



Micro and Home-Based Businesses: The Basics of Marketing

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Many individuals would define marketing as either selling or advertising. At best, some might even include both components. But is that all there is to marketing? Not according to Jay Levinson. In his book, *Guerrilla Marketing*, Levinson defines marketing as “everything you do to promote your business from the moment you think of the idea until the customers buy and begin to do so on a regular basis.” Levinson does not even mention selling. His definition is similar to that used in many research studies.

This definition alone may be of little help to business owners. The purpose of this fact sheet is to help business owners understand the goals and processes of marketing and how various business components affect marketing efforts.

The Goal of Business

Understanding the goal of marketing can best be done by first understanding the goal of business. That goal is profit. Although simple, many entrepreneurs have trouble accepting that all businesses have that same goal. Profit means the company survives and has a chance to grow.

The Goal of Marketing

Even though the goal of the business is profit, sales is not the goal of marketing. While sales efforts focus on getting the customer to buy, marketing takes a broader view and helps determine *what* the customer wants to buy. Mistakenly focusing on sales alone has been a factor in the long-term demise of many businesses. Instead, business owners need to attract new audiences, study the competition, and develop a product or service so that it appeals to a highly discriminating audience.

Marketing as a Process

Effective marketing is a complex process. The successful marketing process involves:

- 1) **Determining what the customer needs or wants.** Analyze the market. Define the particular market segment most likely to purchase your product or service, and then determine the specific benefits desired by the customer.
- 2) **Developing a product or service to meet those needs or wants.** Upon understanding what benefits the customer wants, develop a product or service, the features of which

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provide the customer with the requested benefits. Marketing is selling these benefits rather than the features.

- 3) **Understanding the competition and what they offer.** Customers face a large marketplace with many choices. Today, the market place is typically considered to be the entire world. As a business owner, define a target market and distinguish your business from the competition.
- 4) **Linking with the customer as a source for fulfilling needs or wants.** Let the customer know you are in business. Tell the customer how you can meet their needs.
- 5) **Doing all of this at a price that provides a profit so the business can continue—the ultimate business goal.** This implies a price that allows both the customer and the owner to feel good about the transaction.

As the process of marketing indicates, marketing efforts begin even before a product is produced or a service is delivered. These efforts continue through the completion of the monetary transaction with after-sales support, including service, assistance, warranties, returns, and refunds.

Remember Levinson's definition of marketing—customers buying on a regular basis. This means after sale support. You want the customer to return again and again. A rule of thumb is that 80 percent of sales will come from just 20 percent of your customers.

Marketing Activities

So what activities are included in marketing? That question is impossible to answer in the scope of this fact sheet. The answer depends on a number of different variables, including what you sell, where you sell, to whom you sell, and how you sell your product or service. In developing specific marketing activities, examine available resources as well as intended outcomes.

While impossible to list specific marketing activities for business owners, there are major business functions and components that impact the marketing efforts of many businesses. "Mapping Your Marketing Future," by the Oklahoma Cooperative Extension Service, provides an excellent start and lists four important business functions—positioning, production, pricing, and promotion.

Positioning

Positioning is defining the purpose of your product or service as it benefits a potential customer. Positioning is finding a market niche. Positioning creates a perception of special value and benefits in your product or service. Developing a product's position is one of the major goals of the marketing process.

Production

Successful marketing achieves business growth. Anticipate and plan for this growth in the production process. The inability to fill orders can quickly strangle a firm's growth and even cause the firm to go out of business.

Pricing

Pricing is a key factor to business success. Pricing can be done by an educated guess, but it is best calculated in an orderly fashion. Pricing considers internal costs and the external environment. The goal in pricing is to maximize your profit potential.

As noted earlier, many home-based and micro business owners are hesitant to price their products or services at profitable levels. Some of the hesitation results from not being equipped to determine profitability because of incomplete records. Home-based business owners sometimes under-price their product or service, thinking that because they work from home their prices should be lower. Raising prices is an extremely difficult issue; therefore, initial pricing should accurately reflect the business costs.

Factors that keep profits at a minimum or nonexistent happen because business owners have not thought about what level of income they desire and what level of return they want for their invested resources. Early in a business's life, an owner may forgo getting a return on investment and may even exclude taking a salary. Such decisions must be planned with foresight that future returns will make up for early losses. These sacrifices should not be simply the result of the money being gone at the end of the month.



Promotion

Promotion recognizes that the process of selling occurs in every business. Before a sale can occur, the potential customer must know you exist and what you offer. Promotion includes paid advertising and unpaid publicity, such as weekly newspaper columns and press releases. One of the best promotions is word-of-mouth and client testimonials. Promotional efforts must occur in the media that your prospective customers use. This means researching what potential customers read, listen to, or watch. Successful promotional efforts focus on the benefits of the product or service. Benefits to the customer might include convenience, fun, good health, and safety. Customers do not buy a product or service for its features.

These four functions—position, production, price, and promotion—are important, but they are not the only issues that impact marketing and business success. Marketing involves several related components. Promotion brings up the related issue of the persuasiveness of the message. Persuasion refers to the ability of promotional efforts to turn into purchases. Persuasion is a function of speaker credibility, speaker likability, and message content. Think about those times you responded to an advertisement. What was it you were responding to?

Place and Packaging

Place (where the goods or services are marketed) and packaging (how the goods or services are displayed) are extremely important. If a product or service appeals to walk-in

traffic, your location must be where such traffic occurs, not in a limited traffic area. If you are developing a product for an up-scale market, the packaging must reflect the image you are trying to attain.

Perception

The business image is another factor in marketing. The business image develops from the customer's perception of the business' quality, service, and price. The image also partially reflects the customer's perception of the business' visual message. The visual message is displayed through the business' physical space, both interior and exterior, and in written and printed materials. Image can be based on objective reality or subjective perception. The latter, subjective perception, is an extremely strong motivator. Business owners must remain aware of the customer's perception of the business and move quickly to correct any negative images.

People

People are a key to marketing and business success. "People" include you, your staff, and the customer. The idea of how the customer's perception can influence marketing efforts has already been explored. Control of the business image typically begins internally with you, the owner. You are key in developing the business image. You set the tone for satisfaction, quality, and service.

Passion

As the owner, you also set the level of passion and commitment within the business. The entrepreneur's passion

and commitment lead the staff and customers. Commitment allows the business to overcome tremendous obstacles. It keeps you going when times are difficult. Passion sweeps away customer doubt and hesitation. Passion is the positive attitude and pride felt toward the business. Both play important roles in marketing.

Each owner must consider the process of marketing along with the various functions and components that affect marketing. The list of functions and components is only a sample of the wide assortment of aspects the owner must consider. Marketing has meaning in the daily life of the owner. Even personal activities, especially in smaller communities, are marketing activities. Marketing occurs also in places you will never see. Every letter sent, advertisement placed, brochure distributed, and customer greeted is marketing. Remember, satisfied customers tell five or six other people—dissatisfied customers tell 10 to 20 others.

Summary

A business is a risk. Business owners undertake that risk because of the potential returns they foresee. Understanding marketing is one way to reduce the risk. Develop a marketing plan that is simple, on-going, consistent, effective, and efficient. Identify your niche market, determine what benefits the customer perceives as important, and then communicate those benefits to the customer.

Levinson's definition of marketing offers guidance to business owners. Even with the complexity and diversity of issues that are involved with marketing, a simple definition is possible.

Additional Reading

- Adams, Bob. *Adams, Streetwise: Small Business Start-Up*. Holbrook, Mass.: Adams Media.
- Brabec, Barbara. *Homemade Money*. Cincinnati, Ohio: Betterway Books.
- Levinson, Jay. *Guerrilla Marketing* and other books in the Guerrilla line. Boston, Mass.: Houghton Mifflin.
- Torres, Nayda and Glenn Israel. *Marketing fact sheet, CFS-1252-94*. Columbus, Ohio: Ohio State University Extension.



Marketing is everything you do!

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Bringing the University to You!

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Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

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- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
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- It dispenses no funds to the public.
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Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Robert E. Whitson, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President, Dean, and Director of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of 20 cents per copy. 0607