



Section 3.3

Developing A Marketing Plan



Wendy Umberger, Dawn Thilmany and Susan Hine
Department of Agricultural and Resource Economics
Colorado State University



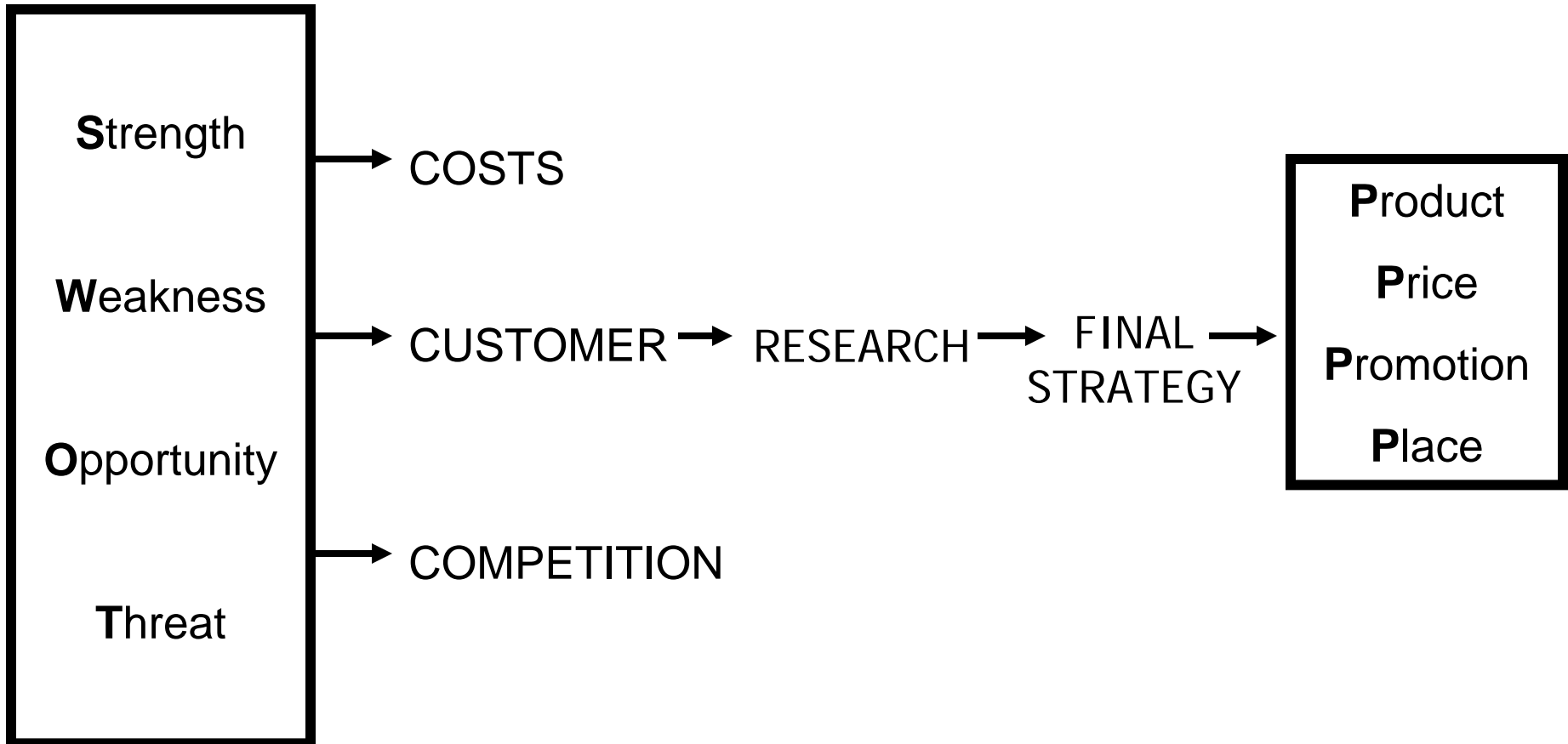
Section Summary



- Analyze strengths, weaknesses, opportunities and threats
- Research customers, costs and competition
- Develop the marketing mix using product, price, place and promotion



Strategic Marketing Plan





Marketing Component



- Focus on strength, weakness, opportunity and threat (SWOT) analysis of your three Cs:
 - ▶ Customers
 - ▶ Costs
 - ▶ Competition
- Market research on marketing mix:
 - ▶ Product
 - ▶ Price
 - ▶ Place
 - ▶ Promotion



SWOT Analysis



Strengths = Opportunities

Weaknesses = Threats

→ Analyze:

- ▶ Company perspective
- ▶ Competition's perspective
- ▶ What can be emulated or learned?



Examples Of Business Strengths



- Good management
- Efficient business organization
- High employee satisfaction
- Excellent financial records
- Facilities in new or good condition
- Using current technology and information
- Using successful marketing techniques



Examples Of Business Weaknesses



- Poor management
- Lack of communication between staff and management - disorganization
- High employee turnover
- Poor facilities
- Using out-dated technology
- Poor financial records



Examples Of Market Opportunities



- Market trends, change in consumer tastes and preferences
- Available federal grant money
- Research proving the health benefits of a certain product you raise
- Zero to slight competition from others in your region



Examples Of Market Threats



- Research indicating product is no longer safe for consumers' health
- New entrants into the market (i.e., supermarkets selling own brand of “organic beef”)
- Existence of substitute products, or the inability to truly differentiate your product from others



SWOT Analysis: Your Company



- What does your company do very well? What are your company's weak areas?
- Where is your company most competitive?
 - ▶ Why?
 - ▶ What's the difference between your product and others?
 - ▶ What services or attributes set you apart?



Your Company



- Where is your company now?
- Where does your company want to be?
- What must be done to achieve this?
- What is the timeframe?
- What are the obstacles?
- What resources are required for success?
- How is success measured?



SWOT Analysis: The Competition



- Where is the competition?
- Where are they trying to go?
- What is their plan of action?
- What are their perceived obstacles?
- What timeframe will they use?
- How can you measure their success?
- What can you emulate?



The Three Cs Of Marketing



1. Customer
2. Costs
3. Competition



1. The Customer



- What unique value does your product bring?
- Who are your customers/clients? Describe them.
 - ▶ Demographics: age, gender, income, etc.
 - ▶ Psychographics: buying patterns
- Where do you find your customers?



1. The Customer



- How do you reach your customers?
- What motivates your customers?
- How do people satisfy the need for your product right now?
- Who is there to satisfy the need for your product right now – your competition?



2. Your Costs



- Know variable costs of producing your product
- Realize there are fixed costs that must be paid, whether you produce your product or not
- Use variable and fixed costs to calculate the break-even point where costs are covered without profit
- Compare break-even with industry standards
- Financial analysis:
 - ▶ Given the numbers and value perceived by the customer, can you feasibly go into production?



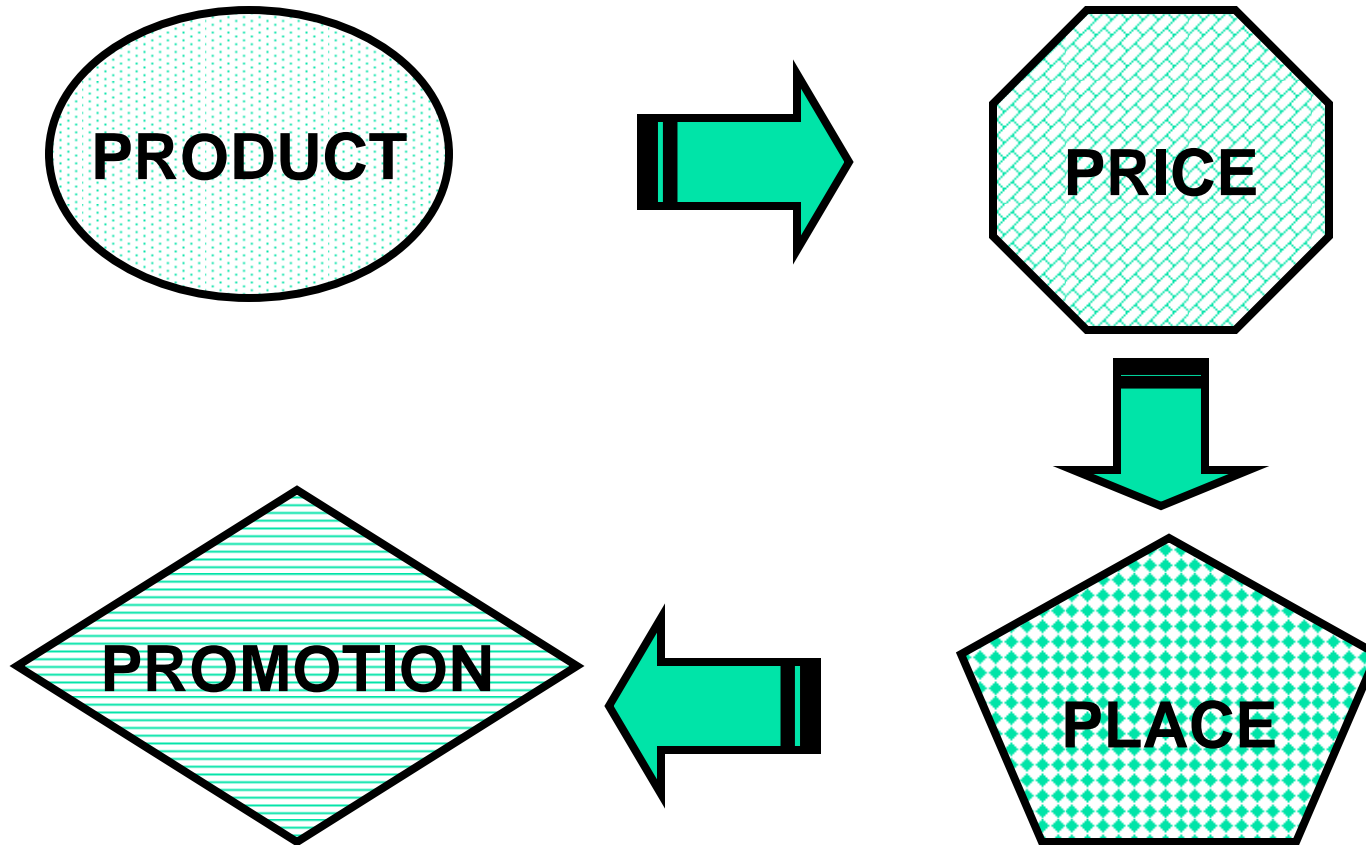
3. The Competition



- From SWOT analysis, assess your business' strengths and weaknesses compared to your competitor's
- Emulate your competition's strengths and overcome their weaknesses
- Differentiate your product so the competition's product is not substitutable

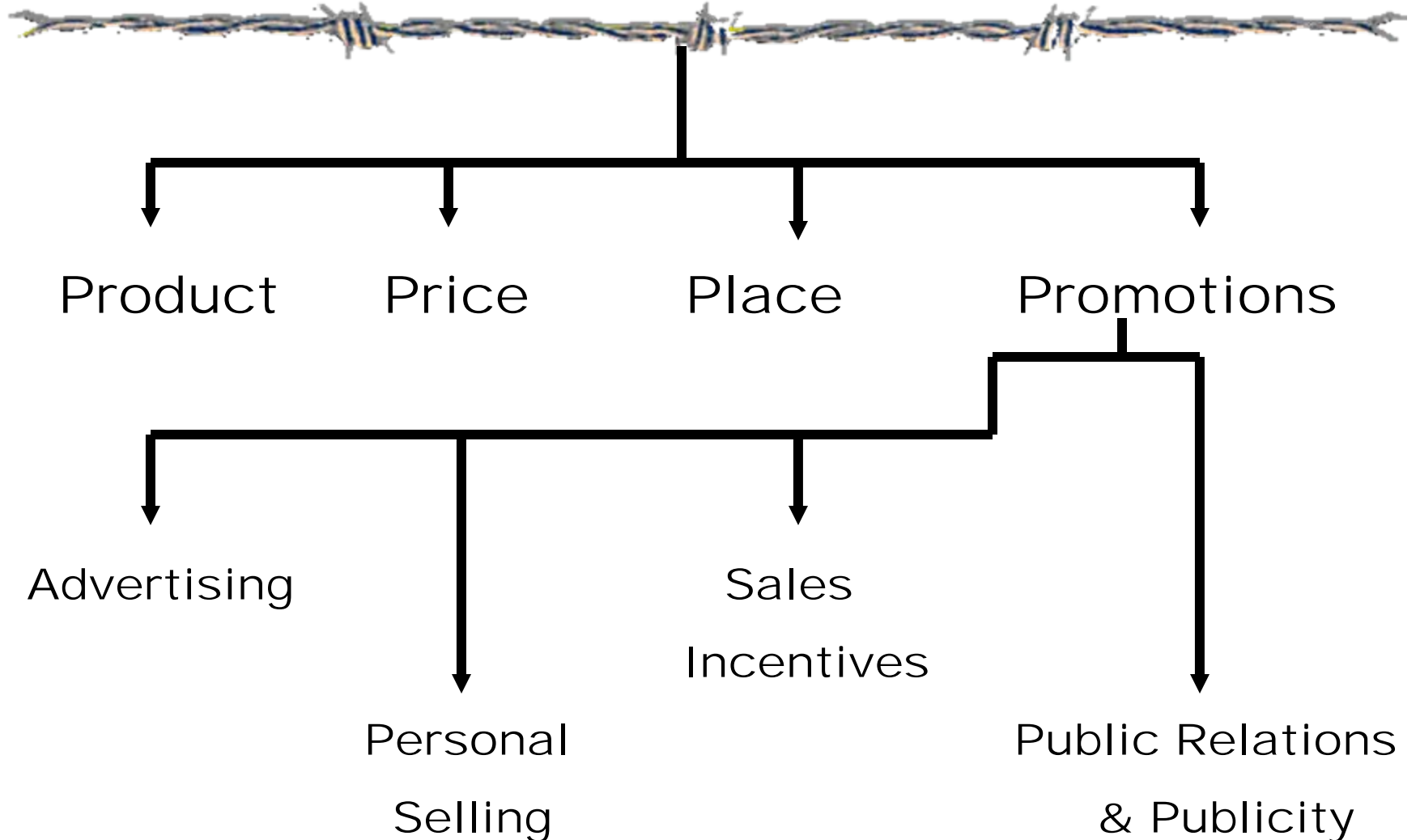


The Marketing Mix





Marketing





1. Product



Goods that satisfy the needs of a target market should have the following characteristics:

- ▶ Physical features (design and packaging)
- ▶ Branding and image/personality
- ▶ Degree of customer service
- ▶ Consistent quality and supply
- ▶ Pricing to cover costs & generate required margins or returns



1. Product



Product characteristics, continued:

- ▶ Cuts the consumer wants (steak, hamburger, jerky, value-added entrée, etc.)
- ▶ Fresh, frozen, prepared
- ▶ Form purchased versus live cut up (1/4 beef)
- ▶ Inspection requirements



2. Price



- Set prices based on:
 - ▶ Value-based pricing (match price to perceived value by customer, brand loyalty, customer-oriented price)
 - ▶ Competition-based pricing (match prices to similar products of your competition)
 - ▶ Cost-based pricing (set price dependent upon production costs)
- Use discounts or incentives to boost sales



3. Place – Distribution Channel



- Where customers purchase product
- Product must be at the right place, at the right time, in order to sell & provide profit to producer
- Channels include:
 - ▶ Direct sales, internet sales, broker or distributor
- Determine customer service level by your firm



Risk / Return Tradeoff – Direct Sales



- Farmers market:
 - ▶ Revenues direct to producer
 - ▶ Target market & growth potential are small
- Mail order:
 - ▶ Revenues direct to producer
 - ▶ Greater chance of shipping problems like spoilage



Risk / Return Tradeoff – Direct Sales



- Internet sales:
 - ▶ Increases accessibility to product for new and current customers
 - ▶ Lower transaction costs (fewer labor hours)
 - ▶ Requires a lot of planning & attention to detail
 - ▶ Need well-designed Web site to promote product & draw customers
 - ▶ Must maximize value of customer's business to get repeat purchases
 - ▶ Need to maintain Web site & keep current



Risk / Return Tradeoff – Broker/Distributor



- Broker:
 - ▶ Agent may increase sales and access to retail market
 - ▶ Fewer revenues to the producer
- Distributor:
 - ▶ Increases access to more markets
 - ▶ May also distribute competing products



Issues In Establishing A Distributor Relationship



- Product viability: must assure the product will benefit distributor, retailer or restaurateur
- Market research: inform distributor where your product fits in marketplace; emphasize uniqueness or appeal
- Costs: average of \$0.25-0.30 is spent on marketing for each dollar of expected sales
- Fit: choose a distributor who carries complementary product lines; visit stores they service



4. Promotion



- Includes advertising, public relations & sales promotions
- Influences attitudes & buying behaviors of customers in a target market
- Should encourage product purchase & market expansion
- Effective if you have a product consumers want
- Important for positioning a product in the market



Promotional Objectives



- Stimulate sales
- Differentiate product offerings in varying markets
- Share information
- Accentuate value of product
- Stabilize seasonal demand



Promotional Methods



- Advertising: newspaper, television, magazine, radio, Internet, billboard
 - ▶ Does your business have a unique story?
- Public relations: community service or events
- Sales promotions: point-of-purchase displays, trade shows, exhibitions and demonstrations (free samples)
- Word of mouth



When Promoting Your Product...



- Determine desired message you want your customers to have about your product
- Set goals promotion will accomplish - either public relations for your business or increasing product sales
- Design a budget for promotional expenses; determine which promotional strategies will fit your budget and goals



References & Additional Resources



- Thilmany D. and J. Grannis. 1998. *Marketing Food Products: Direct Sales vs. Distributors and Brokers*. AMR 98-04. Online at <http://dare.agsci.colostate.edu/extension/amr98-04.pdf>.
- Thilmany D. and W. White. 2001. *Marketing Food and Agricultural Products on the Internet*. AMR 01-01. Online at <http://dare.agsci.colostate.edu/extension/amr01-01.pdf>.



References & Additional Resources



- Umberger W. and S. Hine. 2002. *A Step-by-Step Guide on How to Write a Successful Business Plan, Part IV-Market Planning*. ABMR 02-08. Online at <http://dare.agsci.colostate.edu/extension/abmr02-08.pdf>.
- Pelton, Lou, David Strutton, and James Lumpkin. 1997. *Marketing Channels: A Relationship Management Approach*. pp 99-109.