

College Guild
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Introduction to Business

Unit 2 of 6

Marketing

In this unit, we will define “Marketing” within a business, discuss how to build competitive advantage, and explore different ways a business can communicate how it is better than competitors.

Important! Most questions in this course are essay questions and have no single correct answer.

Glossary of Terms:

1. **Customer Service** – assistance provided by a company to the people who buy its products or services.
2. **Differentiation** – process of distinguishing a company from competitors by emphasizing its unique attributes or strengths.
3. **Distribution** – making a product or service available for the customers who need it.
4. **Exclusivity** – when only one company has the right to sell its products or services within a certain location or channel.
5. **Target Customer** – a person or a group of people to whom a business focuses on trying to sell their products or services.
6. **Ubiquity** – when a company’s product is available in all sales channels.

Part 2: Marketing

Marketing is about promoting and selling the business’s product to customers. This activity defines who are the right customers to go after and how to reach them. But the first step in Marketing is the most critical: understanding what to say about the product being sold, or why it is different and better than other choices that are available.

In basketball, a team can win by being better than its opponents in different areas of the game. One team may win because its players are better shooters than the other teams’ players. Another team may have taller players who can block more shots and out-rebound its opponents. Or a team may simply out-hustle the other side, getting more loose balls and beating the other team down the court. These are all examples of competitive advantage or “**differentiation**,” which is as critical in business success as it is in sports.

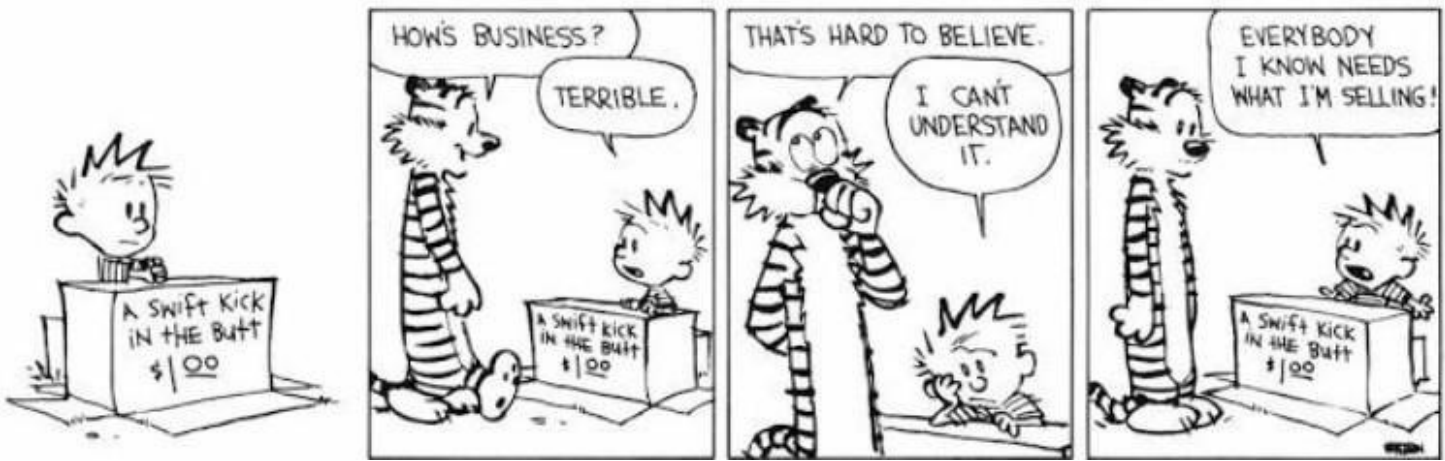
1. **The term “competitive advantage” implies that success in business is only possible through beating competition. Do you agree with this statement? Why or why not?**

Just as there are many different ways to build a team to win in basketball, there are different types of competitive advantage in business. The main types of competitive advantage are:

- Product: offering a better product through higher quality or innovation
- Service: providing convenience and ease to customers, through consistency or even friendliness
- Price: offering a “good enough” product that is cheaper than competitors, usually through operational excellence
- Distribution/Channels: being able to sell your product where competitors can’t

A company must clearly understand and promote its competitive advantage: why is this business different or *better* than other companies, and how does it communicate this advantage to potential customers? This is the core of Marketing.

2. If you worked for a company that had no competitive advantages, what would be the outcome?



Bill Watterson, Calvin and Hobbes

Types of Competitive Advantage

Product Advantage

Since businesses make money by selling products or services, the most obvious way to build competitive advantage is to offer a *better* product than competitors do – this is called product advantage. This sounds easy, but building product advantage requires that a company has an accurate understanding of its customers: who is the product being sold to? What pain point does the product solve for them? How is this product a better fit for the customer than other products out there?

Suppose you run a company that makes and sells hammers. How would you design and make a *better* hammer than competitors? You might assume that a more durable hammer with a more comfortable grip would be an improvement. But what about the length or weight of a hammer? Does the color matter, or the size of the striking surface? These factors may be less obvious, until you truly understand who uses hammers and what matters most to them.

3. Making and selling pet toys is one of the most popular startup businesses in the US: toys for dogs and cats to chew, scratch, tug, chase or fetch. Suppose you were starting a pet toy business – what is an example of a product advantage you could offer?
4. Is that product advantage example a lasting one, or one that competitors could easily imitate? What would you have to do to make sure your business maintained a product advantage for the long-term?

One of the most famous examples of product advantage in business comes from 1998, when the company Gillette introduced its Mach 3 razor blade. The company spent over \$1 billion researching, developing and marketing the product – it was the first shaving razor to offer three blades in one cartridge. The product was an immediate success, becoming the company's best-selling product in history. However, the product was quickly imitated and surpassed – there are now razors that have six blades. Product advantages like Gillette's Mach 3 can lead to huge success, but that success is usually fleeting because those advantages can be easy for competition to imitate. Maintaining product advantage typically requires a lot of ongoing focus and investment.



Service Advantage

Think of the last company from which you bought something. Did the company treat you well or poorly? How does that impact your feeling about that company? How likely are you to buy from them again? The quality of service is often the #1 factor in a customer's opinion of a company. Because of this, many successful companies focus on service advantage (providing great **customer service**) as the best way to differentiate itself vs. competition and win.

Like product advantage, great customer service requires a high degree of empathy, or the ability to understand the feelings and situations of its customers, and what they care about most. Great service also takes significant commitment and investment. Within the fast-food industry, Chick-fil-A is well-known for great service, and they build it through many different actions and focus areas. The company hires candidates who have positive attitudes and a strong desire to serve others. Chick-fil-A provides rigorous training programs on every aspect of talking with and serving customers. They focus on high speed and efficiency, and invest in advanced technology like mobile ordering and payment to enhance processes. And Chick-fil-A continuously gathers customer feedback to find areas to improve further.

- 5. Most companies, big or small, will say they aim to provide excellent customer service. But most companies fail at this – why do you think this is?**
- 6. What is the best service you received from a company? What did they do well?**

Price Advantage

Price is a critical element of business, and can have a major impact on whether a company is successful or not even if everything else is done well. Generally, the ability to sell at a lower price than competition is a great advantage: all else equal, more customers will choose the lower price item and that company will sell more than others. Price advantage requires that a company have great operations and the ability to produce more cheaply than other companies can (we will discuss this more in the next unit).

Food trucks selling tacos and other Mexican food are enormously popular in many parts of the country. Imagine there are two taco trucks in the same town, selling the same type of food. The owner of the first truck buys its ingredients from the supermarket, pays an average of \$2 for the ingredients needed to make one taco, and sells each taco for \$5 (profit per taco of \$3). The owner of the second truck buys its ingredients from the discount food store, spends an average of \$1 for ingredients to make each taco, and sells tacos for \$4 each (also \$3 profit per taco). If the two tacos are seen as the same quality, the second truck will sell more tacos since it can offer them at a lower price vs. competition (while still making the same \$3 profit for each taco sold).

One caution: the price of an item can lead to the perception of its quality. Price a product too low, and customers may start to doubt that it is a good product, leading to a perception of bad quality. If the second taco truck owner sold its tacos for just \$1 each, customers may start to wonder about the freshness or flavor of the items used to make the tacos.

7. Give an example of a company that is successful primarily because of price advantage.
8. How do you think that company is able to achieve its price advantage vs. competitors?
9. Does the company suffer in perception due to offering low prices?

Distribution Advantage

“**Distribution**” in a business context is the means (or channels) through which a product flows from the company to the end-customer. Amazon distributes its products via sales on its website and shipments to customers’ homes. Arby’s distributes its sandwiches through its restaurants. A business can build distribution advantage in one of two ways: 1) **Ubiquity**: have your product in every possible sales channel to be available to customers everywhere, all the time, and 2) **Exclusivity**: arrange deals so that only your product (and not competitors’ products) is available in key channels. Coca-Cola pursues distribution advantage through ubiquity: it sells its products in countless venues, including stores, gas stations, restaurants, and vending machines. The company wants to be everywhere that a person may be thirsty. Coca-Cola also builds distribution advantage through exclusivity: Coke (and not Pepsi) is sold in McDonalds, AMC Movie Theatres and at Major League Baseball games. The company wants to be the only beverage choice in key channels.

10. Distribution ubiquity can be a great advantage, but only a very few companies can achieve it. Why is that?

There are different ways to build competitive advantage in business, but each of them requires careful thought, investment, and hard work. Competitive advantage also requires great insight into not only what customers want, but also what competitors are doing well and what they are doing poorly. Gillette and Chick-fil-A cannot hope to offer better products or service without first knowing what options are available on the market. Coca-Cola has spent many years building its understanding of where best to sell its products to beat Pepsi and others. Even the owner of a taco truck, before he/she sells a single taco, should understand what other tacos are being sold nearby, what makes them special, and what is their sales price.

A company must have a deep understanding of its customers, its competition, and its source of competitive advantage. Only then can it think about the next step of Marketing: how to communicate its competitive advantage to its customers.

Marketing a Business

What is the point of having a great competitive advantage if potential customers never hear about it? Businesses must work hard to communicate the right message (what makes their product different or better) to the right **target customers** (the people most likely to be interested in buying the product).

As a business owner building a marketing strategy, there are a number of questions you must answer:

- Who are my ideal target customers? What is the best way to reach those types of people?
- How is my product different from those of competitors? Which product features (quality, price, service, availability, innovativeness) do my customers care about most? Those should be what is emphasized in marketing.

- What is the main purpose of the marketing? Am I simply trying to make people aware of my product, or am I trying to get people to buy it right now?
 - How do my competitors advertise their products? Should I take a similar approach, or a different one?
- The answers to these questions will form the basis of your marketing plan.

11. Pretend you have a business that fixes holes and leaks in roofs. Let's develop a good marketing strategy for your business, first answering the following questions:

- a. Who are your target customers? Describe them with as much detail as you can.**
- b. What features about your service would you emphasize in your marketing? What would you do differently or better than competitors?**
- c. How and where do you think your competitors market their services?**

Once you have set this basis for your marketing strategy, you must consider what marketing channels to use to bring that strategy to life. Companies can choose from many different marketing channels to advertise and sell their products; the main channels are Personal Selling, Traditional Advertising, Digital Advertising, and Public Relations. None of these channels is clearly better or worse than the others – deciding which marketing channels to use largely depends on what you are selling, and the customers to whom you are trying to sell.

Personal selling means communicating with potential customers on a one-on-one level. This type of marketing is generally used when selling high-price items, such as homes or cars. Personal selling is also critical when selling complicated products or services, such as insurance policies. One key advantage over other types of marketing is that this kind of personal attention can greatly increase the chance of closing a sale. However, it is time intensive and has limited scale: when doing personal selling, you can only focus on one potential customer and sale at a time. Also, the effectiveness of personal selling depends almost entirely on the quality of your sales people.

12. Do you think personal selling would be a good or bad channel to use to market your roof repair company? Why or why not?

Advertising is the opposite of personal selling: non-personal communication meant to build awareness of a product or business across a large audience. **Traditional advertising** refers to ads in print media (newspapers, magazines), “out-of-home” media (billboards, wraps on public buses), broadcast media (TV or radio), or direct mail (postcards or catalogs sent directly to people’s homes or businesses). People can see a non-stop flood of advertising messages; it is estimated that the average American sees over ten thousand advertisements each day! The advantage of traditional advertising is that you can put your marketing message in front of a lot of people, for relatively little investment. The drawback though, is that traditional advertising is not as effective as it used to be, as people have learned to ignore ads.

13. You decide to use traditional advertising to market your roof repair company – where (what media) would you choose to advertise your company? Why?

Digital advertising is advertising that takes place on the internet, either via search engine results (Google, Bing), on popular digital platforms (Facebook, Youtube, Instagram), or via email. Digital advertising operates much like traditional advertising, but digital media enables much better targeting of who sees your ad than traditional media does. For example, if you paid to place an ad on a billboard, you would have very little idea of who actually sees that billboard. If you place an ad on a site like Youtube, you can target the types and locations of people who see your ad, making it much more relevant to potential customers. The ability to target specific groups of people is a great advantage of digital advertising. But much like traditional advertising, people are becoming more and more numb to digital ads and they are losing effectiveness.

14. Since digital advertising allows you to target specific groups of people as you market your roof repair company, what kinds of people would you target?

Public relations (or “PR”) is the practice of managing perception of a company or product by carefully sharing information with specific, influential parties. For example, a company may share a press release about its diversity hiring practices with newspapers to influence positive coverage of that company. Another company may share free product samples with famous celebrities, hoping to get their endorsements. Public relations can significantly improve the general public’s perception of a company with relatively little investment. However, it is incredibly difficult to do well as it requires advanced knowledge of trends and how to shape them. It is also hard to measure the direct impact of public relations on sales.

15. Think of a public relations event or strategy to promote your roof repair company.

One of the biggest challenges of marketing is that everyone is doing it! Again, the average American sees over 10,000 ads each day so it is difficult for any single ad to stand out from the crowd. Companies try many different tactics to do so: memorable logos, catchy slogans or songs, humor, even celebrity or athlete spokespeople. Marketing is a critical investment for any business, but one that is incredibly hard to do well. One of the pioneers of marketing, John Wanamaker, famously said: “Half the money I spend on marketing is wasted; the trouble is I don’t know which half.”

Case Study: Apple

Apple is one the world's most successful companies, with over \$400Bn in sales annually. It has built competitive advantages in multiple ways. Its products are seen as the best-designed and most innovative in their categories. Apple is praised for its service, from the knowledgeable staff found in any Apple store to the general ease of using its products. The company’s operations are world-class, with complex global manufacturing processes organized to meet tight deadlines and high quality (while still maintaining secrecy around new product launches). Apple’s brand is held in the highest regard, and is known for innovation, creativity, cool and prestige. As a result, rather than pricing lower than competitors, Apple is able to charge premium prices and earn more profit for each product sold.

16. Of its many competitive advantages, which do you think has been most critical to Apple’s success?

17. Apple advertises on TV and billboards, but not as much as competitors. Instead, it has invested in opening over 500 large, pristine stores in major cities around the world. What do you think is behind this decision?

Self-Reflection Exercise

18. What was the most interesting thing you learned about Marketing?

19. Do you think great marketing can overcome a bad product? Why or why not?

20. The concept of competitive advantage can apply to businesses but also to individuals. Consider you are applying for a job. What are some of your competitive advantages vs. other candidates?

Remember: First names only & please let us know if your address changes

**Appendix
Introduction to Business: Unit 2 of 6**

Sources:

<https://www.strategy-business.com/article/16651>

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