

PRIORITIZED ACTIONS FOR MARKETING IMPROVEMENT: A TOOL FOR SMALL BUSINESS MARKETING PROGRAMMES

Nikola Rovis

Abstract

Purpose of this paper is to offer a pragmatic tool for management and marketing practitioners in small businesses. The name of the tool is Prioritized Action for Marketing Improvements (PAMI). This work gives an overview of marketing and strategy processes in small businesses and a brief description of Dibb and Simkin buying proforma tool. The PAMI tool builds on successfully conducted market segmentation and specification or implicit knowledge on targeted market segments and market positioning. The tool is designed to help practitioners devise an actionable marketing plan. It provides a clear, intuitive and straight forward way to cross the gap between a higher level planning activity and specific operation planning activity in small business.

JEL clasiffication: M31, M37

Key Words: Small business, Marketing management, Marketing planning, Management tools; Marketing programmes

INTRODUCTION

Business strategy or competitive strategy serves as a mean to define how the business is to compete in the marketplace, and marketing process is a vital part of transforming a higher-level strategy into operational reality (*cf.* Grant, 2008; Angwin et al, 2008). Marketing process includes analysis of external conditions and internal capabilities, creation of adequate marketing strategy, development of marketing programmes and designing the implementation and control mechanisms (*cf.* Dibb et al, 2006). Although there is a great amount of different methods and tools in the field of marketing strategy and marketing planning, there is a general agreement that companies should use strategic thinking and have some kind of marketing process in place, regardless of their industry or their size.

Although small businesses are proclaimed as very important part of the local and global economy, the great majority of business strategy and marketing planning literature is focused on large businesses. For illustration purposes, the author has done a quick database research using ProQuest database on the number of published articles in scholarly journals regarding strategy and marketing in March 2010. There was more than 97.000 published scholarly journal articles regarding strategy, but less than 0,1% of that number is targeted to small business. Similarly, there was more than 78.000 journal articles regarding marketing, but only around 2% of them focus on small business.

The overarching goal of every business is to maximize wealth of its owners. However, small businesses have different needs regarding strategy definition and marketing planning than large businesses. The sophisticated tools and techniques are in most cases not available to small businesses (Van Auken and Ireland, 1980). Planning activities in small businesses in general often tends to be squeezed out of management focus due to the pressures of operational activities. Van Auken and Ireland (1980) state some additional barriers to effective small business planning as lack of time, fear of the unknown, scarcity of information, lack of quantitative ability and change in external circumstances, but also state their belief that the most important impediment is lack of management ability to properly start and continue planning activities over time. They further state the list of factors small businesses should avoid in order to keep their planning process effective and efficient, which all fall in categories of avoiding unnecessary complexity, detailing and formalization.

Carson and Cromie (1989) state that due to predominating influence of general manager, who is often the owner and supplier of capital, and due to small businesses managerial and structural traits, marketing planning in small businesses should be uniquely adapted to them. Small businesses often lack managerial and marketing skills, lack and misuse time, and are unable to employ experts (Tate et al., 1975 in Carson and Cromis, 1989). While large businesses focus on achieving efficient coordination of specialists, small business managers need to be “general specialists” whose focus is on pragmatic use of problem solving techniques (Schouhammer and Kuriloff, 1979 in Carson and Cromis, 1989).

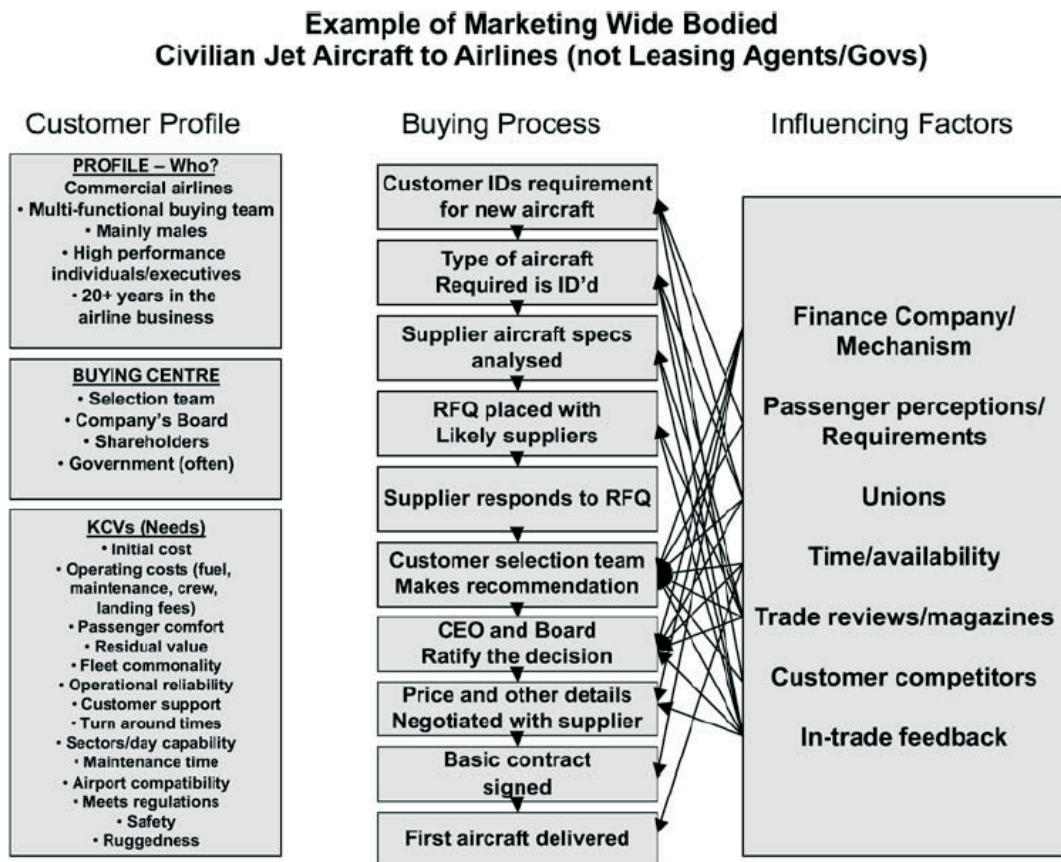
Therefore, for effective conduction of marketing process in small business, tools are needed that are clear, intuitive, not time consuming nor too formalized, and most of all, practical. In this paper a brief overview of Dibb and Simkin Buying

proforma (Dibb and Simkin, 1996) will be provided. Continuing on Dibb and Simkin Buying Proforma, a tool for developing actionable marketing programmes for small businesses will be described, along with the seven stage process for tool usage.

THE BUYING PROFORMA

Buying proforma is a marketing practitioners' tool initially created by Dibb and Simkin to help in marketing planning process by outlining the buying process in a way to help managers develop a deep understanding of their customers and their buying process (Dibb et al, 1998). The buying proforma describes the customer, the customer buying process and the influencing factors on the customer buying process. Customer is described by defining the profile characteristics, needs and the buying centre which is mostly used in business-to-business scenarios (Engel et al., 2006; Hutt and Speh, 2006 in Simkin, 2008). Customer buying process is described as a series of steps from becoming aware of the need, to purchasing and post-purchasing evaluation of the good or service. The influencing factors of the buying process are all causes that can influence the buying process in any of the process stages. The proforma also visually depicts the relationship between each influencing factor and the stage in the buying process. The buying proforma is intended to be used within a specific market segment, and it is not possible to use one buying proforma for describing customers belonging to different market segments. An example of the buying proforma is shown in Figure 1.

Figure 1 – The Dibb and Simkin buying proforma – example



Source: Simkin, 2008

Simkin (2008) describes the use of buying proforma in market segmentation process as a part of a broader strategising process which must include a thorough examination of external conditions and drivers as well as internal capabilities. Simkin argues that many market segmentation efforts fall short of their potential because of legacy segmentation which is very difficult to change in a radical way, and so proposes the use of the buying proforma as an 'evolutionary' solution for market segmentation, focusing on customer purchasing behaviour rather than business sector or product groupings, and doing so in an iterative and non-threatening way for managers. Therefore, buying proforma is intended to serve two purposes: to help practitioners in conducting market segmentation and, as initially conceived, to help in marketing process.

The buying proforma has some limitations in several areas that are important to small business practitioners. Although it is intuitive and simple, the relationship between influencing factors and the buying process can be hard to understand in cases when there is a greater number of influencing factors in buying process, resulting in

cluttered visual representation in forms or arrows. Further, there is no indicator of relative importance of each of the steps in the buying process, neither an indicator of relative importance of the influencing factors on the buying process.

The entire model is mostly descriptive and it serves well its intended purpose as a help in developing marketing plan and as a tool for evolutionary market segmentation. However, if we want to move to the next stage in small business, which is to develop an actionable marketing plan, the above limitations of the model come to play. Small businesses need a model that can help them to create a plan of actions to improve their business.

PAMI – PRIORITIZED ACTIONS FOR MARKETING IMPROVEMENT

This paper introduces Prioritized Actions for Marketing Improvement (PAMI), a tool designed to be of practical use for small businesses marketing and management practitioners. The purpose of PAMI is to offer a solution for managers which will use the Dibb and Simkin buying proforma as well as all the outputs from the strategising process as inputs into the process, and will produce the actionable marketing plan for a small business as a result. As already stated, the strategising process for small businesses should be clear, intuitive, not time consuming nor too formalized, and most of all, practical. The entire strategising process for small businesses is not in the scope of this paper. This paper focuses on bridging the final results of strategising process to actionable marketing plan. An example of PAMI tool is shown in Figure 2.

Figure 2 – PAMI tool – example

Marketing budget available		100.000							
		ACTION ITEMS							
THE CUSTOMER BUYING PROCES	RELATIVE IMPORTANCE	Organize events, users education	Gain publicity, success stories	Produce marketing materials	perform personal marketing	Advertise	Search engines optimisation	Upgrade company web	TOTALS
1. Need Awareness	50%	4	3	3	8	3			21
2. Development of customer's specification	30%	6	3	4	8	3		6	30
3. Finding Products / Suppliers	10%	3	2		7	6	4		22
4. Evaluating and choosing products / suppliers	10%			2	3			2	7
Pondered importance (scale)	100%	4,1	2,6	2,9	7,4	3,0	0,4	2,0	22
Pondered importance (share)		18%	12%	13%	33%	13%	2%	9%	100%
Initial budget allocation		18.304	11.607	12.946	33.036	13.393	1.786	8.929	100.000
Final budget allocation		10.000	10.000	28.000	42.000	10.000	0	0	100.000

Source: Author's illustration

THE REQUIRED SEVEN STAGES FOR USING PAMI

Prerequisite for using PAMI is that strategizing and marketing planning process must be accomplished, including market segmentation if needed. The Buying proforma has to be developed for all targeted market segments, since the buying proforma is the very starting point. However, not the entire strategising process needs to be formally defined in form of a written document, but it is important that all of the participants of the process have awareness and knowledge of the business strategic position and the future direction. PAMI has to be used separately for every market segment. The seven stages of the process are:

1. Gather the team

The involved team should have cross-functional participants from general management, marketing, sales and customer related operations. It has to be assured that all internal knowledge and power structures be involved, to use that knowledge in the process but also to ease the implementation later. In small businesses many functions can be combined in several, sometimes even only one person, so the team could be pretty narrow.

2. Define the relative importance of each step of the buying process

By completing the buying proforma, the team has described the buying process for every market segment. Now a relative importance indicator for every step of the buying process has to be assigned. This indicator shows how important for the company performance is to influence each specific stage of the buying process. For example, if a company is in a relatively new market with small numbers of competitors and customers are not even aware of the goods or services in the company's offer or the competition, probably the most important stage to influence would be to make customers aware of their needs. On the other hand, if the company is selling a commodity product for which there is a clear need for on the market and the competitors are known, the greater relative importance would probably be placed in the later stages of the buying process. A percentage point between 0% and 100% has to be assigned to every stage of the buying process in such a way that they summarize to 100%, since this is an indicator of *relative* importance on the success of the buying process. Location in PAMI table for entering thin values is shown with the indicator of the stage number in Figure 3 (also shown for stages 3, 4 and 5).

3. Define the action items

The buying proforma lists the influencing factors that have influence over one or more of the buying process stages. Influencing factors are descriptive, and we need to take them into account and produce a list of action items that influence the influencing factors which will then influence one or more stages of the buying process. For example, if we detected in buying proforma that one of the influencing factors is the company salesperson's direct communication with potential clients, than possible action items could be: hire another sales person, educate our sales force for better sales skills etc. Or, if the influencing factor is ranking on the Internet search engines, then possible action items could be: optimize company web site for search engines. The list of action items have to be developed after considering each of the influencing factors. Some action items can influence more than one influencing factors, and some influencing factors might not have any action items related to them. This list of action can contain all elements of the marketing mix. In order to keep PAMI simple, the marketing mix elements are left implicit under the term 'action items'.

Figure 3 – PAMI tool with indicators of location for entering data respective to stages

Marketing budget available		ACTION ITEMS							
		Action item 1	Action item 2	Action item 3	Action item 4	Action item 5	Action item 6	Action item ...	
THE CUSTOMERBUYING PROCES	RELATIVE IMPORTANCE								TOTALS
1. Stage 1									
2. Stage 2									
3. Stage 3									
4. Stage ...									
Pondered importance (scale)									
Pondered importance (share)									
Initial budget allocation									
Final budget allocation									

Source: Author's illustration

4. Define contribution importance of action items for each step of the buying process

Every action item listed should have some influence on one or more stages of the buying process. For every action item allocating contribution importance for its influence on each step in the buying process is needed. It is important to use a predefined scale with clear meaning. This paper suggest the scale to be from 0 to 10, where value influence of 0 means that the action item does not influence the stage of the process (and need not be shown in the PAMI table), value of 1 means that the action item influences the stage of the process in a barely noticeable way, and value of 10 means that the action item influences the stage of the process in a way that could be described as a breakthrough improvement.

5. Enter budget and do the calculations

The available budget has to be entered in the PAMI table. The budget entered does not need to be a strictly formal budget since many small businesses are not budget-based – it can be a managers' estimate of how much funds is the company willing and able to invest into marketing for the upcoming period. All the calculations need to be performed. If spreadsheet software is used, all the calculations can be performed automatically. The following values are to be calculated per every action item: action item pondered importance (on scale), action item pondered importance (share), and initial budget allocation. In this way, the calculations reflect the overall importance of every action item to the entire buying process.

6. Analyze the results

Analyse the proposed results. Action item pondered importance shows the values on the scale from 0 to 10, which indicates the absolute pondered importance of each action item on the entire buying process, where the meaning of values on the scale are identical as described in stage 4. Respectively, action item pondered importance is a percentage value that shows the relative share of impact on the entire buying process in relation to all proposed action items. It is a relative indicator showing what percentage of influence is to be achieved by realising this action item in relationship to the influence that would be achieved if all action items are achieved. Finally, analyse the proposed budget allocation. These values are derived by multiplying the marketing budget available with the pondered importance (share) of each action item. It serves as an indicator of the budget that would be available to specific action items if the budget was to be allocated in relation to the pondered importance of every action item. This should be seen just as a help in de-

fining the real budget for action items. Also, from the 'Totals' column it is possible to see the proposed total influence of action items to each stage of the buying process. If some of the stages are neglected, some more action items could be thought of for that specific stage.

7. Consider other factors and devise the final actionable marketing plan

When deciding on the real action items that are to be conducted and the real budget to be allocated for each specific action item, it has to be remembered that PAMI has several shortcomings. You have to consider at least the following, which is not contained within the tabular representation:

- Some action items can be done only completely or not done at all, while initial market allocation might have allocated only a part of the budget needed. For such items a decision has to be made whether they be planned in total or not at all. For example, when producing marketing brochures, producing 60% of it would not make any business sense and would not yield any value.
- Some action items might *per se* not be of significant value, as would show within the tabular representation. However, they might be an important prerequisite for some other activities, which is not represented in the table.
- Some action items might require other non-financial resources (for example, some scarce employee time). If we do not have available enough of these resources, it would make no sense allocating only financial resources.
- There might be synergies between different target market segments if business has more than one segment. This tool is designed to help choose priorities and allocate funds within one market segment. This is one of the reasons why this tool is designed for small businesses – they tend to have smaller amount of market segments so this tool can be of help.

Other factors might come to play which may or may not be company specific. PAMI is, just like other management tools, not a substitute for thinking – rather, it is a tool designed to help in thinking, analysing and decision making. After giving thought to all these considerations, the actionable marketing plan with budget allocation can be produced.

CONCLUSION

Small businesses are pragmatically concerned with increasing sales and decreasing costs. Marketing is about the former. By conducting the strategic process and using the Dibb and Simkin buying proforma, managers get and show a thorough understanding of the buying process of their target market segments. Ideally, in order to increase sales, all the stages of the buying process need to be influenced. To do so, action items are listed. However, the resources are scarce, so managers must choose which action items to perform and how much of the available resources would have to be allocated to each action item. PAMI is a management tool for small businesses designed to help in this thinking, analyzing and decision making.

PAMI is used in seven pragmatic and intuitive steps, starting with team gathering, proceeding to defining relative importance of each buying process stage, defining the action items and their impact to each buying stage, entering available budget and performing calculations, and finishing with analyzing the proposed results, bringing into play some qualitative issues and producing the actionable marketing plan with allocated budget.

PAMI makes sure that decision maker has a clear indicator of value of each proposed action item to specific stages of target segment buying process as well as the buying process as a whole, and therefore serves as input to the thinking, analyzing and decision-making process for small businesses.

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