furniture that top manufacturers already sold; they miscalculated the appeal of their specialty product in a shrinking market dominated by a few big firms.

> "It is not uncommon to come across small new business where the owners either ignore competitors or pay little attention to how their presence can affect their new businesses."

Take into account the time it will take for your product to overcome legal or regulatory hurdles. For example, Buddy Systems, Inc., failed in its efforts to sell a device designed to track the conditions of newly released hospital patients. The company encountered delays at every turn: from doctors, hospitals, insurance companies and the US Food and Drug Administration.

Meeting the Budget

Any successful business strategy must set an appropriate, realistic marketing budget. Because most start-ups have little or no money to devote to marketing, they should pursue markets that dovetail with their resources. Achieve "small budget compatibility" by targeting "geographically concentrated" consumers who are "poorly served by their current suppliers." For example, the founders of the Blackstone Bank and Trust Company chose to serve poor neighborhoods around Boston because other banks did not cater to these low-income communities; Blackstone's leaders also found it easier to focus their outreach in these defined geographic areas.

> "Small new businesses that target large and/or geographically dispersed markets almost always encounter serious difficulties or fail because they do not have a large marketing budget."

Distribution can present another budget-draining challenge for new businesses. Seek out "short" distribution avenues in which you either sell directly to the end user or through just one intermediary, like a retailer or agent. Low-budget businesses should avoid "extensive" distribution channels with many outlets. For example, when one entrepreneur wanted to introduce her new line of Caribbean foods into supermarkets, she had to pay a "slotting fee" to secure shelf space. She also had to promote and advertise her new product heavily. Both demands depleted her budget. Find "open" distribution systems that welcome newcomers with innovative products or services. For instance, Michael Stecyk's time-saving idea of an on-site postal meter for small businesses was a huge hit with big retailers like Staples and Office Depot, which considered his invention the perfect complement to their small business merchandise.

Defending Against the Competition

Beware: Your small new business, even in its prelaunch period, might attract the attention of larger competitors who will consider you a threat. When Legend Airlines announced it would begin business-class service from Dallas' Love Field, Dallas-based American Airlines went on the offensive: It sued the fledgling airline, the city of Dallas and the US government to prevent Legend from using Love Field. American also created a fake citizens group that ran radio commercials questioning the use of Love Field for passenger flights and even leased an unoccupied terminal there to prevent Legend from renting it. The new airline soon failed.

> "The very best thing you can do is to enter a marketplace that is free of any direct competition."

If your small business offers a clearly differentiated product aimed at a niche market, your chances of success increase. For instance, the leading manufacturers of gym shoes, Nike and Reebok, considered the burgeoning fan base around skateboarding and snowboarding too small a demographic to pursue. But their competitor, Vans, Inc., tailored its marketing efforts, sponsored competitions and quickly captured this growing specialty market.

> "If there is a mismatch between the cost of distribution and the available budget, the new business will encounter serious difficulties."

Clever marketing helped Vlasic capture a quarter of the pickle market from established food giants Heinz and Borden's, for which pickles were an insignificant part of their total businesses. Vlasic succeeded by building national market share one region at a time.

Microbreweries posed a similar, significant threat to larger, established megabrand beers, but Anheuser-Busch chose to fight back. It strong-armed its distributors into accepting "exclusivity" contracts that would prevent stores from selling the competing microbeers. Anheuser-Busch also threatened to withhold its products if distributors balked. The combination of incentives and pressure in Anheuser-Busch's plan worked. The company locked out most competing microbeers while promoting its own specialty brews.

> "A rich marketing strategy will make a small new business stronger and more competitive because those guidelines represent advantages over its competitors."

To protect your fledgling small business from competitors' attacks, follow these five tips:

1. Don't try to intimidate the big players in your field; they have the resources to crush you, and they won't hesitate to do so.
2. If your product does encroach into a larger competitor's arena, make sure your rival has a weakness you can exploit. For instance, Mars took advantage of Hershey's reluctance to advertise nationally and soared to the top of the US chocolate industry.
3. Design your strategy to "neutralize" your opponent's ability to counter your offering. Fearing that it would "cannibalize" its print sales, *Encyclopedia Britannica*

hesitated to move to CD-ROM technology, thus presenting its smaller competitors with opportunities.

4. Your product or service must possess a “significant and sustainable...advantage.” Patent protection can help.
5. Use your distribution channels to shield your offering from the competition: Customers might prefer your quicker and cheaper delivery options.

About the Author

Stanley F. Stasch is professor of marketing at Loyola University in Chicago. He is the author and co-author of numerous books and articles on marketing.