# National Tooling & Machining Association

### **Business**

## Management Advisory

For Precision Custom Manufacturers

MK02 File: MARKETING

#### MARKETING FOR JOB SHOPS: AN INTRODUCTION

#### **SUMMARY**

This BMA and the others in this series are designed to help you develop and run or improve an existing marketing program for your machine shop. These BMAs are written for laymen; people who are not marketing experts. They are written by and for people who run the sales, advertising, planning, and distribution efforts in small-to-medium sized companies that do precision machining and/or machine building.

Marketing is a rather complex subject, with books devoted to the subject and degrees in marketing available. Obviously, we must treat it much more simply here, and we will. It is not practical, and maybe not even possible, to cover each and every aspect in depth. Occasionally you will be referred to a book or article on a given subject for more research. But enough information is provided so that you have a basis for making a decision about your need for further study.

This BMA discusses the nature of marketing and why it is important for you, as a manager of a precision machining job-shop, to develop and run your own marketing program. Do not fear "marketing." And, if you intend that your business shall survive, do not avoid it either.

#### SELLING VS. MARKETING

What is marketing, anyway? Theodore Levitt, Harvard professor and author, says, "The difference between marketing and selling is more than semantic. Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product or service into cash; marketing with the idea of satisfying the needs of the customer by means of a product and the whole cluster of things associated with creating, delivering and, finally, consuming it."

Some of the business activities that fall into the broad category called marketing are: market research, financing inventories, pricing, sales, credit, advertising and other communications, budgeting, delivery systems, service and collections. And if you have a product, you must add design, testing, packaging, ware- housing and storage.

D.C. Burnham, ex-president of Westinghouse, says marketing is "... organizing the whole company, from the customer, backwards ... define markets from the standpoint of the complete needs of the customers and fit capabilities to these needs." Philip Kotler, professor of management at Northwestern University, says, "Real marketing is the analysis, planning and control of all the market-making forces that impinge on a potential customer. Thus the activity includes, among other things, an analysis of who the potential customers are, what they need, what they want, what the competition is doing (and may eventually be doing)"

#### WHO'S IN CONTROL

In these pages we will discuss marketing as a continuous process of examining our actual past and our desired future as a business. We will also develop a method to identify our customers and their needs and our means of satisfying these needs. Too many of us look at our shop capacity as a saleable commodity and do our best to keep the shop full, with little thought of what our customers really need now and in the future. This, regardless of how hard we work, puts the customer in control because we are asking them to buy something we wish to sell.

What's wrong with putting the customer in control? Think about the last time you went shopping. Were you more willing to buy something you knew you needed, or were you more willing to buy what the merchant wanted to sell to you? Which item would be more likely to earn that merchant a profit? The fact is that you need profits, which Peter Drucker calls "the cost of staying in business" so that you may provide for the future needs of your customers. It's easier to control your own business and therefore to provide these profits if you know what your customer's present needs are and can fulfill them.

#### SUCCESS IN SMALL BUSINESS

The "Harvard Business Review" is a journal for business managers published by Harvard University Articles frequently reveal, through analysis of research, business strate-

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gies that can benefit a small business just as well as an IBM or General Electric. One study they printed, by Donald K. Clifford Jr., of 1,800 small companies with excellent track records through both recessions and boom times, showed that such companies uniformly used management methods that concentrated on the efficient use of available funds and that they fiercely fought against margin deterioration. They used replacement costs for people, material and equipment in pricing their products or services and always priced ahead of inflation, with escalator clauses and progress payments or other methods.

You can only do these things when you are providing something that your customer needs. If you are simply trying to sell what you have, and if the buyer can shop, then it is not likely that you will be permitted to price ahead of inflation, nor is it likely that you will secure profits (the cost of staying in business), so that you will still be in business to provide for your customer's future needs.

#### KNOW YOUR BUSINESS

One of the most stimulating articles I have ever read on the subject of marketing was Theodore Levitt's article, "Marketing Myopia," which spotlighted the need to determine just what business you are in. One example given was the movie industry of the fifties when most studios felt that they were in the business of making movies to be shown in theaters. Many of these studios failed because they did not realize that they had to be in the business of providing entertainment: making shows for TV, home viewing, theaters, and also providing the other items the market wanted for its entertainment dollar.

The surviving studios, many of them not even formed when the article was written, have realized the broader contexts of their business. Perhaps the most successful example of this is George Lucas, maker of the "STAR WARS" movies. He made some intuitive leaps in recognizing the need for the product he then created, and he has been minting money from movies, books, videotapes, posters, toys, games, clothing, junk food, and lots of associated items under the broad title of "entertainment".

Don Larson, publisher of "Corporate Report," found that eight out of every ten small businesses collapse within five years of operation, largely because they run out of money before they find out where their product or service fits in the marketplace. He feels that failures would be cut in half if the managers would investigate, plan and formulate both short and long-term marketing strategies - if they knew their business better.

How do you determine just what business you are in? I think that one good method is to ask yourself a bunch of questions about your company, your people, your equipment, and your business environment. And I think these questions should focus on things from the customer's point of view. Young Mr. Lucas didn't say to himself, "I'm going to make movies about monsters in space' "He said something like, "My youthful customers know a lot about space and technology, and they find it exciting. I want to provide them with hi-tech entertainment that they will want to buy." In the job-shop business, one can say, "I'm going to make parts to my customer's prints "If you want to exist as the low bidder on what you do, maybe that's enough. But if you want to be an outstanding performer, then why not look at yourself a little differently? "My customer builds snaffles. I am going to be the most capable snaffle-base machining operation he can find so that he will buy all his bases from me".

This will lead you into a study of all your important customers, your own company, your history, your failures and successes, your competitors, your future plans, and so on. Unless you make this kind of study, you don't know what your customers do and what they need, and you don't know what you can do and what you want to do.

It's easy to get so involved in running your business that you forget to look at your shop through your customer's eyes. Sir Freddie Laker built a successful international airline, Laker Airways, on a sound marketing principal-no frills, cutrate fares, busy routes. He got so busy he forgot his basic strategy and why people bought his service. He started offering more routes and five different fares. He became "just another airline" and he went bankrupt.

#### A BLUEPRINT FOR SUCCESS

So, a first step in developing your own marketing program is making an honest appraisal of who you are, where you came from, what you do well or poorly, and what you want. You might consider having such an audit done by an outsider, someone who does not have much reason to maintain the status quo. Such a report may then become a basic blueprint from which you may develop your future marketing program.

You will want to read all the BMAs in this series, and if you are not currently a subscriber, you may wish to start reading magazines like "Business Marketing, Adweek, Communication Arts, Harvard Business Review, Fortune, and Forbes." You'll find them at your public library. They'll help you in surprising ways, and will start you on the planning path.

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