



What Is MARKETING Doing For You

Can a Marketing Plan Help You?

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Consider these questions:

Are you marketing your services or products in the most efficient and profitable markets?

Do your customers come back to buy again and again?

When you sell an animal, does it enhance the production or performance of your customer?

Do your advertising dollars pay you back at least dollar for dollar?

If you have four answers that were negative or had trouble answering the questions, your operation may only be a production system. Simply producing a product or service and selling it to who ever comes by is not enough. A good marketing plan should help expand your sales by targeting new marketing opportunities with a profitable return. Your customers should keep coming back as well. It could even increase your profits.

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In the July-August 2009 through January-February 2010 issues, I had an overview of the business (or production) management planning approach to managing an operation. Marketing management needs to be discussed as how it fits in the production management plan. A marketing plan is an expansion of the production management plan. It should be developed as a part of each enterprise system in the operation. To market, you produce a product and promote it to current and potential clients. It should include identifying the people who currently use purchase it and reach those who need your product. Both must be willing to pay top dollar.

To develop a marketing plan you need to use a process similar to developing a management plan. Each enterprise must have its own unique management and marketing plan to meet its full potential.

THE MARKETING PLAN

A marketing plan follows a process similar to developing the production management plan except it extends the management to marketing criteria such as genetics, age, size, performance, and time for selling the product or service. It has a set of goals since that target the merchandising of specific products rather than just producing a product. It is how you will produce, market and evaluate the production, marketing, and economic results of each enterprise. It also should include a "feedback" function to evaluate how your product is performing and satisfying your clients expectations.

Like a management plan, it requires you to inventory and evaluate your marketable products, develop marketing goals, develop a marketing plan with options, and then implement, evaluate, and adjust the plan. Like the management plan, there are annual and 5-year plans which need to have regular evaluations of the plan's performance to insure success.

How each step is accomplished requires understanding that marketing is to "market" a product, not just produce and sell a product. The product should be or has been produced and needs to be sold at the best price to pay the bills at a profit. It is far more than putting ads in trade publications and waiting for calls or just selling through auctions.

The point is to have a marketing plan for each product or service. Often, the individual product plans will share some functions. The individual plans will target specific product's requirements while the overall plan coordinates the areas where they share functions.

DEVELOPING MARKETING ALTERNATIVES BY INVENTORY AND EVALUATION

The marketing alternatives inventory and evaluation should identify every potential marketable product including those that may have been tried and rejected for one reason or another. Evaluating all potential markets is the only way of being fair and realistic. For each product, list the possible markets (kind, location, clientele), advantages, disadvantages, and limitations.

Include any additional resources that would be required to make the markets possible. This may call for additional education (for the operator, potential clients, or others), spending more time to learn and use the option (updating, advertising, evaluation), may require increased capital, or finding another person to handle the process (broker, agent).

DEVELOPING MARKETING GOALS

Once the inventory and evaluation process is complete and documented, the goal-setting process begins. As a note, it is possible to do both at the same time. Normally, a single statement will establish an enterprise marketing goal. It should include defining the product to be marketed (kind, size, age, etc.), the marketing options to be targeted, the production system requirements (land, labor, capital, management resources), and any alternate options for producing the product. It can be a part of the enterprise production plan.

In developing the enterprise goals, reasonably detailed management plans should be used, including the expected performance, the expected costs, estimated breakeven prices, and similar information. Developing the enterprise goal is the key element of the planning phase.

IMPLEMENT, EVALUATE, AND ADJUST THE PLAN

Remember, the production system and marketing plan must produce a product that meets the goals while adding value for the client meeting or exceeding their expectations. Implementing the plan may require time as production and marketing options are implemented. It is also the time to use "feedback" from clients to evaluate if the changes are producing the desired results. How do you get feedback? It can be listening to the client's comments when you ask, asking new clients how they heard about you, or even formal requests for clients to let you know how your product has performed.

AN EXAMPLE

How does marketing make a production system more efficient and profitable. Rather than taking the risk of accidentally stepping on someone's toes by describing

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their operation, I will use a beef cattle system common to many areas. It has many opportunities to benefit from marketing planning and enhancement. Let's look at a starting point, then adding options, in steps, to a production system to develop a marketing plan that changes not only the product quality but enhances the potential profitability of the operation and the associated businesses. A good example is a yearling beef operation.

Starting Level An operator buys yearlings anywhere he can during the fall and winter period or even a few weeks before being turned out to pasture. These are obtained through local auctions or direct from producers. The animals are spring-summer grazed for a period and then sold through local auctions. This process is really a production system that sells to where ever the prices look good. It does not produce a defined product. It may or may not prove profitable.

Step 1 The operator starts producing animals of a certain size and other characteristics that may be useful by several local feedlots. The animals are still obtained through local auctions or direct from producers. Some attention is paid to age, size, color, and other characteristics. They are sold at local auctions but where known feedlot buyers normally buy. This is still only a production system. What is lacking here is a defined product and clientele.

Step 2 By adding buying the yearlings from cow-calf operators who are producing the specific genetics, age and size at a specific time to allow grazing the animals to be ready for the feedlot adds a potential quality product that should be in demand. They are still sold at local auctions where selected feedlot buyers buy. This is a simple marketing plan.

Step 3 Now add producing the animals under contract for a specific feedlot for delivery at a specific time. The plan is becoming more specific. It now requires developing a process to insure the animals produced actually perform as required.

Step 4 Then add to the feedlot contract the requirement to receive back feedlot performance data to document animal performance. This information allows both the yearling operator and feedlot operator to evaluate the performance and profitability for both.

Step 5 To insure the quality of the yearlings being produced by the cow-calf operators, a contract is developed based on the feedlot performance data with premiums being paid when the animals perform above a base levels. This adds incentive for the cow-calf operator and potential premiums.

Step 6 The final step is to receiving carcass data from the packer. With individual animal identification starting at the cow-calf producer, we have a marketing plan that is designed to produce a specific end product and to maintain or improve the product quality throughout the process. This includes sharing the data with the cow-calf operator to enhance the yearling animals which should improve the total production, marketing and profitability for all segments.

IS THIS REALLY IMPORTANT?

In making a business profitable, the easiest part is producing a product. The important question is does the product have a quality that is desired by many who are willing to pay a premium. To be profitable, the income must exceed costs.

The ranch I grew up on produced registered cattle in the 1950's. The bloodlines produced were considered among the best. They developed new bloodlines over the years. Years later, one of the top rated bloodlines was determined to carry dwarfism. It didn't take long for that line to disappear. Several of the new lines were still identifiable 30-40 years later.

Knowing the quality of your product and marketing that value is critical to profitability. If you don't live up to what your product is offered as, not only can your profitability disappear but your reputation can be severely damaged. Rebuilding a reputation is much more difficult than being profitable. *AA*

