

Magnify

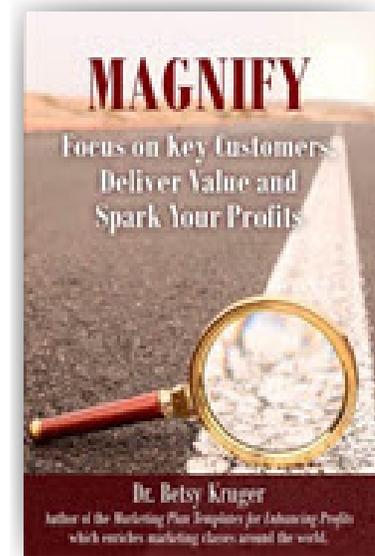
Focus on Key Customers, Deliver Value and Spark Your Profits

Dr. Betsy Kruger

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KEY CONCEPTS

A detailed marketing plan is the key to success for businesses of all shapes and sizes. There are three major steps in a successful marketing plan:

1. *Assessing the current marketing situation.* The first part of a marketing plan urges businesses to focus on their missions, target markets, specialties, and suppliers. By conducting a *SWOT analysis*, they can assess their strengths and weakness and identify potential opportunities and threats.
2. *Making marketing mix decisions.* Next, businesses must focus on their products and services, distribution, promotions, and pricing. By offering treasures, delivering delight, trumpeting empathy, and pricing offerings as valued, businesses can really take advantage of the *80/20 rule* and focus on the 20 percent of their customers that deliver 80 percent of their profits.
3. *Taking action.* Finally, businesses must focus on prospecting, customer service, budgeting, and creating action plans. By targeting key prospects, rewarding the best customers, concentrating resources, and jumping into action, success is almost guaranteed.

SUMMARY

INTRODUCTION

In her new book **Magnify**, Dr. Betsy Kruger presents a step-by-step guide to creating and implementing profitable marketing plans. Kruger walks potential entrepreneurs through each section of a successful marketing plan, from conducting a SWOT analysis, to making important marketing mix decisions, to implementing key decisions and taking action. By creating and using strategic marketing plans, entrepreneurs can attract new customers, motivate employees, impress investors, and magnify their profits.

PART I: CURRENT MARKETING SITUATION

The first step in creating a marketing plan is conducting a *SWOT analysis*. In a SWOT analysis, companies identify the strengths that give them a competitive advantage, the weaknesses they must overcome, the opportunities that lie ahead, and the threats that could potentially derail them. There are four keys to enhancing profits through a SWOT analysis:

1. *Focus on quality.* Businesses that offer high-quality products and services will be much more profitable than those that offer low-quality items.
2. *Describe the target market.* According to Vilfredo Pareto's *80/20 rule*, 20 percent of customers produce 80 percent of a business's profits. In order to succeed, businesses must never neglect their most profitable customers.
3. *Specialize in strength.* Businesses succeed by doing what comes easily and by being unique.
4. *Delegate weaknesses.* When businesses know their weaknesses, they can delegate weak areas to their suppliers and spend their time focusing on their strengths.

Mission: Focus on Quality

As proven with the 80/20 rule, scientists consistently find that 20 percent of their inputs produce 80 percent of their results. The lesson to be learned here is that quality is more important than quantity. When a business decides to focus on quality, the first step is to revisit its mission and determine whether or not a high-quality solution is possible. There are six types of opportunities that most businesses can tap into:

1. *Demographic trends*, such as women making more purchasing decisions.
2. *Economic trends*, such as the wealthy continuing to buy real estate even during market downturns.
3. *Natural trends*, such as droughts increasing the demand for more water-efficient toilets.
4. *Technological trends*, such as the growing popularity of online learning.
5. *Political trends*, such as elections becoming more expensive over time.
6. *Cultural trends*, such as rising birthrates among single mothers increasing the demand for daycare.

While a business cannot control these opportunities, it can capitalize on them by coming up with innovative solutions. Companies can then morph these solutions into practical, achievable, and specific mission statements that will help keep their employees on track.

The mission of your business determines its overall goals—where your business is going and the way to measure effectiveness. Possible measures include market share, profits, or return on investment.

Describe Key Customers

Greedy entrepreneurs tend to neglect their best and most profitable customers because they assume that they will always be loyal. However, this neglect can in fact destroy customer relationships. When businesses nurture customers, they keep coming back and act as brand ambassadors, attracting new customers that are highly profitable.

Key customers are the 20 percent of the customer base that produce 80 percent of the profits. To figure out who those 20 percent are, businesses should select an unbiased sample of 100 customers, evaluate the profitability of each, and then interview the top 20 to understand their purchase motivations and buying processes.

Specialty: Compete on Strength

Successful entrepreneurs specialize in their strengths and avoid work that requires them to use their weaker skills. In other words, a jack-of-all-trades is usually a master of none.

Businesses also have unique capabilities. Ideally, these capabilities are specific, promotable, and sustainable. They should also be something that their target markets desire or need. Businesses need to know how their products and capabilities are unique from their competitors. When more than one business has similar products and services, uses similar technologies, and targets similar customers, it is vital that they each find ways to be unique.

Businesses can ask key customers, distributors, and suppliers why they think competitors are envious of them. This can help uncover unique strengths that businesses can use as their competitive advantages.

Suppliers: Delegate Weaknesses

Is your business too poor to use suppliers? Actually, the reverse is true. Your business is poor because it needs to use more suppliers. Even a large business cannot excel at everything so it must use outside sources . . .

Even the largest businesses cannot succeed at everything and must use outside sources to make up for their weaknesses. If a business outsources the bottom 80 percent of its skills, its suppliers will produce 16 times better results than if the business managed these skills on its own. A few of the processes businesses can outsource include shipping, warehousing, advertising, legal services, accounting, maintenance, training, sales, and printing. Smart businesses delegate these tasks to those who specialize in them.

As the *theory of comparative advantage* explains, businesses benefit by selling items that give them a comparative advantage and purchasing items that give them comparative disadvantage. This theory predicts that trade has a positive impact on prosperity. Research shows that countries that export their strengths and import their weaknesses have stronger economies and are more prosperous than those that do not. Self-sufficiency is not the key to prosperity—interdependence is.

PART II: MARKETING MIX DECISIONS

After completing a SWOT analysis, it is time for the marketing plan to switch gears. In this second section of the plan, the focus turns to products and services, distribution, promotion, and pricing.

Products and Services: Offer Treasures

While it is important to offer a variety of products to meet differing needs, businesses that try to please all their customers at once often end up pleasing none of them. Since key customers produce 80 percent of their profits, businesses should focus on meeting the diverse needs of those customers above all else. Those customers will pay high prices to get exactly what they want.

Businesses also need to learn when to prune less profitable products or services. They can spend a great deal of effort improving and reinventing features, options, and product lines when the best plan of action is to just stop producing them altogether. The most successful businesses regularly discontinue non-performing products and services while simultaneously offering treasures to their key customers.

Distribution: Deliver Delight

Distribution channels consistently delight their key customers, which often wins their loyalty. Walmart, for example, delights its key customers by delivering their three favorite benefits: convenience, assortment, and cost-efficiency. Meanwhile, Hallmark Gold Crown stores choose to prioritize social status, enjoyment, and packaging.

Franchises are the biggest export from the United States. They are so successful because franchisers understand their key customers, know exactly what they want, and develop systems to deliver products and services in a timely manner. The franchise systems train, manage, and regulate franchisees for consistency. Other businesses should replicate the franchise way of business in their own distribution channels to consistently delight their key customers.

Promotion: Trumpet Empathy

The most effective promotions are empathetic with both key customers and prospects. They provide the information target markets need, taking into consideration when, where, and how they need it.

The main goal of a business is to convey how its target customers can solve their problems using its products and services. Businesses need to tune in to their customers' thoughts and uncover what really matters to them. Instead of boasting about being the best, having the lowest prices, or achieving the highest customer satisfaction ratings, businesses should mirror their customers' feelings, visualize their successes, and assist them with their purchase processes.

When planning promotional campaigns, businesses should always convey unique selling propositions that get inside their prospects' heads and speak to their emotions. They should also address customers' current stages in the buying process and utilize the media vehicles that will most likely trigger purchase decisions.

Pricing: Price as Valued

Businesses can increase the worth of their products and services by improving their overall customer experiences. First, however, it is essential that products and services meet customers' desired outcomes. Products and services should help customers escape from unpleasant situations or help combat negative emotions. To accomplish this, businesses should give personal attention and evoke positive emotions when presenting their offerings. When key customers treasure a business's products and services, they will pay higher prices for them. Lowering prices gives the impression that the products or services are inferior in some way.

Pricing decisions should only be made after the business has decided on its products, places, and promotions. Additionally, a *breakeven analysis* must be completed to ensure the line of total revenue crosses the line of total cost. The business must also decide if it wants to appeal to a select few or to the masses. If they want it to appeal to a select few, a higher pricing strategy may be warranted.

Businesses can choose between a variety of pricing strategies. With *commodity pricing*, the business competes on price and strives to be the lowest. *Value-added pricing* entails competing on value rather than price. Finally, *price skimming* allows the business to target prospects that are similar to its key customers and then raise its prices. The new prospects can replace the 80 percent of profits the business may lose after this inflation.

Market research is the best way to reveal price sensitivity among key customers. Once businesses know how much their key customers value their products and services, they can price them more appropriately.

Your business can provide benefits to its customers, income to its employees, and profits to investors. A wise business evaluates the profitability of various opportunities and selects the ones that promise the best profits.

PART III: TAKING ACTION

In the third and final section of the marketing plan, the focus shifts to taking action. The keys to taking action include targeting key prospects, rewarding the best, concentrating resources, and jumping into action.

Prospecting: Target Key Prospects

Businesses can identify and target their key prospects by analyzing the traits of their current key customers. InfoUSA is a company that can help compile information on over 17 million businesses. It utilizes directories, government resources, annual reports, press releases, and Internet sites to gather data about dozens of traits.

Businesses should focus on the most profitable 20 percent of their customers and the traits that define them. These traits may include socioeconomic status, gender, age, ethnicity, whether or not they are homeowners, any medications they take, subscriptions they receive, hobbies, and more. Once their traits are identified, the next step is to promote products and services to potential prospects who are similar.

Does your business reward key customers or neglect them? Most businesses neglect their key customers and attend to complainers. Your business can increase profits by doing the reverse.

Customer Service: Reward the Best

Many businesses make the mistake of spending inordinate amounts of time and energy trying to please dissatisfied customers. Complainers are not key customers, and they tend to produce very little profit. These customers should move on to other businesses that can satisfy their needs.

Businesses must be careful not to ignore key customers who do *not* complain. Since key customers produce 80 percent of a business's profits and refer key prospects, they should be acknowledged and rewarded with better products, value-added services, volume discounts, automatic reordering, and prestige.

Budgeting: Concentrate Resources

A business's main resources include money, time, and effort. These resources should be used to benefit customers, provide income to employees, and increase profits for investors.

Opportunity costs are defined as the amount of money a business could have profited from an opportunity if it had acted on it. The best entrepreneurs are those who research every opportunity but only act on the ones that promise the best profits.

A *financial review* is another way to determine a business's growth potential. This review should analyze several documents, including a balance sheet, an income statement, a profit-and-loss statement, and a cash flow projection. Together, these financial documents paint a picture of where a business has been and where it should be going in the future.

Action Plan: Jump into Action

When implementing a marketing plan, creating a strong project management strategy is essential. The steps in the project management process are not always linear, but they involve initiation, planning and design, executing, monitoring and controlling, and then closing. Each aspect of the plan should include a timeline and schedule, as well as key activities and milestones.

Usually the CEO writes the strategic marketing plan with input from other managers. Supporting materials should include technical data, financial statements, competitive data, market analyses, and succinct executive summaries.

Marketing plans should be revised annually or as often as necessary. Some events that might cause a business to revise more frequently include missing projections, achieving faster than projected growth, or changing opportunities or threats.

FEATURES OF THE BOOK

Estimated Reading Time: 4–5 hours, 230 pages

In **Magnify**, Dr. Betsy Kruger aims to help entrepreneurs create comprehensive marketing plans to propel their businesses forward. Kruger uses anecdotes, real-life examples, tables, charts, and figures to explain the 12 aspects of a successful marketing plan. Each chapter also includes a short, updated retelling of one of Aesop's fables to help illustrate her key points. Extensive appendices with sample marketing plans for different types of businesses are also included.

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Appendices

I. Joshua Gray, Soft Spray Exterior Cleaning

II. George Ilie, Geoda Systems Inc.

III. Dr. Andrew Harris, Florida Spine & Wellness Institute

IV. Lorene King, NASCAR Foundation

V. Tom Lenzini, Transworld Business Advisors

VI. Carrie Greene, Carrie Greene Coaching

VII. Ken and Anne-Marie Poulin, First Response Disaster Team

Bibliography

Endnotes

FURTHER INFORMATION

Information about the author and subject:

www.betsykruger.com

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ABOUT THE AUTHOR

Dr. Betsy Kruger writes articles, speaks to groups, and coaches businesses on how to profit from the 80/20 rule with 12 marketing strategies. For over 25 years, Kruger has conducted marketing research, commercialized her software, and taught business courses. *Enterprising Women* regularly publishes her articles and posts. Kruger and her husband live in Daytona Beach, Florida.

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