MARKETING FOR SMALL BUSINESS: AN OVERVIEW

Marketing Series

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INTRODUCTION

One of the greatest needs of managers of small businesses is to understand and develop marketing programs for their products and services. Small Business success is based on the ability to build a growing body of satisfied customers. Modern marketing programs are built around the "marketing concept" and performance, which directs managers to focus their efforts on identifying, satisfying and following up the customer's needs: all at a profit.

The Marketing Concept

The marketing concept rests on the importance of customers to a firm and states that:

1. ALL company policies and activities should be aimed at satisfying customer needs, and

2. PROFITABLE sales volume is a better company goal than maximum sales volume.

To use the marketing concept, a small business should:

- Determine the needs of their customers (Market Research);
- Analyze their competitive advantages (Market Strategy);
- Select specific markets to serve (Target Marketing); and
- Determine how to satisfy those needs (Market Mix).

Market Research

In order to manage the marketing functions successfully, good information about the market is necessary. Frequently, a small market research program, based on a questionnaire given to present customers and/or prospective customers, can disclose problems and areas of dissatisfaction that can be easily remedied, or new products or services that could be offered successfully.

Market research should also encompass identifying trends that may affect sales and profitability levels. Population shifts, legal developments, and the local economic situation should be monitored to enable early identification of problems and opportunities. Competitor activity also should be monitored. Competitors may be entering or leaving the market, for example. It is also very useful to know what your competitors' strategies are (i.e., how they compete).

Marketing Strategy

Marketing strategy encompasses identifying customer groups (Target Markets), which a small business can serve better than its target competitors, and tailoring its product offerings, prices,

distribution, promotional efforts and services towards that particular market segment (Managing the Market Mix). Ideally, the strategy should try to address customer needs which currently are not being met in the market place and which represent adequate potential size and profitability. A good strategy implies that a small business cannot be all things to all people and must analyze its market and its own capabilities so as to focus on a target market it can serve best.

Target Marketing.

Owners of small businesses have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or a few key market segments is the basis of target marketing. The major ways to segment a market are:

1. *Geographical segmentation* -- specializing in serving the needs of customers in a particular geographical area (for example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store).

2. *Customer segmentation* -- identifying and promoting to those groups of people most likely to buy the product. In other words, selling to the heavy users before trying to develop new users.

Managing the Market Mix

There are four key marketing decision areas is a marketing program. They are

- Products and Services,
- Promotion
- Distribution and
- Pricing.

The marketing mix is used to describe how owner-managers combine these four areas into an overall marketing program.

Products and Services -- Effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or service or providing a product-service package containing an unusual amount of service.

Promotion -- This marketing decision area includes advertising, salesmanship and other promotional activities. In general, high quality salesmanship is a must for small businesses because of their limited ability to advertise heavily. Good Yellow Page advertising is a must for small retailers. Direct mail is an effective, low-cost medium of advertising available to small business.

Price -- Determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. Generally, higher prices mean lower volume and vice-versa; however, small

businesses can often command higher prices because of the personalized service they can offer.

Distribution -- The manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents generally is most feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection, especially since advertising and rent can be reciprocal. In other words, low-cost, low-traffic location means you must spend more on advertising to build traffic.

The nature of the product/service also is important in locational decisions. If purchases are made largely on impulse (e.g., flavored popcorn), the high traffic and visibility are critical. On the other hand, location is less a concern for products/services that customers are willing to go out of their way to find (e.g. restaurant supplies). The recent availability of highly segmented mailing lists (purchased from list brokers, magazines, or other companies) has enabled small businesses to operate anywhere -- and serve national or international markets.

Marketing Performance

After marketing program decisions are made, owner-managers need to evaluate how well decisions have turned out. Standards of performance need to be set up so results can be evaluated against them. Sound data on industry norms and past performance provide the basis for comparing against present performance.

Owner-managers should audit their company's performance at least quarterly. Lists of things to look for and of danger signals are given in some of the books recommended in this Bibliography.

The key questions to ask are:

1. Is the company doing all it can to be customer-oriented?

2. Do the employees make sure the customer's needs are truly satisfied and leave them with the feeling that they would enjoy coming back?

3. Is it easy for the customer to find what he or she wants and at a competitive price?

BIBLIOGRAPHY

The information presented here is necessarily selective and no slight is intended toward material not mentioned. Publishers are invited to notify the SBA of relevant publications and other sources of information for possible inclusion in future editions.This bibliography may be reprinted but not used to indicate approval or disapproval by the SBA of any private organization, product or service.

U.S. Government Publications

The publications cited in this section are books and pamphlets issued by federal agencies and listed under the issuing agency. Some are free; others cost a nominal fee. GPO (Government Printing

Office) publications can be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. When ordering a GPO publication, give the title and series number of the publication and the name of the agency. You can also order by calling (202) 783-3238. Contact GPO for current prices.

Publications should be requested by title and any identifying number. Most libraries maintain listings of currently available federal publications. Some keep selected government publications for ready reference through the Federal Depository Library System.

U.S. Small Business Administration
Washington, DC 20416

SBA issues a wide range of management and technical publications designed to help owner-managers and prospective owners of small businesses. For general information about the SBA, its policies and assistance programs, contact your nearest SBA office.

The Small Business Directory, a listing of currently available publications and videotapes, can be obtained free from SBA, P.O. Box 15434, Fort Worth, TX 76119, or from any of SBA's field offices. The directory contains a form that can be used to order a particular title.

Bureau of the Census
Department of Commerce Washington, DC 20233
(Contact the Public Information Office for a more complete listing of publications.)

Catalog of United State Census Publications. Published monthly with quarterly and annual cumulations. A guide to census data and reports. This catalog contains descriptive lists of publications, data files and special tabulations.

Census of Business. Compiled every five years (years ending in 2 and 7). Organized in the following three units:

> *Census of Retail Trade (1987)*. This report presents statistics for more than a hundred different types of retail establishments by state, standard metropolitan statistical area (SMSA), county and community (population over 2,500). It includes data on the number of outlets, total sales, employment and payroll. Updated each month by Monthly Retail Trade.
>
> *Census of Wholesale Trade (1987)*. Statistics for more than 150 types of wholesaler categories. The data detail the number of establishments, payroll, warehouse space, expenses, end-of-year inventories, legal form of organization and payroll. Updated each month by Monthly Wholesale Trade.
>
> *Census of Selected Services (1987)*. Provides statistics similar to those reported by the Census of Retail Trade for retail service organizations such as auto repair centers and hotels. Does not include information on real estate, insurance or the professions. Updated monthly by Monthly Selected Service Receipts.

Census of Manufacturers (1987). Compiled every five years (years ending in 2 and 7). Reports on 450 different classes of manufacturing industries. Data for each industry include information on capital expenditures, value added, number of establishments, employment data, material costs, assets, rent and inventories. Updated yearly by the Annual Survey of Manufacturers.

Census of Population (1990). Compiled every ten years. Presents detailed data on population characteristics of states, counties, SMSAs and census tracts. Demographics data reported include age, sex, race, marital status, family composition, employment income, level of education and occupation. Updated annually by the Current Population Report.

Statistical Abstract of the United States. Published annually. This is a useful source for finding current and historical statistics about various aspects of American life. Contents include statistics on income, prices, education, population, law enforcement, environmental conditions, local government, labor force, manufacturing and many other topics.

State and Metropolitan Area Data Book. A Statistical Abstract supplement (1986). Presents a variety of information on states and metropolitan areas in the United States, on subjects such as area, population, housing, income, manufacturers, retail trade and wholesale trade.

County and City Data Book. Published every five years to supplement the Statistical Abstract. Contains 144 statistical items for each county and 148 items for cities with a population of 25,000 or more. Data is organized by region, division, state and SMSA for income, population, education, employment, housing, banking, manufacturing, capital expenditures, retail and wholesale sales, and other factors.

County Business Patterns. Annual. Contains a summary of data on number and type (by SIC number) of business establishments as well as their employment and taxable payroll. Data are presented by industry and county.

Other Agencies

Measuring Markets: A Guide to the Use of Federal and State Statistical Data. GPO. Provides federal and state government data on population, income, employment, sales and selected taxes. Explains how to interpret the data to measure markets and evaluate opportunities.

Selected Publications to Aid Business and Industry. Listing of federal statistical sources useful to business and industry. Statistics of Income. Annual. Published by the Internal Revenue Service of the Treasury Department. This publication consists of data collected from tax returns filed by corporations, sole proprietorships and partnerships, and individuals.

State Statistical Abstract. Every state publishes a statistical abstract, almanac or economic data book with statistics for the state, its counties and cities. A complete list of these abstracts is in the back of each volume of the *Statistical Abstract and Measuring Markets*.

General Marketing Books

Charles E. Merrill Publishing Co.
Columbus, OH 43216

Direct Marketing, 1986, Katzenstein, Herbert and William S. Sachs

Goodyear Publishing Company
1515 Sunset Boulevard
Pacific Palisades CA 9272

Marketing Principles. Enis, Ben M.

Houghton Mifflin Company
1 Beacon Street
Boston MA 02107

Marketing: Basic Concepts and Decisions. Pride, William M. and O. C. Ferrell

Irwin, Richard D.
1818 Ridge Road
Homewood, IL 60430

Basic Marketing: A Managerial Approach. McCarthy, E. Jerome and William D. Peaucreault Jr.

Prentice Hall, Inc.
Englewood Cliffs, NH 07602

Marketing Management: Analysis Planning and Control. Kotler, Philip

Small Business Books

Business Publications, Inc.
4347 S. Hampton Rd., Suite 210
Dallas TX 75224

Small Business Management Principles. 1985. Sondeno, Stanley R.

Successful Small Business Management. Tate, Curtis E., L.C. Megginson, C.R. Scott and L.R. Trueblood.

Houghton Mifflin Company
1 Beacon Street
Boston MA 02107

Small Business Management: A Guide to Entrepreneurship. Siropolis, Nicholas C.

McGraw-Hill Book Company
1221 Ave. of the Americas
New York NY 10036

Small Business Management Fundamentals. Steinhoff, Dan.

Wadsworth Publishing Company
10 Davis Drive
Belmont Ca 94002

Small Business Management: Essentials of Entrepreneurship. Klatt, Lawrence A.

Magazines and Journals

The following magazines and journals publish many articles in the marketing area that can be useful for business people.

Advertising Age. Weekly. Crain Communications, 740 Rush St., Chicago IL 60611. Weekly news of advertising agencies, campaigns and current issues in advertising.

Business Week. Weekly. McGraw-Hill, 1211 Avenue of the Americas, New York, NY 10020. General magazine for businesspeople. Frequent articles are carried about practical marketing decisions in a variety of industrial situations.

Industrial Marketing. Monthly. Crain Communications, 740 Rush St., Chicago IL 60611. Specialized magazine for industrial advertising situations. Frequently publishes for various industries.

Journal of Retailing. Quarterly. New York University, 202 Tisch Hall, Washington Square, New York, NY 10003. Publishes articles on various retailing topics, as well as book reviews and research studies.

Modern Packaging. Monthly McGraw-Hill, 1221 Avenue of the Americas, New York 10020. Presents articles on annual packaging trends as well as new packaging developments.

Progressive Grocer. Monthly. The Butterick Division, American Can Company, 708 Third Avenue, New York, NY 10017. Describes current merchandising trends in retail food stores, and issues an annual report on the grocery industry each year.

Sales and Marketing Management. Semimonthly. Sales and Marketing Management, Inc., 633 Third Ave., New York, NY 10017. Many articles address sales management problems. Subscription includes the annual "Survey of Buying Power" which estimates buying power in the United States based upon population, Income and retail sales.

Marketing Associations

Many small businesspeople interested in marketing activities should be aware of the following associations. For a more exhaustive list of associations, see the *Encyclopedia of American Associations*, available at most libraries or universities.

American Advertising Federation, 1225 Connecticut Ave., NW, Washington, D>C> 20036. Membership comprises people in advertising agencies, media, and advertising management, who seek to further the understanding of advertising.

American Marketing Association. 222 S. Riverside Plaza, Chicago IL 60606. Members generally come from marketing management, researchers and educators. The principal objectives are to disseminate knowledge about marketing and to foster additional research in the marketing discipline.

National Association of Purchasing Management. 11 Park Place, New York NY 10017. Primarily composed of purchasing agents and other types of buyers who are interested in the dissemination of information about efficient purchasing management.

Sales and Marketing Executives International. 380 Lexington Ave., New York NY 10017. One of the largest marketing associations, with members primarily from sales and marketing management. Holds frequent seminars, workshops and clinics throughout the United States.

APPENDIX: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- *SCORE: Counselors to America's Small Business*, a national organization sponsored by SBA of over 11,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people. Free online counseling and training at www.score.org.

- *Small Business Development Centers (SBDCs),* sponsored by the SBA in partnership with state governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.

- *Women's Business Centers (WBCs),* sponsored by the SBA in partnership with local non-government organizations across the nation. Centers are geared specifically to provide training for women in finance, management, marketing, procurement and the Internet.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722) or visit our website, www.sba.gov.

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the bookstore heading. Find a "Catalog of Government Publications at http://catalog.gpo.gov/F

Many federal agencies offer Websites and publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Federal Citizen Information Center (FCIC)
Http://www.pueblo.gsa.gov
1-800-333-4636
The CIO offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)
Publications Request
Washington, DC 20207
http://www.cpsc.gov/cpscpub/pubs/pub_idx.html
The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)
12th Street and Independence Avenue, SW
Washington, DC 20250
http://www.usda.gov
The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)
Office of Business Liaison
14th Street and Constitution Avenue, NW
Washington, DC 20230
http://www.osec.doc.gov/obl/
DOC's Business Liaison Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

U.S. Department of Health and Human Services (HHS)

Substance Abuse and Mental Health Services Administration
1 Choke Cherry Road
Rockville, MD 20857
http://www.workplace.samhsa.gov
Helpline: 1-800-workplace. Provides information on Employee Assistance Programs Drug, Alcohol and other Substance Abuse.

U.S. Department of Labor (DOL)
Employment Standards Administration
200 Constitution Avenue, NW
Washington, DC 20210
The DOL offers publications on compliance with labor laws.

U.S. Department of Treasury
Internal Revenue Service (IRS)
1500 Pennsylvania Avenue NW
Washington DC 20230
http://www.irs.gov/business/index.html
The IRS offers information on tax requirements for small businesses.

U.S. Environmental Protection Agency (EPA)
Small Business Ombudsman
1200 Pennsylvania Avenue NW
Washington, DC 20480
http://epa.gov/sbo
Hotline: 1-800-368-5888
The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)
5600 Fishers Lane
Rockville MD 20857-0001
http://www.fda.gov
Hotline: 1-888-463-6332
The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

- **Trade association information**
  Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as

newsletters, conferences and seminars.

- **Books**
  Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Print, a directory of books currently available from publishers.

- **Magazine and newspaper articles**
  Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

- **Internet Search Engines**

In addition to books and magazines, many libraries offer free workshops, free access to computers and the Internet, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.