

MARKETING FOR JOB SHOPS: THE MARKET PLACE

SUMMARY

To run a successful job-shop, it is necessary that you organize to serve your customer. Organize from the customer, or market, backwards. You must look at your shop from the “outside in,” not from the “inside out.” You must consider the marketplace.

Your shop exists in an environment that includes your own capabilities, equipment, facilities, people, and technology plus the competition and other factors that you can’t do much about. These other factors include such things as the weather, social conditions, the general economy, tax laws, OSHA, state or local rules that dictate how you must operate, and so on. If you wish to plan, you must make some assumptions about these things, understand them, and make predictions about how they are likely to affect your business.

Dr. Philip Kotler, a professor at Northwestern University, says, “Marketing is done before there is a product or service to sell. Sales is the work a company does afterwards - getting the product out the door and to a customer.” So marketing is done first, and it determines what will be done later. Marketing helps analyze, plan and then control everything that your company does in such a way as to meet the needs of your customer.

The Strategic Planning Institute found that managing a business well, in terms of the bottom line, is less important than just being in the right business in the first place. They say that “the laws of the marketplace determine about 80 percent of the observed variance in operating results. Doing the right thing is much more important than doing it well. Being in the right business in the right way is 80 percent of the story; operating that business in a skillful or lucky way is 20 percent of the story.”

IT ALL STARTS WITH THE CUSTOMER

The success or failure of your company is totally determined by the customer. There is nothing new about that idea, but it is surprising how very few executives act as though they really believe it. True believers will make decisions, day to day, on the basis of what the results will do for the customer - not on the basis of what they will do for the company. They will decide to do what the customer needs and wants, not necessarily what the company is prepared to do. They will organize to serve the customer, and they will be successful.

Job-shops are, by nature, small businesses, and it is relatively easy to organize and analyze the customer list. Each manager must study his own list of customers to decide which segment of the total market fits his shop best. A market segment is any group of businesses that act the same when you do the same things to them. Determine if your customers can and will pay for top quality, or if price is the main criterion they consider. Find out if your market segment needs local service by knowledgeable sales representatives, or if quoting by mail is OK.

Decide what the customers in a market segment need. See who the competition is and what they are doing right and what they are doing wrong. Then determine what capabilities you have that will satisfy the needs of that market segment better than the competition.

This may sound difficult, or even impossible. But, remember that a typical job-shop only needs a few market segments, or niches, to serve. Don’t make the mistake of serving only one segment, because you then exist at the mercy of many environmental factors that influence that one segment and are outside your control. You can make assumptions about how these conditions might affect your business, but you can’t do much about them. Analyzing and evaluating a few market segments is not terribly difficult and could mean the difference between the survival and failure of your business.

The more market segments you serve, the more control you have over your business, because a disaster in one industry will not affect you as strongly. You can balance your business better, and become less dependent on the environmental factors that you cannot control and more dependent on your management skills and your methods of seeking and serving new markets.

ANALYSIS OF A MARKET SEGMENT

First, identify a market segment by grouping your present customers according to the business they are in. Add to that list other companies that are in the same business and could be prospects for you. Define each group according to those particular needs that can be met by your shop. To do this, you need to understand what the customers in each market segment do, how they use the products you supply, and what they really need. Use your sales people to gather the information, but write your own analysis.

Now, determine whether the market segment is attractive to you and what your current competitive position is in that particular segment. If a market is very attractive to you but you are in a poor competitive position to serve it, you must decide what to do to become more competitive.

WHY SET GOALS?

Once you have thoroughly analyzed the situation in the market segments you wish to serve, you are ready to set your goals and objectives to serve that niche. Any goal should be stated in very precise and specific terms by responsibility, location, size and time. In other words, decide on the what, who, where, how much, and when at the same time you state your goal.

For example, if you want to lose ten pounds, you would say, "My goal is to take off ten pounds. To accomplish this I must reduce the number of calories I eat, starting today, by about a thousand calories a day, and I must walk four miles every day after lunch or after dinner. I will continue this, and will weigh myself every day until I am sure it is stable."

Recently, many American manufacturers have been setting goals to reduce the number of suppliers with which they do business. Some have been quite successful and have thereby streamlined manufacturing operations, chopped inventory, and improved their products. To do this they had to involve suppliers earlier in the research and development programs, make better forecasts of their needs, and provide long-term contracts. The criteria they use to select the favored suppliers are quality, delivery and price.

In just thirty months Xerox chopped its supplier list from 5,000 to only 500. Computer companies like IBM, Storage Technology, and DEC have eliminated half of their suppliers. Automakers are also leaders in this vendor reduction program, and, in some cases, have rearranged production lines to utilize ship-to-production agreements with suppliers. Such vendors are often guaranteed as much as 100 percent of the business.

When your customers, identified in the market niches you wish to serve, are doing such things, it makes sense that you must also set goals and develop plans to achieve them.

ARRANGING THE INFORMATION

Up to this point in our marketing planning, we have stressed the need to collect data. If you have done this, you now have lots of unbiased information, honestly evaluated. I suggest that you sit down and arrange it first, and then start to use it to help you set your goals and objectives. Only then will you be in a position to develop the strategies needed for your future survival.

The first data you collected simply describes the nature of your business. Extract all such information and distill from it the important parts, and write it down in a descriptive or narrative format. For most job-shops, this should not take more than a page or two. Follow that with the analysis of your current situation, considering the capabilities of your shop, the environmental factors that influence it, and the competition. Then analyze the needs of your customers and prospects in the market segments that fit your job-shop best. This should fill several pages.

Establishing goals and objectives comes next, and in our next BMA we will discuss various approaches to doing this. We will also attack the most difficult part of the marketer's job - the development of strategy.

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