MODULE 4: MARKETING FOR BOTH SMALL AND LARGE BUSINESSES

Marketing is a specialist activity that influences the success of any organization whether small or large. In very pedestrian language, marketing can be conceptualized as a process that enables people obtain their needs or wants from organizations that have developed products or services that will help satisfy these needs or wants of people. These products or services are offered to people who are at liberty to exchange them for something of value. The implication of this definition is that successful marketing rests on the premise that proper need assessment has to be carried out to determine what the market desires or is lacking. Then, a product is conceived and designed to fill that gap and priced appropriately and communicated to the market and made available with minimum inconvenience for the customer. The language in marketing is deliberately general. For instance, purchasers are referred to as customers, though a service organization such as a firm of accountants will call them clients; telecommunication company will call them subscribers; a school will call them students; a hospital will call them patients and a hotel will call them guests. Similarly, a product may well be a service but the word product is often used to refer to both.

Small Business Marketing: Marketing forms the cornerstone for the initiation, growth and subsequent profitability of a small business. Without marketing and a marketing strategy, a business cannot survive and prosper. For the entrepreneur or small business owner, marketing is a matter of determining demand, matching a product or service with customer needs, and promoting those attributes in the marketplace to produce sales and make profit in the process.

Differences between Small Business Marketing and Large Business Marketing

a) Budget Constraints: Small business is operating on a lean budget particularly as it relates to marketing plan. The huge organizations sometimes called corporate titans, have astronomical budgets to cover their promotions. In essence, they have the wherewithal to send out effective messages which are often sent to a mass audience. In the case of the small business operator, they are better able to send out personalized messages and distribute in a manner that guarantees a better chance of reaching their audience.

b) Staffing: When you peruse through the organogram of a big corporation like Globacom Nigeria Limited, you will find the Commercial Director Marketing at the helm of affairs. He has six Divisional Directors with six Business Development Managers assisting them. Then there are 48 Global Business Directors across the country and well over 50 Area Managers across the 36 states in the country. In addition to these, you will find several professionals that bother on other aspects that bother on the customer. In contrast, small businesses combine marketing with the leadership role. The organization chart of a small business puts responsibility for marketing in the top box, where the business owner manages the process as a hands-on task. In essence, you will not have the luxury of professionals as in the Globacom example.

c) Differences in Creativity: Large companies like Cadbury Nigeria Plc. routinely require millions of Naira to produce advertorials with the single purpose of establishing brand awareness and market orientation. Small businesses adopt a significantly different method. They strive to establish brand awareness just like Cadbury does, but their advertisements have to fulfill two tasks. One, the expenditure has to provide direct and measurable marketing action. Two, each action has to stir adequate buying activity to compensate the expenditure involve in producing and running the advertisement in the first place.

d) Differences on Strategy: In large companies like Nigerian Bottling Company Plc. documents of business plans are numerous and probably found on bookshelves in the company. In the case of small businesses, the term marketing plan may sound amazing. Interestingly, a marketing work plan is quite simple and fairly manageable. If you spend a bit of your time to design your annual marketing plan, then implementation of this plan becomes really easy. Note that without a proper marketing plan, you will spend the year racing around to deal with competitive actions, media opportunities and market conditions that may or may not match your present business expectations.

e) Customer Interaction: Small businesses have the capacity to interact directly with their customers, get to know them on a personal level, and learn exactly what their needs are. More often than not, large organizations do not have this luxury. As entrepreneur, you may occasionally envy the huge budget and staffing of large organizations, but being small has its own unique advantages. Imagine the complexity of Cadbury Nigeria Plc. trying to understand and know its numerous customers. Meanwhile, you are able to meet with your customers personally perhaps on a daily basis at virtually no extra cost to you. Since the significant point of marketing is to establish and sustain customer loyalty, it stands to reason that nothing is more adaptable, more resilient and more flexible than the small business.

MARKETING MIX IN NEW VENTURES

Marketing mix is the unique blend of the elements of marketing that will apply to the business. These elements are: product or service itself; the location of the business; the distribution methods adopted by the business; the price at which the products will be sold; the advertising and promotion alternatives available to the business; and how the product will be sold as well as the level of customer service to be provided. These elements are often summarized and commonly referred to as the 4Ps - product, price, promotion and place. The understanding of these elements and flair with which they are mixed is fundamental. In essence, creativity and imagination must be brought to bear. If this is done well, it will put the organization ahead of the competition.

Product: This is anything offered that is capable of satisfying a particular need or want. Products in the context of marketing discourse are tangible and when you pay for them you hold onto something that you can see, touch and feel. It is important for entrepreneurs to understand people never buy products but buy benefits. The term product is used to cover both tangibles and intangibles (services). Product decisions require looking at the following areas: product mix; product features and product support.

a) Product mix: This covers the range of products offered for sale by the organization. In essence, an organization could have one or more product lines. To determine the product mix, it is important that small business owners engage in marketing research by way of need assessment to determine what people lack or what is currently not being delivered. It also entails knowing what kind of stock to have, what kind of customers you will want to serve, what do they like to buy and how they want to buy.

b) Product features: It is important for the entrepreneur to remember that customer perception will determine success rather than what he sees in his product. Product features include colour, packaging, labels, quality, options, style design, brand names, freshness, consistency, sizes, durability, ingredients and product image among others. For services issues that bother on promptness, efficiency, expertise, reliability, guarantees, house-call, specialization, and pick up delivery among others are very fundamental.

c) Product support: For a business, a sale may be an end result but for the customer it is just the beginning because he may have challenges with the product from time to time or the service he is seeking may be too complicated for him to understand. For these reasons, he will require help by way of support from the bearing in mind that support will to a large extent determine repeat patronage. Examples of support services include; pre-sale advices, installation, reliable delivery, prompt follow up, availability of spare parts and after-sales service.

Place: In marketing, a business must have the right product, at the appropriate time and price, and in the right place. In this context, place refers to two aspects; location and distribution. Location as a component of marketing mix is critical to some and almost irrelevant to others.
For example it is critical to a retailer but not necessarily to a "pure water company". The cardinal rule for many business owners is to locate the business where the market is.

It is important to know what kinds of persons are likely to be the customers for the goods / services on offer. This is not to say that other factors are not important. For a manufacturing concern, access to raw materials is key as well as the availability of skilled labour. Distribution has to do with the channels used to resolve the question of how the products reach the customers - the place where the purchase will be made.

Rarely do organizations deal directly with the final user of their products – consumer. Very often they have to rely on marketing intermediaries (wholesalers and retailers) who join together to transport and store goods in their path from producers to consumers. The small business owner must recognize that there is a constantly changing market and the distribution system represents an investment and is an asset to the business.

Promotion: This encompasses everything to do with the way an organization communicates persuasively with people to influence them towards making a purchase. Marketers use many different tools to promote their products and services. Promotion is sometimes seen as the most important part of marketing; certainly it is the most visible, with elements of it –advertisements, posters and so on – all around. It should be known that even the producer of the best product or service will do no business if no one knows it exists. Similarly promoting a bad product is certainly the fastest way to kill it. The combination of promotional tools an organization uses is called its promotional mix.

a) Advertising: This is a non personal communication through various media by organizations and individuals who are in some way identified in the advertising message. The medium of advertising include; television, radio, handbills, billboards (electronic and non-electronic), newspapers, magazines, music and internet. The best medium is a function of the product being advertised and the target customers to be reached. Advertising is carried out with the following objectives in mind: informing potential customers of a new offering; increasing the frequency of purchase; increasing the use of a product; increasing the quantity purchased; increasing frequency of replacement; presenting a promotional programme; bringing a family of products together; and making the organization's range of offerings known. In summary, advertising can help promote a business but it is important to be aware that it has its limitations. Some small business owners believe that if their business is failing they can advertise their way out the problem. Sadly, this is not the case because advertising cannot force people to buy unneeded goods and services. If the business is in the wrong market advertising will not be able to help. Furthermore, it cannot improve an inferior product. If the product is not adequate or does not fit the overall marketing mix, advertising cannot compensate.

b) Personal selling: This is face-to-face presentation and promotion of products and services. It also involves the search for new prospects and follow-up service after the sale. Effective selling is not simply a matter of persuading others to buy. In fact it is more accurately described as helping others to satisfy their wants and needs. The major strength of personal selling over advertising is that it provides a two way communication where the prospect can ask questions and seek clarification where necessary as against advertising which is strictly one way. For large businesses this medium is very expensive because their customers are spread all over as against the small business operator who usually has direct access to his customers and sees them often.

c) Public relations: This is defined as the function that evaluates public attitudes, changes policies and procedures in response to the public's requests, and executes a programme of action and information to earn a public understanding and acceptance. In essence, a good public relations (PR) programme has three steps.

(1) Listen to the public through marketing research.
(2) Change policies and procedures to accommodate the concerns and aspirations of the public.
(3) Inform people that you are being responsive to their needs.

d) Publicity: This is talking arm of PR. It is one of the major functions of almost all organizations. Publicity is any information about an individual, product or organization that is distributed to the public through the media and that is not paid for, or controlled by the seller. In essence, it can be viewed as a form of free advertising.

e) Sales promotion: Sales promotions (SP) are used to help promote the sale of the product or service. They are generally put into place for short time periods to achieve customer attention and sales. SP is considered very effective because it creates instant demand booster and leverages on the weakness of the average customer – greed – which makes him buy certain products that he may ordinarily not want to buy at the time or may not buy that much quantity. SP campaigns could be used in the following scenarios;

(1) To move products or services that has slowed down probably created by loss of buyer interest or change of buying season.
(2) To win back customers who have moved to competitors for reasons such as price, delivery of product, pedestrian packaging among others.
(3) To launch new products. This allows the customers to experience the new product or service.

In essence, it encourages new product trials and brand switching. SP could be deployed in different ways but some of the very prominent ones include:

- Offering a special price reduction for a given period;
- selling two items for the price of one;
- adding a product on or in another product without charging for the added on product;
- giving out free samples;
- sponsoring a game or a contest and organizing raffle draws for those that qualify based on volume of purchases made over a period of time.

  Note that the list is endless and only needs some marketing imagination and flair to make a successful promotion.

Price: The phrase that goes mostly with cheap is poor quality, yet everyone wants a bargain. In many ways way can think of price in terms of value. People are willing to pay a price that is commensurate with the value to them of a product or service. When you focus on making improvements in these areas, you will be increasing the value of your offerings to customers, and that will allow you to charge a price that you and your customers will consider reasonable. In consumer psychology, the tendency is to see high price as connoting high quality and low price as connoting low quality. This may not necessarily be true in all cases but it always tends to influence our judgement during purchase decisions. It should be noted that the term price could be used differently depending on the sector and the context. For example, all these refer to the amount you pay in exchange for the value received.

- Guest Lecturer - Honorarium
- Apartment - Rent
- Doctor - Consultation Fee
- Highway - Toll
- Import / Export - Duty
- PHCN / GSM - Tariff
- Insurance - Premium
- Association - Dues
- Bank - Interest
- School - Tuition

Factors Affecting Price

Competition in the market and marketing strategies: In free market economies, the level of competition in the market place has a great influence on prices charged. The pricing structure should reflect the competitive strategy the business has adopted. For example, to be a cost leader, low prices will be the marketing tool to use to gain market share. Alternatively, if the strategy is differentiation then the business owner must develop an "exclusive" image and be able to charge more for the product or service. If the marketing strategy is penetration then the business will consider a drop in price to induce new customers to purchase the product offered.

Demand for your product: Generally the demand for most products varies with price. Usually at high prices customers purchase less, where at low prices customers purchase more. Some products or services are price insensitive, i.e. the price can be increased without having much effect on demand. For other products if the price in increased it can have a huge gap on demand. These products are said to be price sensitive.

Introducing a new product: The launching of a product that is novel in the market can be an opportunity for a business to charge a premium without a backlash from the market. This enables recovery of some of the costs that are associated with the introduction of the new product or service. After the introduction it may be possible for the business to maintain a high price until a competitor counters with something similar and the price may then need to be adjusted to ensure a reasonable share of sales.

INTERNATIONAL MARKETING

International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations. International marketing has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, management contracting among others. International marketing very much retains the basic tenets of 'satisfaction" and "exchange". Standardization Vs. Adaptation

This addresses the concern of whether companies should have identical products in all countries or develop products to satisfy local tastes and desires. In the discourse of International marketing, standardization is sometimes used interchangeably with globalization i.e. treating entire market as a single one for both production and marketing reasons.

Modes of Market Entry

There are three broad strategies for foreign market entry and each one involves its own level of commitment, risk and degree of profit. These are Exporting, Joint Venturing and Direct Investment.

Exporting: This is the process of sending items, services or persons from one country to another in return for goods, money or services. This involves occasional and active exporting of goods and services. Occasional exporting is a passive level of investment where the company exports surpluses from time to time and sells goods to resident buyers representing foreign countries. On the other hand, active exporting takes place when the company makes a commitment to expand exports to a particular market. However, in either of the two cases, the company produces all of its goods in the home country and may or may not modify them before exporting.

Joint Venturing

Joint venturing is the second method of entering a foreign market by teaming up with foreign nationals to set up production and marketing facilities. Joint venturing differs from exporting in that a partnership is formed that leads to some production facilities abroad, and it differs from direct investment in that an association is formed with someone in the country. A joint venture is the association of two or more people to carry out a particular business or contract.

A joint venture can be formed in four ways:

Licensing: - This represents a simple way for a manufacturer to become involved in international marketing. The licensor enters an agreement with a licensee in the foreign market, offering the right to use manufacturing process, trademarks, patent, trade secret or other item of value for a fee or royalty. The licensor improves his market coverage at a little risk, while the licensee gains production expertise or a well-known product or name without having to start from scratch. Example franchising – KFC in Nigeria.

Contract Manufacturing: This involves a contract with local manufacturers to produce the products, which the seller sells. It has the drawback of less control over the manufacturing process and the loss of potential profits on manufacturing. On the other hand, it offers the company a chance to start faster, with less risk and with the opportunities to form a partnership or buy out the local manufacturer at a later date.

Management Contracting: Here a foreign firm is invited to help run a venture on behalf of a domestic firm. In this arrangement, the domestic firm usually provides the capital while the foreign counterpart provides the know-how. This is considered on the strength that the foreign firm is synonymous with exceptional skills in that particular line of business. They are normally paid a fee and may be allowed to buy some shares over a specified time frame. Example of management contracting – Hilton and hotel management.

Joint Ownership Ventures: In joint ownership ventures foreign investors join with local investors to create a local business in which they share joint ownership and control. The foreign investor may buy an interest in a local company, or a local company may buy an interest in an existing operation of a foreign company, or the two parties may form a new business venture. This may be necessitated due to political consideration or economic constraints or to satisfy a pre-condition for entry.

Direct Investment

The third strategy that could be employed in order to operate in a foreign market is through direct investment. In this the firm may invest in foreign-based assembly or manufacturing facilities by either building a new plant or buying substantial shares in an already existing plant, or completely buying over an existing plant. The following benefits are derivable to the foreign investor:

1. The firm may secure cost economies in the form of cheaper labour or raw materials, government investment incentives, freight savings, and tax concession, etc.
2. The firm will also gain a better image in the host country because it creates job opportunities to the local nationals.
3. The firm can develop a deeper relationship with the government, customers, local suppliers, and distributors, enabling it to adapt its products to the local market.
4. The firm retains full control over the investment and therefore, can develop manufacturing and marketing policies that serve its long-term international objectives.

However, it exposes a firm's large investment to risk, such risks as devaluation of currency and worsening markets.