

# Bigger Profits Through Targeted Sales

**DEFINITION**

**DIFFERENTIATION**

**DELIVERABLES**

**T**he title of this article is really stating the obvious — one way to increase your profits is through doing a better job with your sales. While this is true, it is important to realize that doing a better job with your sales involves going back and building a strong marketing plan. The strong marketing plan forms the base so that you and your salespeople are most productive with your selling efforts.

In the remainder of this article we point out the core steps you should follow when building your marketing plan, which ultimately leads to a plan for effective selling. This can definitely be applied in the feed business as you market feed products; it also fits for the grain business where you can scope out and target different buyers for your grain or in working with producers you purchase your grain from (where you are selling your merchandising and storage services).

It is important for you to start by defining and clarifying the product/service you are selling. Next, evaluate the different customer market segments and decide where you are targeting. Third, determine the competitive advantage that your business has, or is striving for, in the grain and feed industry. Fourth, you will want to think

about the four P's of marketing (product, price, place and promotion) to make sure you have your marketing mix "in order." Then you are ready to begin selling.

Each of the following sections deals with the different steps noted above. We encourage you to take out a pencil and piece of paper and work as you read along. At the end of each of the sections, we suggest some exercises for you — some things to write down to get you thinking about the way you are approaching the marketing plan for your business. You may have different aspects of your business where the marketing is very different and if that is the case for you, then we suggest you go through this article with one of your lines of business in mind. You can go through it again when you want to consider the marketing plan for another of your lines of business.

### Defining your product/service

There are different levels of your product/service that are often described as the: core benefit, basic product, expected product and augmented product.

It is useful to think of the core benefit and basic product together, since they are closely related and this avoids getting stuck on semantics. The core benefit is the fundamental service or benefit the customer is buying, while the basic product is the product/service actually sold. For example, when you check into a hotel room for the night, you are looking for rest and a good night's sleep, which is the core benefit. The basic product the hotel provides for you includes the bed, bathroom towels, TV, etc.

When you think about the core benefit and basic product, focus on

the core benefit and basic product and forget about the benefit the customer is looking for. An example from the feed business might be a high-energy hog feed — where the feed itself is the basic product, but the core benefit is increased average daily gain (which translates to

more pigs per year through the producer's facilities, and thus increased revenue).

Beyond the core benefit and basic product are the expected product and augmented product. The expected product is what customers normally expect. So, when you check into a hotel room you expect the towels and sheets will be clean, the TV and lamps will be working and there will be hot water when you turn on the shower. Many firms use the augmented product to differentiate themselves from the competition. Have you been to any of the hotels that offer fresh cookies or other pastries when you check in? These hotels certainly do differentiate themselves from their competition.

In the grain business, an augmented product might be maintaining a Web site for your customers, where you post current grain prices and factors affecting the markets. By offering an augmented product, you too can differentiate your business from your competition, but keep in mind that competitors will quickly copy good ideas when they observe them so the advantage will necessarily be short lived — but still well worth it.

*Pencil and paper exercise:*

What are the needs of your customers that your product/service is providing?

What is your core benefit and basic product? Does this core benefit and basic product correspond to the primary needs of your customers and if not, how can you change your product/service to be a better fit?

What is the expected product in your industry? Are you offering this expected product? If not, what do you need to change to be sure that you are offering this expected product?

How are you offering an augmented product and how are your competitors offering an augmented product?

### Market segmentation

Market segmentation is dividing your market into smaller groups of buyers with distinct needs, characteristics or behaviors. Customers are different and are looking for different things when they buy your product/service. You cannot be all things to all people so going through the exercise of segmenting and targeting your customer base is key to developing a successful marketing plan.

There are three straightforward steps here. As noted above, you first divide your market into the different groups of buyers. Second, you evaluate each market seg-

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ment to determine which segments are the most attractive for you as a business. Usually the segments that are most attractive for you are the segments that bring you the most profit.

There are exceptions, however. For example, you may find a segment attractive if it is relatively easy to serve or if you can achieve high volume levels that help keep your production costs low. This second step is often referred to as target marketing. The third step, market positioning, is where you put your marketing mix in place to effectively reach and serve your target market. You do this by putting together the products and services that best meet the needs of your target market.

*Pencil and paper exercise:*

Identify your primary market segment, or the segment that is most attractive for your business.

How are you communicating with this market segment? Are you reaching most of the customers in this market segment or could you be using another method of communication to reach them? Are you offering the product/service mix that is most appropriate for this market segment or could you adapt to more effectively serve the needs of this segment?

Identify a secondary market segment that you serve.

How are you communicating with this market segment? Are you reaching most of the customers in this market segment or could you be using another method of communication to reach them? Are you offering the product/service mix that is most appropriate for this market segment or could you adapt to more effectively serve the needs of this segment?

### Creating your differential advantage

As a manager you know competition is impossible to avoid. You may be experiencing direct competition where another firm is providing a product/service almost identical to

yours. Sometimes competition is indirect where another firm is providing a product/service that is different from yours, but serves the same set of needs for the customers. In many situations you face both direct and indirect competition.

Michael Porter, author of the best selling management text *Competitive Strategy: Creating and Sustaining Superior Performance*, suggests three basic competitive strategies in business. These three strategies provide a useful framework to evaluate how you are dealing with competition in your business. Being the low cost supplier is the first competitive strategy. Often the low cost supplier achieves that position by taking advantage of economies of size and the associated efficiencies. This is a strategy that many firms employ effectively, but is also a strategy that simply isn't available to many firms.

A second success strategy is to differentiate your business in the marketplace in a way that your customers value. Perhaps in the feed business you offer free forage testing for your dairy and beef customers, so that you can balance their feed rations. In the grain business your unique approach might be to offer identity preservation and segregation for certain grain products, which allows your customers to benefit from market premiums.

The third strategy is to focus on a market niche. In this case you will identify that specific group of customers that are your target and offer a mix of products/services that meet their needs. Perhaps in the feed business you are focusing only on working with hog producers — and you have developed expertise not only in swine nutrition, but sow grouping systems and hog health management so as to focus on this niche. A successful market niche can be achieved when you have a unique product, when you have greater expertise or information that is tailored specifically to the needs of your customers.

*Pencil and paper exercise:*

Who are your direct competitors?

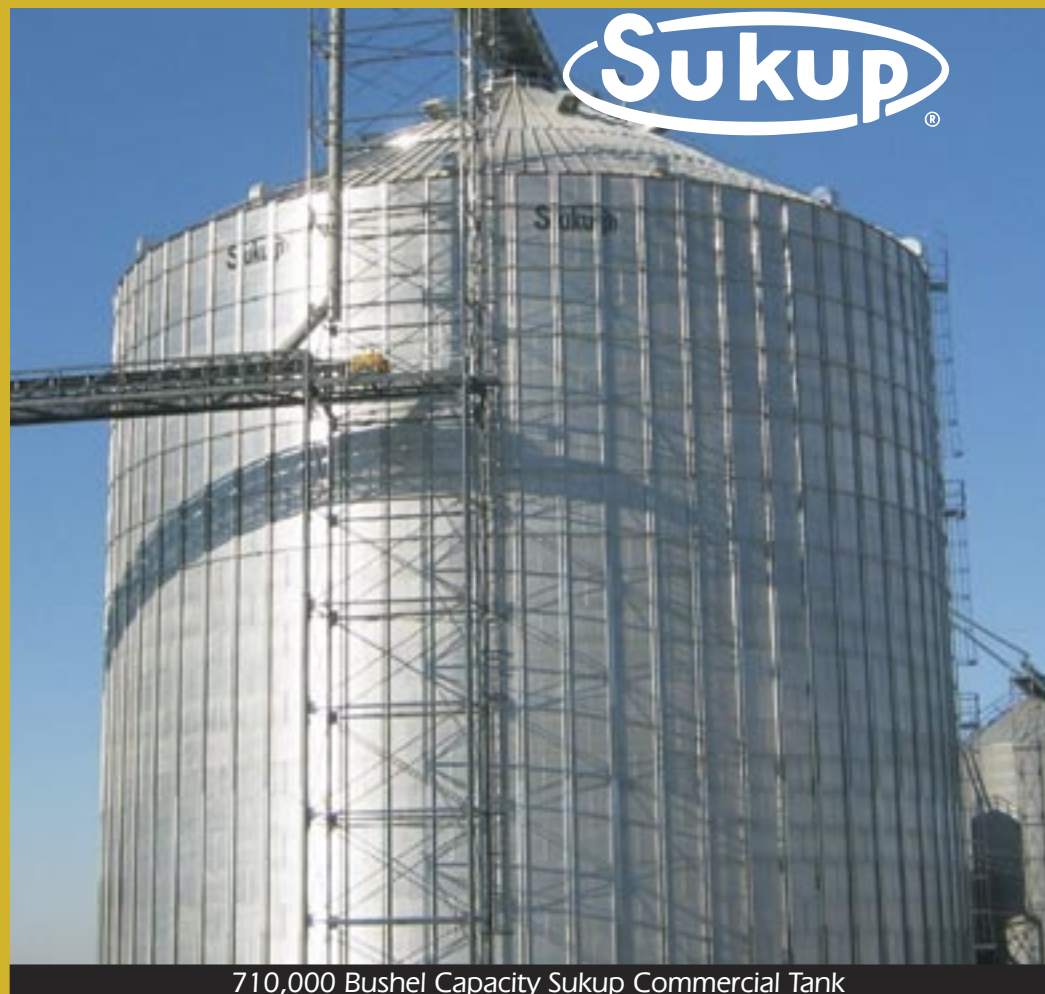
What do they do better than you in the marketplace? How much do your customers value this?

What do you do better than them in the marketplace? How much do your customers value this?

Who are your indirect competitors?

What do they do better than you in the marketplace? How much do your customers value this?

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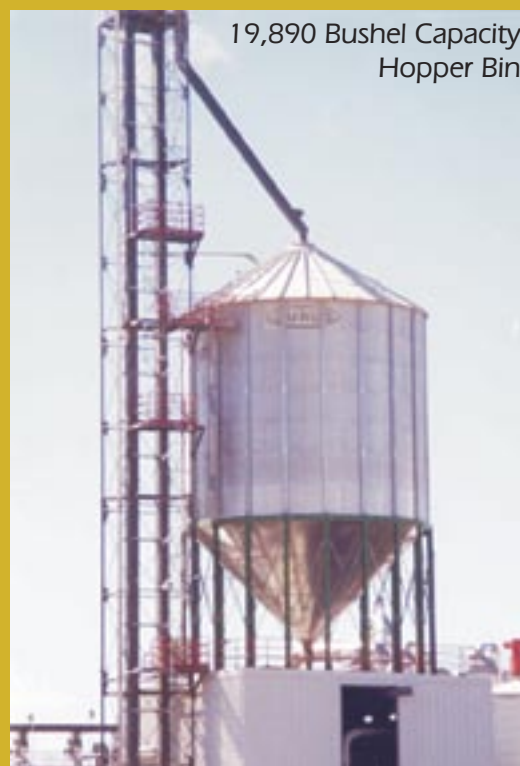


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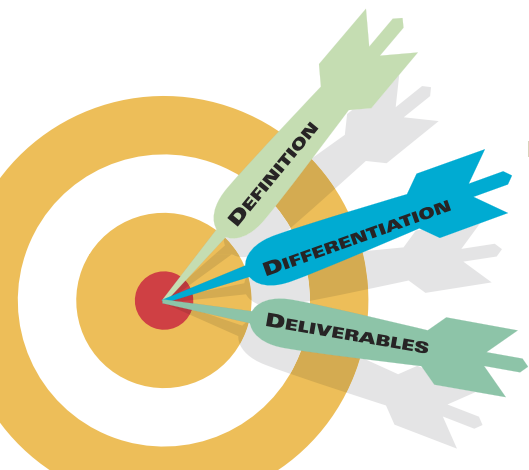
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Which business strategy are you following (low-cost supplier, differentiation or market niche)? Is this the most profitable strategy for your business?

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### The 4 P's (marketing mix)

Once you have considered who your customers are, what needs you are serving for your customers and how you are positioning your business for competitive advantage in the marketplace, you will want to turn to your marketing mix, or the 4 P's. The 4 P's refer to Product, Price, Place and Promotion. These are the specifics associated with your product and how you place it in the marketplace. There are many references you can consider here, including the Manager's Notebook found in the January 2006 issue of Feed and Grain. In that column we provided readers with a series of worksheets to help them evaluate the 4 P's for their business. You may want to go back and work through those again.

### Selling

Now that you have considered your overall marketing plan, identified your target customers and determined how you are positioning your business from a competitive standpoint in the feed and grain industry, you can then go out and effectively sell your product. Selling is the short term activity that deals with customers one-on-one. Selling is absolutely essential — because this is the step that gets your product/service into the hands of your customers and also brings revenue to your business.

There are a few myths about selling which we want to highlight at this point. First of all, many people have a negative image of selling because they think that all selling is about being "pushy." However, good selling is not about being pushy. Rather, good selling is about help-

ing people get things they need and want. Secondly, some people believe they cannot sell, because they are not "outgoing" or feel they do not have natural selling skills. Effective salespeople come in all forms — some are outgoing while others are shy and reserved. Businesses have shown over and over again that while selling is both an art and a science — good selling skills can be learned and polished.

The selling process involves four parts including: probing, communicating features and benefits, handling objections, and closing the sale. Probing involves getting your customer to talk, usually by asking questions, so that you can determine their needs and identify solutions. Of course, you are looking for how your product/service can be part of the solution to your customer's needs. During the probing stage it is very important for the salesperson to set an environment conducive for the customer to do most of the talking, and to be a good listener. A common mistake at this stage is for the salesperson to assume he/she knows what the customer needs.

Communicating the features and benefits is the time when the salesperson can do more of the talking, and at this point they want to communicate to the customer how the product/service will satisfy the customer's needs. This will involve communicating both the features and benefits of your product/service. Features are the facts about the product/service and are important — but keep in mind customers don't buy features, they buy the benefits, which they will receive from the features. Therefore, be sure

and communicate the benefits to your customers.

Objections are a normal part of the selling process and most salespeople find that at least 80 percent of the objections they encounter are

common objections. In other words, as a salesperson you will encounter the same objections over and over again. Therefore, you can be prepared for these objections. Keep in mind that handling objections is

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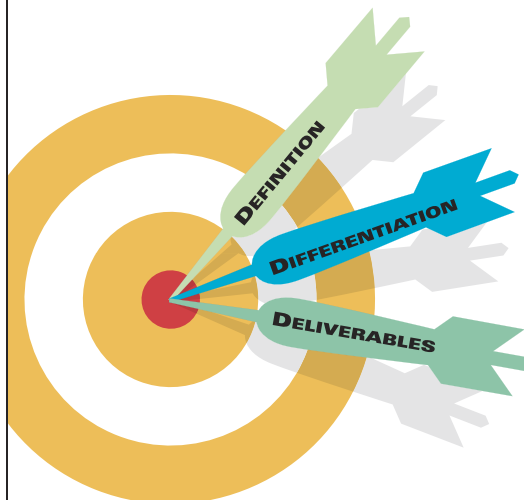


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just a normal part of the selling process and is really the opportunity for you to clear up any concerns or misunderstandings your customer has.

The final part of the selling process is closing the sale. As a salesperson you will have to ask the customer for the sale. If you have set things out well during the first stages, this can flow naturally.

#### *Pencil and paper exercise:*

Identify the features of your product/service.

Identify the benefits that your product/service provides for your customers.

How are you communicating the features and benefits to your customers? Are you focusing too much on features and not enough on benefits?

What are the three or four most common objections that you hear from customers? How are you responding to these objections? How else could you be responding to them?

#### **Parting comments**

Marketing your company, your products and services is vital to your business. It is worthwhile to look periodically at your marketing plan and determine if it needs some "sprucing up." Market conditions change, new products and services are constantly being introduced, and competitors come and go — thus it is valuable to constantly evaluate what your marketing mix looks like. We hope you find our thoughts useful and we wish you the best in managing your business! ■



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