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# Marketing Guide

## A Hands-on Approach to Marketing for Small Businesses

### WHAT IS MARKETING?

When most people think of marketing, they think of the newspaper, yellow pages, radio, television, and direct mail. Marketing is much more than buying advertising.

**Marketing is the fine art of identifying, attracting and retaining customers**

Advertising and promotion is one segment of marketing; but you cannot market effectively if you do not know who you are, who you are marketing to and how to reach your customers. Marketing plans are developed by thoroughly researching the market, the industry and the customer.

Marketing is a challenge for all businesses great and small. Marketing mismanagement can put you out of business. K-Mart, for example, got caught between the low-cost Walmart and the better positioned Target. K-Mart lost focus of their target market. If you do not know your customer, you cannot know what they want you to provide.

Marketing is everything you do to promote your business. The design of your business card, the way owners and management present themselves, the attitudes of employees and the quality of the product all serve to project the image of your business.

**Marketing needs to be continuous and targeted rather than occasional and shot gun!**

### WHY IS A MARKETING PLAN IMPORTANT?

A business plan is the blueprint for taking an idea for a product or service and turning it into a commercially viable reality. **The marketing portion of the business plan tells how you will get people to buy your product or service in sufficient quantities to make your business profitable.** The financial projections in your business plan are based on the assumptions contained in your marketing plan. Your marketing plan must give validity to your sales expectations. These expectations must be reasonable and obtainable.

Marketing plans are valuable to identify your concept, target market, needs and values of your customers, and the features and benefits of your products to meet those needs. You can use a plan to identify which customers are your best prospects, to evaluate company data against the industry, and to track results so you can learn what works.

This marketing guidebook is different from a more formal **strategic** marketing plan. In this guidebook, we go over important aspects of identifying, attracting and retaining customers by answering the “Six” P’s of Marketing. A true strategic marketing plan involves not only your product and customers but also a complete study of the macro environment all the way down to the individual market place.

An example of a **Strategic** Marketing Plan is available through the Small Business Development Center. You do not need elaborate charts or research to create effective marketing, but you do need a plan. Without a plan, you may be moving, but in the wrong direction.

## THE “SIX P’S” of MARKETING

Many people refer to the “4 P’s of Marketing”: Product, Price, Promotion and Place. In this booklet, we add two more “P’s”: Purchasers and “Ph”ollow-Up to the list of key elements in a marketing plan.

1. **Product:** What are the goods or services that your business will offer? How is that product better than those against which it will compete? Why will people buy it?
2. **Place:** Which sales channels will you use? Will you sell by telephone or will your product be carried in retail outlets? Which channel will let you economically reach your target audience?
3. **Purchasers:** Who is most likely to buy your product/service? How do you reach them? Are there enough of them in your market area? What do they value about your industry?
4. **Price:** How much can you charge? How do you balance between sales volume and price to maximize income?
5. **Promotion:** How will your product or service be positioned in the marketplace? Will your product carry a premium image with a price to match? Will it be an inexpensive, no-frills alternative to similar offerings from other businesses? What kinds of advertising will you use? When will ads be run? How will the product be packaged?
6. **“Ph”ollow Up:** Has the market changed? Are customers still happy? Is our marketing plan working?

## 1. Product (Service)

Intuitively, or based on sound research, you believe your business will succeed because you are doing something different from some or all of your competitors. Now, that doesn't mean you can't borrow a good idea from some other company and build a successful business around it, but for some reason you believe you are going to do something different or better than what is available.

Successful businesses find ways to make their products or services stand out from the crowd, or at least the crowd in their immediate geographic area.

You can promote the uniqueness of your product through pricing, packaging, distribution methods, or feature differences.

### Customer Values

A lot of attention is given to the uniqueness of your business idea, but keep in mind that **unique is good only as long as you are fulfilling the needs and values of the clients interested in your product**. You might be able to create a unique identity for your business idea and market it successfully, but sooner or later customers will gravitate to the business that is most in line with what THEY want, not what YOU think they want. This is the customer values.

Remember the old adage,

***You can fool some of the people, some of the time, but you can't fool all of the people, all of the time!***

So remember three things:

1. Fulfill a need
2. Determine what your customers value and give it to them
3. Create a unique identity to promote why your product meets those needs and values

### Write out the Features and Benefits of Your Product

In order to be able to convince your customers that your product meets their needs and values, and is different from everyone else, it is important to understand your product or service features and how they benefit your customers.

**Features** are "descriptions" of a product or service (e.g., green color, pear-shaped, inexpensive, fast, slow, etc.)

**Benefits** are the "advantages" you receive from using the product or service (e.g., feel better, look beautiful, more endurance, etc.)

Once you know what your customers value, you can promote your product features and benefits in a meaningful way.

Product Features	How Does that Benefit Customers
_____	_____
_____	_____
_____	_____

**Create a Summary Value Statement**

In marketing, it is important to develop a concept and market it consistently in advertising and promotions. Use this summary to help *yourself* focus on what your business is all about.

You should be able to explain why your product or service is unique and fulfills your customer's needs and values.

To get to the heart of a value statement, ask yourself some questions:

1. What do your customers value about the need you fulfill?
2. What is unique about your business, product or brand vs. direct competitors, and how does that meet your customer's needs?
3. Which of these factors are not easily imitated by competitors?
4. Which of these factors can be easily communicated and understood by buyers or end users?

Construct a value statement of these unique, meaningful qualities about your business or brand?

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Read your Value Statement. Does it sell you?

For each product and service ask:

- Is it quality?
- Price?
- Convenience?
- Style?
- Professionalism?

**Create a Product Image**

A product or service needs to promote a consistent image (theme, identity) which is projected in

terms of the competition, pricing, packaging, distribution, location, and timing of market entry.

Creating an image signifies the collection of differences in the mind of the buyer. In other words, you must solve the problem of how to communicate a *meaningful difference* about your business idea to the people who are most interested in buying it.

*Meaningful differences* in your product or service, compared to that of your competitors, should be created and communicated to your target buyer via packaging, pricing, features and benefits, product design, colors, advertising and promotion mediums, public relations events, and even spokespersons. Everything should work together to promote a consistent image for your product or service.

Many small companies believe there is little they can do to create an image of their products and services because they spend little or no money to promote their products to their target buyers.

However, almost all products and services come "packaged" in one form or another. Even service businesses have uniforms, logos, slogans, types of vehicles, specialized greetings, service procedures, follow-up procedures, and a host of unique ways to differentiate themselves from their competitors.

In fact, the less money spent on advertising and promotion, the more important correct and consistent messaging becomes for a small company's products. Small companies, like large ones, must:

- Work at consciously identifying brand features and benefits that are unique to differentiate the company and its products from the competition
- Communicate and test which differences are most important to buyers and consumers in deciding to purchase your products rather than those of competitors
- Work at communicating the most unique and important differences to buyers and consumers to create "branded value" and a "brand personality"

Your aim is to develop an image or perception in the marketplace that you offer something special. Look at competing businesses and ask what is special about them. Can those insights help you better position and define your business? Every business has something special.

### **Determine the Best Contributors to Your Overhead and Profits**

If you cannot tell quickly which product or service makes the most money, then you should talk with an accountant or the Small Business Development Center. This is important information with very direct marketing implications: Where do you make money? Where do you lose money? Can you benefit from your strong products or services more? Who buys the good products or services? Who buys the bad ones?

Using the following chart, determine the products or services with major impact on your overhead and profit.

Contributors	Amounts
1. _____	\$ _____
2. _____	\$ _____
3. _____	\$ _____
4. _____	\$ _____

Detractors	Amounts
1. _____	\$ _____
2. _____	\$ _____
3. _____	\$ _____
4. _____	\$ _____

## 2. Places

### What are Your Methods (Channels) of Distribution?

Distribution is a major component of marketing involving sales and delivery. The distribution process can be compared to a pipeline; Information, orders, products, services and payments flow from the customer to you and back again.

Consider the various options for distribution and brainstorming other methods to get wider distribution for your products. Will you sell direct to consumers, use representatives, open a retail outlet, or do direct sales through company salespeople? Or is it a combination of the above? By utilizing catalog sales through others you can take a local company national in scope and let others do most of the sales and distribution for you. Your direct sales, shipped via United Parcel Service or Federal Express can be in any city in Arizona the next day. Do you need warranties or guarantees on your product or services? What is the real cost in terms of returns or claims?

How do you currently sell your product? Most stores rely on location. Accountants may rely on referrals or word of mouth. You may be able to add sales by adding direct mail, using a sales representative, or by selling directly. Are you cross selling to your current customers or are you just taking an order or ringing up a sale? What changes could you implement to improve your marketing strategies?

- **retail** — stores selling to final consumer buyers (one store, or a chain of stores)

- **wholesale** — an intermediary distribution channel that usually sells to retail stores
- **direct mail** — generally catalog merchants that sell directly to consumer buyers at retail prices plus shipping (e.g., Land's End, L.L. Bean) via mail
- **telemarketing** — merchants selling directly to consumer buyers at retail via phones
- **cybermarketing** — merchants selling directly to consumer buyers at retail prices, or business-to-business products and services at wholesale prices via computer networks
- **sales force** — salaried employees of a company, or independent commissioned representatives who usually sell products for more than one company

A well-planned distribution method will assure that your product or service is available to the customer when they decide they want to buy. The following worksheet is meant to help you analyze your distribution channel.

### Channels of Distribution Worksheet

Describe the major channels of distribution your competitors use:

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Describe the channels of distribution you plan to use:

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How do your channels differ from the competition?

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What methods of purchasing, receiving have your customers identified as valuable to them?

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How far can you distribute and still afford to market effectively and handle distribution costs?

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What distribution area have you decided on?

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What is the population in this geographic area?

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What are your competitors doing? Have they added sales people? Have they changed their advertising strategy or moved to a better location with a higher traffic count? Shop the competition personally or have a friend or consultant do it for you. Make a detailed analysis of their sales methods.

### **3. Purchasers**

#### **What is a Target Market and Who are Your Customers?**

The target market can be vaguely defined as a group of people who might buy your product or service. In order to use your small business resources wisely you have to narrow that broad group down to those persons most likely to buy from you. The goal is to identify the group of customers that you can serve profitably based on the size of the market, the resources needed, and the strengths and weaknesses of your business.

Do you know precisely who your customers are? You may know many of them by name, but do you really know what type of people or businesses they are? For example, if you sell to consumers, do you have *demographic information* (e.g., what are their average income ranges, education, typical occupations, geographic location, family makeup, etc.) that identifies your target buyer?

What about *lifestyle information* (e.g., hobbies, interests, recreational/entertainment activities, political beliefs, cultural practices, etc.) on your target buyer?

This type of information can help you in two very important ways. It can help you make changes to your product or service to better match with what your customers are likely to want. It can also tell you how to reach your customers through advertising, promotions, etc.

#### **How Do You Find Your Target Market?**

Clarifying specific segments, or customer groups, is a critical step in overcoming a common problem faced by small business owners – achievement of a clear market position. You need to understand why people purchase your product or service. What is the product's or service's appeal?

Markets are described in terms of demographics: age, sex, ethnic background, education, occupation, income, family status, and geographic location. Using questionnaires or by observing your competition, you can develop a profile of your customers. You can gather

population information from the Arizona Department of Commerce website or from the U.S. Census Bureau. For information on demographics in specific zip codes visit [www.zipskinny.com](http://www.zipskinny.com)

Just how important is target marketing? Being all things to all people results in confusion for all parties concerned. A diffused market is much harder to appeal to than a narrowly focused target. Target your market, focus your efforts on that market, and you can prosper.

It is also important to be able to identify and estimate the size of your target market, particularly if you are thinking about a new venture. You must determine if the customer base is large enough to support your business or new product idea. Remember that it is not enough that people like your business concept. There must be enough target buyers on a frequent-enough basis to sustain your company sales, spending, and profits from year to year.

For example, selling a product or service that people may need only once in a lifetime (e.g., an indestructible toothbrush) may not be a sustainable business, unless a large number of people need it at any given time, or everyone needs it eventually (e.g., funeral services).

### **Segment the Total Population of Buyers**

If the universe of all potential buyers is your "market," then the market can be divided up into sections or "segments" based on any number of factors. For example, you might divide up your customers by age group and find that you sell most of your products to people aged 18 to 34. You might divide them up by family size and find that you sell most of your products to married couples with young children. You might divide them up by economic status and find that you sell most products to people with an annual income of about \$50,000 to \$100,000. You might divide them up by geographic location and find that you sell most of your products to people living within two specific zip codes.

Many small businesses stop there, thinking they have enough information to be able to identify and communicate with their most likely customers. However, larger companies will attempt to push on further and find out even more information about their customers' lifestyles, values, life stage, etc.

Target Marketing is an ongoing process used to help you determine what is influencing the demand for your product or service.

- Who is most likely to buy from you?
- What characteristics (wants, needs, habits) do your best customers and prospects share?
- How big is the customer group?
- Rank the customer group in terms of potential profitability for your business.

### **For Existing Customers**

One way to target market within your existing customers is to identify niches. One method of niche marketing is "heavy users."

Most marketers know that "20 percent of buyers consume 80 percent of product volume." If you could identify that key 20 percent and find others like them, you could sell much more product with much less effort.

The heavy user of your product can be thought of as a market "niche" that you should attempt to dominate. Niche marketing today means targeting, communicating with, selling, and obtaining feedback on the heaviest users of your business's products or services.

Picking the right segment of the market is important to achieving sufficiently large sales volume and profitability to survive and prosper as a company.

Picking the right market segment means that it is:

- measurable in quantitative terms
- substantial enough to generate planned sales volume
- accessible to your company's distribution methods
- sensitive to planned/affordable marketing spending events

It is also important to examine other factors that could affect your company's success:

- strength of competitors to attract your niche buyers away from your products
- similarity of competitive products in the buyers' minds
- rate of new product introductions by competitors
- ease of entry/protectability in the market for your niche

Perhaps the driving force behind "niche" marketing or "segmentation" is the need to satisfy and keep those consumers who really love your products or services. Consumers become increasingly more sophisticated and demanding and product choices continue to expand with prosperity and world market competition.

### **Identify Your Target Market**

The following target market worksheet can be used in defining your target market. Remember that marketing is a dynamic process. Customers move, lifestyles change, income levels can vary. To be effective, marketing research has to be done continuously throughout the lifetime of your business. Always be alert for new competition, new products and services, population shifts, and new trends.

## Target Market Worksheet

Who are my customers? \_\_\_\_\_

Economic Level: \_\_\_\_\_ college graduates

\_\_\_\_\_ professionals

\_\_\_\_\_ management

\_\_\_\_\_ own or buying homes

Psychological: make- up (lifestyle)

\_\_\_\_\_ conservation

\_\_\_\_\_ entertain at home

\_\_\_\_\_ affluent

\_\_\_\_\_ value, convenience, and quick service

Age range: Average age \_\_\_\_\_

Sex: Male \_\_\_\_\_ Female \_\_\_\_\_

Income Level: Average income \_\_\_\_\_

Buying habits: \_\_\_\_\_ Like to save money

\_\_\_\_\_ Quality more important than cost

Where are my customers located? \_\_\_\_\_

Where do they live? \_\_\_\_\_

Where do they work? \_\_\_\_\_

Where do they shop? \_\_\_\_\_

Projected size of the market? \_\_\_\_\_

Total population \_\_\_\_\_

Target groups represent \_\_\_\_% of the population

What are the customers needs? \_\_\_\_\_

How can I meet those needs? \_\_\_\_\_

What is unique about my business?

\_\_\_\_\_ Delivery service

\_\_\_\_\_ Discounts

\_\_\_\_\_ Extended hours

\_\_\_\_\_ Other \_\_\_\_\_

How do customers choose between alternative brands or services in my market?

\_\_\_\_\_  
\_\_\_\_\_

Where are my target market customers fulfilling their need now?

(Top three competitors, estimated market share)

\_\_\_\_\_  
\_\_\_\_\_

How much market share do I want to gain this year?

\_\_\_\_\_

## 4. Price

### What is Your Pricing Strategy?

Pricing is a marketing decision, combining market research with financial analysis. Pricing can make or break a business. To be successful, a business owner must establish prices for goods and services that will allow for a profit margin. The pricing has to allow the business to compete with similar businesses and be acceptable to the customer. If the pricing is wrong, it will not matter that everything else is right.

### Define your pricing objectives

*Price the same as competitors.* This strategy is used when offering a commodity product, when prices are relatively well established (such as with professional services) or when you have no other means to set prices. Your challenge then becomes to determine how to lower your costs so you can produce a higher profit than your competitors can.

*Establish a low price* (compared to the competition) on a product in order to capture a large number of customers in that market. This strategy may also be used to achieve non-financial objectives such as product awareness, meeting the competition or establishing an image of being low-cost. It works if you are able to maintain profitability at the low price, or if you are able to maintain an acceptable level of sales should you later raise prices.

*"What customers are willing to pay".* If your product has a mystique and uniqueness that is valuable to customers, you might have the ability to charge a very high price relative to your cost. In addition, if your target market is affluent and you are positioning your product as a "prestige" product, an especially high price could be in order. (For example, do Rolex watches cost that much more to make than other brands? The high cost, however, brings a "status" benefit to Rolex's affluent market.) This strategy of charging "what customers are willing to pay"—even though it is high—requires alertness and a willingness to change on your part because customers (and competitors) might decide that you're making too much of a profit!

Determine what pricing strategy you want to use and why?

### Account for all your costs

The most common problem in determining how to price a product or service is failure to account for all of the costs that are involved in producing a product or in providing a service. Most business owners mistakenly think that cost only involves what it cost them to purchase the product or provide the service. They fail to consider shipping costs, advertising, rent, vehicle cost, etc. These are the costs of running the business. Determining the cost for a product or service means looking at all of the expenses involved in running your business.

Before you can decide upon a fair price for your product, you need to know how much it is costing you. You will need to know this no matter which pricing method you use.

**Fixed costs**, sometimes referred to as overhead, are expenses that don't vary according to production amounts—such as rent for office space (and storage space if you store inventory), office equipment (telephones, faxes, computers, etc.), insurance, utilities, etc.

**Variable costs** are expenses that do vary with the amount of service provided or goods produced. They include costs such as hourly pay for a contractor on a specific project, raw materials, etc. Some variable costs do not depend specifically on the number of products produced but are still variable, such as advertising or promotion expenses.

### **Estimate your maximum output capacity**

How many hours are you open? How many units can you produce in an hour? How many total units could you theoretically produce at 100% capacity?

### **Determine your starting base prices**

You came up with an initial pricing strategy, so based on that strategy what would be an estimate of the per unit price you would charge?

### **Determine your break-even points**

Once you have identified costs, you can determine your break-even point. This is the point at which you neither make nor lose money in producing a product or delivering a service.

A break-even analysis is the process you use to uncover those break-even numbers. You must know the cost of your overhead (fixed costs) as well as the incremental cost-per-unit (variable costs) before you can determine your break-even points.

To begin your break-even analysis, add up all fixed costs and determine what your variable costs are at different production volumes.

Next, substitute your figures into the following break-even formulas.

### **Calculating Break-Even Revenue**

To calculate break-even dollars (the amount of revenue needed to cover both fixed and variable costs so your business neither makes nor loses money) use the following formula:

Fixed Costs divided by  $1 - (\text{Variable cost per unit} / \text{Selling Price per unit}) = \text{Revenue to break-even}$ .

Example: Calculating Break-Even Revenue

As an example, let's try to determine an appropriate hourly rate (revenue) to charge for a consultant or service business.

Using the break-even revenue formula, plug in total fixed costs of \$30,000, variable cost-per-unit of \$15 (hourly pay to consultant), and unit selling price of \$30 (per hour of consulting). The formula yields a break-even annual revenue of \$60,000.

$$\$30,000 \text{ Divided By } 1 - (\$15/\$30) = .5 = \$60,000$$

Therefore, this company needs revenues of \$60,000 just to cover costs. If it does not have enough business at these rates, it loses money by being in business. If it makes more than \$60,000 in revenue, it is making money.

### **Calculating Break-Even Units**

To determine how many units must be produced and sold to break-even, use the following

formula:

Fixed Costs divided by Unit Contribution Margin\* = Number of units needed to break-even.

\* Where Unit Contribution Margin = Selling Price per Unit - Variable Cost per Unit

*Example: Calculating Break-Even Number of Units*

The "unit" produced in this example is one hour of consulting. In our example, the number of hours required just to cover costs is 2,000.

\$30,000:  $\$30 - \$15 = 2,000$  units (hours per year)

If you assume consulting hours are spread out evenly over a 50-week work year, 40 hours must be billed and collected each week just to break-even.

2,000 hours per year: 50 weeks = 40 hours per week

With 40 hours of consulting per week by one person, the business only breaks even. Unless that person can consult additional hours to make a profit while marketing the service and managing the requisite paperwork, this business cannot turn a profit. Since this is highly unlikely (unless the consultant is an insomniac), this does not appear to be a realistic pricing model.

*Example: Upping the Ante*

Let's play around to see what the company's options might be. If we raise the hourly rate from \$30 to \$35 per hour, we find that the break-even revenue figure drops from \$60,000 to approximately \$52,500.

\$30,000:  $1 - (\$15/\$35) = \$52,500$

The number of hours per week required to cover costs drops from 40 to 30 per week.

\$30,000:  $\$35 - \$15 = 1,500$  hours per year

1,500 hours per year: 50 weeks = 30 hours per week

It still might be a challenge for one consultant to work 30 hours a week because she needs time for researching, learning, administrative duties, breaks, etc. Also, it might be difficult to sell 30 hours of consulting consistently every week. Even if these challenges are overcome, the business is still only breaking even. A profit needs to be made!

*Example: Try Again*

At a rate of \$50 per hour, the number of hours required per week to cover costs drops to an attractive 17, which is a more realistically achievable number in terms of sales and staffing.

\$30,000:  $\$50 - \$15 = 857$  hours per year

857 hours per year: 50 weeks = 17 hours per week

Also, the revenue needed to break-even drops to \$42,857.

\$30,000:  $1 - (\$15/\$50) = \$42,857$

So the price floor range for this business is \$35-\$50 per hour just to cover costs. (The range is dependent on how many hours can actually be offered and sold. It is up to the entrepreneur to

judge how realistic profit expectations are and to price accordingly.)

### **Adjust for Profit**

After you have determined your break-even points which establish "floors" for your price, there are strategies for establishing pricing based upon additional financial objectives, such as:

- Establishing a high price to make high profits initially. This strategy is used to recover high research and development costs or to maximize profits before competitors enter the market. (Pharmaceutical companies often use this strategy when introducing new drugs.)
- Setting a low price on one or more products to make quick sales to support another product in development. (Some companies also employ this strategy when they need to increase cash flow.)
- Setting prices to meet a desired profit goal. For example, if the desired profit per unit is 20 percent and unit costs are \$10 taking into account your fixed and variable costs), set your price at \$12.

Many different factors enter into the pricing process and you may use different combinations at any point in time. Although different formats exist for service providers and manufacturers, most pricing reflects three basic factors:

- Direct costs which includes labor and raw material
- Indirect costs or overhead which includes administrative and selling expense
- Profit

When you develop a selling price that accounts for these three basic factors, your price equations looks like this: **Price = Direct costs + Indirect costs + Profit**

Taking these three factors into account is called ***cost plus markup approach***, a strategy used by retailers, manufacturers, and wholesalers.

Several objectives need to be addressed in determining correct product pricing:

- Cover the cost of producing the goods or services
- Cover marketing and overhead expenses
- Provide profit objectives
- Afford distribution margin discounts
- Afford sales commissions
- Be competitive

When you have a service company, you usually do not consider a Cost of Goods Sold or Contribution Margin. The following example shows how to determine an hourly service rate for a service type business:

### ***Sample Revenue Planning Worksheet for Hourly Service Rates***

Use the following worksheet to calculate your annual expenses, annual profit goal and hourly rate necessary to achieve the profit goal.

Example:

**Expenses:**

Benefits (30%)	\$	25,500.00
Rent	\$	6,000.00
Telephone	\$	1,200.00
Auto Expense	\$	900.00
Utilities	\$	240.00
Meetings & Dues	\$	360.00
Adv/Promo	\$	1,000.00
Office Supplies	\$	600.00
Repairs	\$	600.00
Miscellaneous	\$	1,000.00
<b>Total Expenses</b>	<b>\$</b>	<b>37,400.00</b>

**Labor:**

My salary	60,000
Staff Salary	25,000
<b>Total Labor</b>	<b>85,000</b>

Total Operating Expenses = Total Labor + Total Expenses

Divide Total by 1,040\* = Hourly Billing Rate = \$130/hour

\* Most consultants estimate that they are doing well if they are billable 50 percent of the time. If there are 2080 hours in a year to work (excluding weekends and holidays), that means that your billable target is 1040 hours.

**Adjust for your actual output ability**

Look at your numbers... are they realistic? Can you really produce that much in a day? Start adjusting your numbers. If your numbers are greater than you can produce or the market will bear, then:

- Decrease your annual expenses
- Decrease your desired annual profit
- Increase your billable hours.

Remember, strict adherence to the above figures may place you out of the market. You need to consider what the customer is willing to pay and what the competition is charging. In order to make your business viable, you may have to lower your rate by cutting expenses, changing your income expectation, or adjusting your hours worked.

**Summarize Your Findings**

What did you decide? How many transactions do you have to do per day and at what average unit price to meet your goals?

## 5. Promotion

### Advertising, Promotion and Public Relations

The three most common forms of marketing communications are advertising, promotion and public relations.

Whatever you are selling, you will need to communicate about it with your target buyers. Most businesses find that they need all three components of marketing communications.

This is a good time to summarize everything you have discovered so far:

- Who is Your Target Market?
- What Value Statement Did You Create to Convey the Meaningful Difference in Your Product or Service?
- Given Your Target Market and Value Statement, What Would Be a Good Tag Line to Summarize Your Product?
- Determine promotion and advertising options and costs in terms of available budget.

There is usually not enough money to do everything desirable to build a business. Often a budget reality check for a small business means making a choice between a little promotion, advertising, or PR, but not all three at the same time.

### A Marketing Campaign

Try to assemble a 6-Month marketing campaign. Your campaigns will change depending on your marketing goals.

If this is a grand opening campaign:

- What method(s) of advertising, promotion or PR will you use to reach your target market?
- How often will you do it?
- How much will it cost?

You will revise your marketing campaigns around different products, different sales goals, etc.

In marketing for small businesses, often you will be contacted by outside sources for advertising or promotional opportunities for your company. It may seem prudent at the time you receive the call to sign up for the ad in the football program or to try five radio spots to see how you do. The point is that if you are proactive in putting together your plan you will know if this works for you. If not, a good practice is to have solicitors send information so you can consider it for your next fiscal year. You might even find that you are seeking out some of these promotional opportunities before they seek *you* out!

## 6. "Ph"ollow UP

### Listen to Your Customers

Customer satisfaction is the key to success. You want customers to be happy with the products and services you provide. If they feel they have received good value for their money, your business will prosper. Getting your customers to tell you what's good about your business, and where you need improvement, helps you to be sure that your business measures up to their expectations.

A customer satisfaction survey is one way to gather this vital information. There are a number of ways to get copies to your customers. Copies can be included with orders, mailed directly at regular intervals, sent and received by fax, whatever is convenient for your particular business. Many will not be returned, but those that are will make it worth your while.

Review your customer values. Now create a survey that asks your customers if you are meeting their values or do you need improvement. How will you motivate your customers to return the surveys? You may try offering a discount on the next purchase or some other incentive.

Do not forget to follow up on the comments you receive. If you have to change a procedure, tell an employee how you want things done, pick a new delivery service and advertise the fact that you did. Send thank you notes to the customers whose comments caused you to make a change. Let them know that you can do an even better job because they took the time to help you improve.

### Track Your Results

It is critical to monitor the effectiveness of your promotions. If they don't generate results, they are not worth the time or money you will spend. For example, your gourmet coffee shop ordinarily sells 500 pounds of coffee in an average week. You decide to try a promotion using a coupon, good for 20 percent off the price of coffee purchased during a particular week.

If coffee sales increase enough so that the additional sales make up for the lower profit margin, coupons might be a good approach. However, if you only sell the same 500 or so pounds to your regular customers, then all the coupons are doing is reducing your profit.

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**When you have completed the Six P's of Marketing, you have created a good, solid marketing plan for your business. Now put it in action!**

### **MAKE MARKETING A PROCESS NOT AN EVENT**

You cannot do something once and expect to get results. It will take at least 6 to 8 times before a customer is ready to purchase. The key is repetition!

### **IMPLEMENT YOUR MARKETING PLAN**

The heart of the implementation of a marketing plan is the execution, the actual "doing" of the planned marketing activities. Initiatives don't get completed by stating them on paper--they require action, management and follow up.

A simple accountability system can consist of a spreadsheet with the following column headers: date, action, details, cost, person responsible, target completion date, date completed and

resources required.

### **Successful marketing implementation requires:**

- Effective and efficient coordination of activities--who's doing what and when
- Deflection of distractions or objections by focusing on the tasks at hand and determining where your time is best spent
- Attention to detail
- Staying on top of "who's doing what". Never assume someone else is doing something--guerrillas never assume. It's that simple.
- Eliminate procrastination - No waiting allowed. If it's good enough to do later, it's good enough to do now. There is no time like now to further your marketing efforts.
- Over-delivery and under-promising. Delighting your prospects and customers will turn your marketing efforts into sales dollars.
- Doing what you do best and outsourcing or delegating the rest. Unless you have more than 24 hours in a day, you can't do it all and you certainly can't do it all well.

Accountability is a good marketing habit. Plans fail because those responsible for getting things done are not held accountable for their assigned tasks. This includes one-person, entrepreneurial businesses. The leader or leaders of the organization must know who is responsible for what and must manage those who are responsible for getting things done.

## **OTHER MARKETING SIDE-NOTES**

### **Marketing Communications**

There are many forms of advertising. Typically, they are advertising, promotions and public relations. Here are some thoughts on each of those channels.

### **Conventional Advertising**

Although this is covered first, the fact is that traditional advertising is not always the best means of promotion for small businesses. Advertising typically consists of newspapers, radio, magazines, television, billboards, and other traditional media. We have chosen to provide a separate section for Internet or World Wide Web promotion, which is a rapidly emerging market for small businesses today (and also widely different from other traditional advertising media). It is usually found that advertising is in the background of the purpose for the media. For instance, people turn on the radio for information and entertainment, but ads are not the primary purpose. The point is; you will rarely have the attention of those you are trying to reach. You must find a way of grabbing their attention. Repetition is also an important consideration and it is said that you usually have to expose a customer to at least seven of your ads before they will even be receptive to buying from you when the urge or need strikes them. Some small businesses say "I tried advertising in the paper once and it didn't work!" Clearly, they did not have the frequency that the customer needed to become a buyer for their product.

Conventional advertising is often difficult to evaluate for effectiveness. It is important to develop

ways to do so if you are to use it to your advantage. Look at emotions as a means of making your ads grab the customers attention. Using humor, or other drama, can enhance the effectiveness of your ads. Then translate the emotions into a benefit to the customer. Once you've gotten their attention you can't forget to sell! Make your claims as believable as possible. By communicating clearly and being credible, you are much more likely to create a sale in the future. If you can find a way to tie a promotion to your ad, it will make measurement easier. You will know when clients are responding to your ad by the nature of the inquiry or order. Lastly, make sure your ads are written for your customers and not yourself. An ad is not just your name, address, phone, and models of products. An ad should have a message, selling benefits to customers rather than features.

### **Public Relations**

Nearly all start-up businesses can benefit from this area. Public relations are usually free, and can help create awareness of your business without the cost of an advertisement. Most media are interested in new businesses for their area - this in itself is news. The basic means of creating public relations opportunities is the press release. In our rural communities as long as a press releases contains *news* they will usually run a story as submitted. If your story is advertising then they want to be paid for it, in the form of ads or classifieds. The trick is to present news in a way that promotes your business in the process.

If your small business will plan to use public relations as a strategy, you can gain credibility and visibility in the process. Thinking of it another way, your responsibility is to educate the market about your products or services. You just need to pursue an *angle* to the story that serves to do this. It will help if you develop a media list and a system for initiating, maintaining and following up with your media contacts. The media you choose depends on your needs. For some businesses, the local papers won't sell many of their products, but an article in a trade journal may be just the ticket. What is newsworthy? Such things as new employees, promotional events, walk-a-thons, food drives, sponsored activities, new product introductions, or innovations are good examples of such stories. It will help if you get involved with your local Chamber of Commerce, industry organizations, governmental assistance programs, or anything that takes advantage of your expertise or area of business. Sponsoring a Little League team or a tournament are other examples of methods of enhancing awareness and image for your company through public relations.

### **Direct mail**

Direct mail can be a very effective method to promote your business on a shoestring. When most people think about direct mail, they picture a large bulk mailing of junk mail. This is not the direct mail that will work for most small business. You can, however, do direct mail without the huge mailings by directing specific pieces to your customers and selected prospects.

Start first with your customers. Compile a mailing list from the day you start business by using a sign-in book or complete a sales receipt with name and address. Let your customers know you have a mailing list. Have salespeople generate names and provide an incentive. Keep good records from there and keep track of who is buying. Use letters, post cards, sales flyers, new product information releases and communicate with them on a regular basis. If you keep it small enough you can continue to make it personal. When is the last time you received a thank you note after making a purchase anywhere? It's a nice touch, but takes a system to make it work

and continue it consistently.

### **Trade shows**

Many small businesses do not realize how many trade shows exist as a means of developing business. There are thousands of shows in the U.S., many for industries you might not even consider. Today, tire dealers, bicycle manufacturers, art & craft sellers, hotels, and many other businesses can utilize trade shows to sell their products. You can check the Encyclopedia of Tradeshows at your local library to find those that may apply to you. The internet is also a good resource for locating trade show information.

How effective are trade shows? You can start by visiting those that apply to your business to check them out or write for a packet of information by the sponsor of the show. Talk to others in your industry. Ask the show for references. A trade show can be a very cost effective means for selling.

When you attend a trade show, have someone at your booth at all times who is knowledgeable and sales oriented. Trade shows should not be just a means of gathering business cards. You should strive to get solid orders. Staff your booth well and be prepared to do business. Like other forms of advertising, your booth needs to catch the buyers' attention by looking professional and beckoning their interest. Coupons, contests, and attention getting displays all serve to improve your booths overall appeal.

### **Word of mouth**

Although you will not find this as a specific strategy in many traditional marketing books, the fact is readily acknowledged probably not remain that way, however, and it is a good idea to get *up-to-speed* now on this valuable resource. If you will employ some *public relations* thinking to your promotion on the internet you may come out a winner. People using or *surfing* the web are mostly looking for information, not advertisement. By creating *news* for the internet, you may find there are a lot more customers than you think. If you can take the time to get involved with Newsrooms (places where people use the internet to gather information on a specific subject from other people on-line), you can develop one-on-one selling opportunities as well. As a source of research and information, the internet has become an invaluable tool.

## **Some Other Marketing Ideas**

### **Combine Business with Pleasure**

Host a charity event or sponsor a community event. This can give you the opportunity to network with people while showing off your business.

### **Get Editorial Coverage**

Editorials are more credible than paid advertising. Provide fresh, timely stories to the local media. Bundle your product or service with new trends or something that is happening locally, regionally or nationally.

### **Create Business Cards Worth Keeping**

With today's databases, most people do not keep business cards. Consider a small pad of

paper with your logo or consider items you've kept with a logo on it...a mail opener, a calendar, a magnet? Choose something that people will be likely to keep or use rather than throw away.

### **Make Customers Feel Special**

Deliver more than is expected. Add a little something to their bag; give an additional service; remember their name.

### **Retain Customers**

Getting new customers is much more expensive than keeping one. Find out if someone is disgruntled or why a customer has been inactive. Reel them back in—don't let them get away!

### **Work on Increasing Profits Rather than Increasing Sales**

Stop marketing to unprofitable customers. More than likely 20% of your customer base will purchase the most from you. Identify these customers and market premium services to them.

### **Become the Expert in Your Field**

Remember: "The best way to sell, is to tell." Give your customers lots of information on your product or industry. People want to do business with the expert in the field so market yourself as the expert in your field. Get in on-line chats and provide expert advice, solve problems and generate leads.

### **Develop an Electronic Mailing List and Send Letters**

Generic newsletters and offers are fine, but you must send a personalized letter that people want to read. A discount, a premium offer or an analysis of recent events in the industry are good ideas.

### **Become a Destination, Not Just a Must Do**

Do you go to Barnes and Noble to buy a book or spend a few hours? Basha's in Phoenix offers babysitting while you shop. Desert Ridge has fountains and a social gathering place. Try to find a unique "niche" that makes your business or product stand out from the crowd.

## **Final Marketing Tips**

### **MAKE MARKETING A HABIT**

- Write an article to pitch to your local business organization
- Make a list of press release ideas
- Write a press release
- Call a newspaper and ask who the feature editor is for your area of expertise
- Compose an e-mail sales letter
- Call a few prospects or customers to get their e-mail contact information
- Develop a series of survey questions
- Brainstorm advertising concepts
- Write a pitch letter to a radio or TV station
- Get contact information from media outlets
- Plan a renaming of your products

- Work on new product development and introduction ideas
- Invite a customer or prospect to your office for coffee or to discuss new ideas
- Recognize a special prospect or customer
- Discuss a fusion marketing idea with a strategic business partner
- Visit a few marketing-related websites
- Post new information on your website
- Plan your networking calendar for the week
- Call to follow up with networking contacts
- Get price estimates for the printing and mailing of your direct-mail campaign
- Mail samples of your product to top prospects
- Brainstorm ideas for an "enter to win" contest
- Develop a coupon for your product or service
- Rewrite your phone's on-hold message script
- Write an article or other text for your newsletter
- Brainstorm new product or service ideas
- Plan a new customer service activity that will truly delight your customers
- Develop your benefit list and compare to it to your competitions'
- Develop a checklist, top-ten list or other information as a response to a marketing hook
- Create a data base of your customers and prospects
- Hand write a thank-you note to a customer or prospect

### **About the Small Business Development Center**

Mohave Community College's Small Business Development Center serves all of Mohave County and is one of eleven statewide centers. Our goal is to help small businesses succeed.

The SBDC offers confidential, no-cost counseling services. Clients may utilize counseling time as agreed upon by the SBDC. We guarantee that anything we discuss with a client will be held in the strictest confidence.

The center staff and consultants work with clients to identify problem areas and help the client with strategies to deal with the problem. We provide quality educational programs, access to resources, and "one-on-one" assistance throughout the county.

#### **We can assist you with:**

Evaluating Business Ideas

Small Business Management

Creating Business Plans

Government Contracting

Start-up Cost Projections

Employee Issues

**Business Financial Projections**

**Customer Service Skills**

**Loan Packaging**

**Bookkeeping Skills**

**SBA Loan Programs**

**Marketing Plans**

**Business Expansion Studies**

**Business Valuation Studies**

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