

Chapter 11

Promotional Activities



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Objectives

- 11-1** Describe the promotional strategies available to entrepreneurs.
- 11-2** Explain the three advertising stages of a business and how they affect advertising choices.
- 11-3** Discuss the guidelines and considerations for selecting the most effective advertising vehicles.
- 11-4** Explain the considerations involved in staging a successful promotional event.
- 11-5** Define the different selling methods and explain how each is used.
- 11-6** Discuss the importance of good public relations to a small business.

IMPLEMENT THE PROMOTIONAL MIX

In Chapter 5 the promotional mix was defined as consisting of four parts: advertising, promotion, personal selling, and public relations/publicity. These communication strategies are designed to promote customer acceptance of the product or service. Once the entrepreneur has determined the complete product, selected a location, and set a price that ensures a comfortable profit margin, she can turn her attention to the final P of the four P's, designing sales-enticing promotional strategies.

In the free enterprise system, businesses have a myriad of ways to communicate with their intended target market. However, many of these methods are not within the budget constraints of the small enterprise. It is important that you learn how to outthink your competitors because, in many instances, you will not be able to outspend them. There will be hard choices to make in regard to how you spend money—on advertising, promotional activities, or personal sales programs. To develop an effective promotional strategy, it is imperative that you have a thorough understanding of your customers' needs as well as the best methods to satisfy those needs.

Strategic Considerations

Determining which overall promotional strategy is best suited to the business and its products is your first step. Always keep in mind that the strength of a small business lies in its ability to be more personal and flexible than a large business. The promotional strategy begins with reviewing the competitive advantage of your business. Is it a cost leader? Does it offer the greatest convenience? Does it offer a unique product or service? What you are promoting determines which tool would be the most effective.

Some products or services demand a very aggressive strategy of enticing customers to try them. For other products or services it is better to use a strategy of creating a demand and then delivering the product. The former, known as a **push strategy**, depends on the seller making the product immediately available. The latter, a **pull strategy**, is intended to create so much interest in the product beforehand that customers are literally demanding that it be made available. Push strategies place the products on retail shelves for customers to choose, while pull strategies enlighten customers to the products' existence before the retailer has offered them for sale.

Strategies

A **viral promotional strategy** is a commonly used type of pull strategy. The business sets in motion a plan to capture the attention of a particular segment of the market with the expectation that the opinion leaders of that segment will spread the word—just as a virus spreads from one person to another.



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A good example of viral marketing was the opening of the movie *The Passion of the Christ* in 2004. It was released on a very limited and controlled basis to certain churches and religious organizations, with the hope that the leaders of these groups would tell others about the movie and lay the groundwork for an enthusiastic reception when the movie was released to the general public. The \$30 million production grossed well over \$200 million within a few weeks of its debut.

Small businesses can use viral marketing with their target markets as well. A well-designed promotional strategy and mix can spread the word about the features, advantages, and benefits of buying from a certain business. Once it is set in motion, word-of-mouth promotion becomes the strongest type of promotion a business can rely on. There is nothing more effective than praise and personal recommendations passed from one person to another.

Network promoting is another example of using personal references to spread the word and sell products. Networking strategies have grown tremendously over the past decade. The use of networking started years ago with Tupperware parties and has expanded to include activities such as demonstrating the uses of Mary Kay cosmetics and selling Amway cleaning products to friends and relatives. The success of these businesses comes from the personal contact.

As a small businesses owner, you can learn from this success and use your own network of customers and friends to promote your product or service. Be on the lookout for any opportunity to discuss your business in front of groups of interested individuals. This activity may take many forms, such as seminars at your local community college on subjects such as home decorating (if you own a furniture store) or speeches on retirement planning at local civic organizations (if you own a financial planning service). By placing yourself in the public eye this way, you are building a network of people who will spread the word about your business.



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ADVERTISING

The function of advertising is to draw attention to the features, benefits, and advantages of a product, service, or business. As noted in Chapter 5, for small businesses this should be done on as personal a basis as possible. Rarely can a small business afford the cost of mass media vehicles that larger businesses use—large metropolitan newspapers, national magazines, and major television and radio networks. The success of a small business is far more dependent on the personal, customer-oriented approach, and that includes the business owner's approach to advertising. It is not necessary to spend lavishly to achieve the desired results from an advertising campaign. It *is* necessary to focus on advertising activities that yield the greatest return for the dollar.

Advertising Guidelines

It is impossible to evaluate the results of an advertisement in strictly quantitative terms. Therefore there are no definite rules to follow. However, experience has generated some general guidelines for effective advertising for small businesses.

1. A business that engages in advertising must design a consistent approach. Too many businesses jump in and out of the marketplace based on impulse and cash flow fluctuations.
2. You must be careful not to overreach your intended market. Too often small businesses assume they are more powerful in attracting customers than they really are. They tend to overreach their target audience by paying for advertising circulation that extends beyond their market. For instance, a single retail unit should not spend advertising dollars in a metropolitan newspaper that is distributed to areas that are not part of the business's marketplace. If it does, it is paying as much to reach readers 20 miles away as it is to reach those in the immediate marketplace.
3. Small businesses should keep their advertising message and approach personal. They should employ advertising vehicles that allow, as closely as possible, a direct or one-on-one presentation, as in direct mail.
4. Business owners must understand the stage of development their business is in to choose the most effective advertising copy.

Advertising Stages

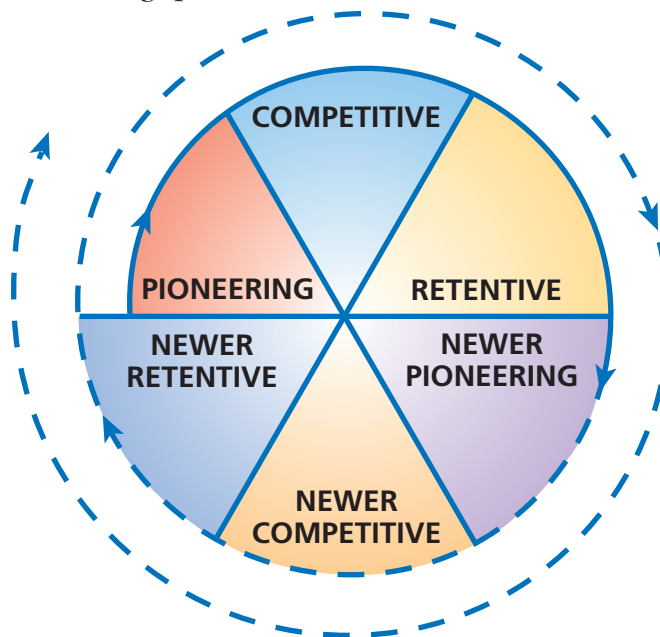
Businesses must look at their stage of development to determine what type of advertising will be most effective. The goal is to always look fresh and exciting to customers. The spiral in Figure 11-1 represents a business's continuous effort to stimulate and restimulate the market's interest in a product or service.

New businesses are in the **pioneering stage** of development and therefore should concentrate their strategies on introducing themselves to the marketplace. Key words such as "introducing," "welcome," "brand new," and "announcing" are often used at this stage.

Once the business has settled into the marketplace, it enters the **competitive stage** of advertising. In this stage distinctive or exceptional features of the product that are not shared by the competition are emphasized. Themes such as "compare," "better than," and "less expensive than" are used in an effort to increase market share. Often this stage begins when competitors react to the new business by increasing their advertising.

FIGURE 11-1

Advertising Spiral



Once firmly established, the business enters the **retentive stage**, in which the intention is to maintain market share. Themes such as “established since,” “reliable,” and “serving your needs since” remind customers of the business’s staying power, loyalty, and dependability. This is considered the least effective form of advertising and is used only for businesses and products that are already well known in the marketplace.

Advertising in the first two stages is normally **product advertising**, since it focuses on the benefits and advantages of buying the particular products or services of a business. **Institutional advertising** is used in the retentive stage. It is designed to broadcast a good image of the business itself by emphasizing the benefits and advantages of doing business with it.

Businesses in the retentive stage should look for ways to reenter the pioneering stage. At this point it is important to add a new dimension to existing products or services or the business may fall behind and become obsolete. Often a new look can be achieved by expanding the selection, redesigning the product, or showing new uses for it. Arm & Hammer is an excellent example of a company that has used this strategy successfully. It has cast the usefulness of baking soda in a variety of ways, from refrigerator deodorizer to tooth cleanser to antacid. Johnson’s also used this strategy when it ran ads showing a well-known football player using its baby shampoo, and in that way entered the adult shampoo market. It is common for companies to return to the pioneering stage of advertising by announcing a “new and improved” or “bigger and better” product.



THINKSTOCK

Small businesses can do the same thing in a smaller capacity. Inviting customers to “come see our new look,” or announcing that “we now carry the new” can accomplish the same result.

ADVERTISING FOR SMALL BUSINESSES

Advertising rates are based on exposure, whether it is to readers, listeners, or viewers. Small business owners are constantly on the watch for the media that most directly reach their specific market, without needless exposure to markets that will not react to their message.

Local Newspapers

Small enterprises should use only those newspapers that are circulated to their specific target market, from which they expect to derive the greatest percentage of their business, and not to areas outside of their domain. These newspapers are usually community dailies or weeklies. In some larger markets the metropolitan newspaper runs **zoned editions**, which are distributed only in specific areas to serve the needs of marketers in that area. By limiting advertising to the immediate market, the entrepreneur saves money that would otherwise have been spent on unnecessary exposure.

Rates for newspaper advertising are based on cost per **column inch**. Newspapers are laid out in a 6- or 8-column format. The total number of column inches per ad is calculated by multiplying the width of the ad, measured in columns, by the depth, measured in inches or lines (there are 14 lines to a column inch). A 4-by-4-column-inch ad is 4 columns wide by 4 inches (56 lines) deep. If the rate is \$24 per column inch, the cost of the ad would be $4 \times 4 \times \$24$, or \$384. The charge per column inch is derived from the stated circulation number of the newspaper. A metropolitan newspaper with a circulation of 200,000 might charge \$40 per column inch, whereas a zoned edition or a local community newspaper with a circulation of 50,000 might charge \$20 per column inch. Newspapers generally allow discounts on their published rates if the advertiser signs a contract guaranteeing purchase of a stipulated number of column inches over a specific period of time.

It is very difficult for a small business to compete with larger businesses in terms of ad size and competitiveness. Size is the single most important factor in getting an ad noticed, as illustrated in the survey results from Starch Marketing Reporting Service in Table 11-1.

TABLE 11-1 SUMMARY OF 32 NEWSPAPERS AND 6,400 PERSONAL INTERVIEWS

Size of Ad	Women Noted	Women Read Most	Men Noted	Men Read Most
1 page or more	48%	19%	34%	11%
$\frac{3}{4}$ to 1 page	43%	13%	30%	8%
$\frac{1}{2}$ to $\frac{3}{4}$	36%	10%	31%	9%
$\frac{1}{4}$ to $\frac{1}{2}$	29%	10%	22%	7%
$\frac{1}{8}$ to $\frac{1}{4}$	28%	10%	20%	7%
Under $\frac{1}{8}$	15%	5%	13%	5%
All ads	31%	11%	24%	7%

It is clear that if you cannot afford to run an ad large enough to make an impact in a high-circulation newspaper, you should concentrate on less costly but more target-specific print media. For example, a 6-by-8-column-inch ad (approximately half a page) in the 200,000-circulation newspaper described above would cost \$1,920 ($48 \times \40), compared to \$960 ($48 \times \20) in the more tightly distributed 50,000-circulation newspaper or zoned edition. Not only is the latter cheaper, it is also more efficiently targeted for your needs.

Magazines

Magazine advertising has the benefit of a longer exposure time. While newspapers generally have a one-day exposure, magazines have an extended reading window. They may be left on coffee tables, in waiting rooms, or on library shelves for many weeks, even months. As with newspapers, rates are based on subscriber and circulation statistics. The advantage to small businesses is that magazines are targeted by subject material. The disadvantage is that unless they are very tightly distributed geographically, they usually overreach the target market.

Many small businesses use the classified section of major magazines to reach targeted markets. Classified ads are affordable and can serve either to

FUN FACTS

The great increase in information sources (television, Internet) has taken its toll on newspaper readers. Newspaper readership has declined almost 40 percent in the past 40 years. Today fewer than 55 percent of adults read a daily newspaper, compared to over 80 percent in 1964.

sell directly or to gain prospects. They often direct readers to call or send for more information. Classified ads are also an effective means for advertising web site addresses.

Classified advertisements, whether in newspapers or magazines, are sold on a per-word basis. There is a flat rate for a set number of words, with an additional charge for every word over the initial number—for example, \$150 for the first 20 words and \$12 for each additional word. A 25-word classified ad would then cost \$150 plus \$60, or \$210. For an additional fee, many publications print simple artwork as the headline. There may also be additional charges for bold print. If you sell specialized products to a niche market, such as fishing lures to fishermen, classified magazine advertising can be very profitable and should be considered.

Radio

FUN FACTS

The average listener over 12 years old in the U.S. spends over 1,100 hours a year listening to the radio.

Many small businesses use radio advertising effectively, citing its affordability. Radio advertising is charged a fee per spot. Rates are based on listenership, which is calculated by independent survey companies. The largest of these is the Arbitron Company. Surveys are published throughout the industry and denote the listening audience of particular stations at specific hours of the day, including a breakdown of the audience by age group. The more listeners a radio station has, the higher its rates. Charges are usually quoted for 30 or 60 seconds. The time of day the spot is run affects the price. Prime time (often called drive time in the radio industry) constitutes the most expensive time slot. Rates vary significantly between stations as well as within the time periods the advertiser wishes to run an advertisement. A 30-second drive time spot might be \$18 for one station and \$60 for another, depending on the survey of listeners. Radio stations, like newspapers, offer discounts to frequent users.

Small business owners should be more concerned with the makeup of the listeners than the number. It does not matter how many listeners a radio station has if they are not your target market. You must choose the station

your customers tune in to in order to get the best results. For example, if you are in the business of selling western wear, you might consider using country western stations, but if you sell to teenagers, you would advertise on hard rock or hip hop stations.

Radio advertising can offer a degree of personalization. An effectively designed radio commercial often creates a one-on-one connection between the narrator and the listener. This is particularly true with a single car occupant who is free to concentrate on the message. If there are others in the car, such as small children, the “noise factors” surrounding the commercial will reduce the effectiveness and retentiveness of the message.



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Television

The expanding number of television stations has opened opportunities for smaller businesses to use television advertising. When the major networks dominated all markets, advertising was too costly and competitive for small enterprises. However, with the growth of local programming through cable and satellite television, TV advertising is now a viable option. With such a large assortment of stations and programs, businesses may choose television stations on the same premise as radio—by the target market served. The advertiser's objective is to choose a program of interest to its specific market. For instance, a sporting goods store may wish to sponsor the televising of a local high school football game.

Rates are based on viewership, which is surveyed by independent companies such as the Nielsen Company. Television rates may be comparable with local radio rates. However, there is a one-time charge for taping the commercial, and, depending on the degree of complexity, this can prove quite costly. The advertiser should be informed and involved with the actual taping as the final product will cast an image of the business that many viewers will see and remember. Television advertising is not as personal as radio advertising, but it adds the visual dimension—"a picture is worth a thousand words"—which is a powerful stimulant and a reinforcement of your basic message.

Billboard Advertising

Many businesses find billboard advertising invaluable. Restaurants, motels, and tourist attractions are examples of businesses that typically make use of this medium. Its appeal is to businesses that target car travelers, particularly those travelers who are visiting an area or are passing through. There are also mobile billboards, which are placed in public transportation vehicles such as buses, subways, and taxicabs. Often less expensive than highway billboards, they also offer better targeting.

Rates for billboards are based on the average number of exposures of a location, measured by the number of people who pass by over a given time period. Exposures are determined by drive-by surveys. This information is available through a state's department of transportation. Rates fluctuate according to the amount of traffic, whether the sign is lighted or unlighted, and its size. Usually advertisers are billed on a monthly basis, as stipulated in a signed contract covering a specific period of time. Design, artwork, and setup charges are billed separately and, like television advertising, demand the entrepreneur's close attention as the image will tell a story to the many potential customers who see the billboard.



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Ethics for ENTREPRENEURS

Some entrepreneurs rely on trickery to achieve a sale. Two common unethical sales methods are bait-and-switch advertising and deceptive closing tactics.

In bait-and-switch advertising, a seller advertises a special price on a product that he or she does not intend to sell. When buyers inquire, they may be told that the product is sold out or that it is of inferior quality, but that there is another product available, at a higher price.

Deceptive closing tactics come into play when a salesperson tells a potential buyer that the product the buyer is interested in will be sold to another waiting buyer if it is not purchased immediately, when in actuality there is no waiting buyer.

Think Critically

1. Have you ever been victimized by either of the above tactics? If so, describe the situation and explain the best way to handle it.
2. The Latin expression *caveat emptor* means “let the buyer beware.” Do you believe this warning is necessary when buying products in the U.S.?

Telephone Directories

Telephones are an indispensable convenience tool for consumers. For this reason, small businesses selling consumer products or services should consider advertising in telephone directories. For many businesses, such as restaurants, repair services, and highly specialized products, this kind of advertising is essential. The challenge is to place ads where the target market will be looking. Many product classifications overlap, and there may be a temptation to advertise under multiple headings, which can lead to overreaching and become very expensive. Again, the better you understand your target market, the more effectively you will control your advertising expenditures.

Rates are determined by the number of telephone books in circulation and the size of the advertisement. If you advertise in the local Yellow Pages, the charges are billed monthly as part of your telephone bill. Supplemental telephone directories bill separately.

Direct Mail

For many small businesses the most efficient, cost-effective advertising vehicle is **direct mail**, printed information sent through a delivery service or electronic mail to potential customers. Designed properly, it provides the desired one-to-one connection. Direct mail places a message in front of the potential customer, often with minimum “noise factors” that cause distortion. The challenge lies in designing a format that is inviting as well as informative.

Strategies Since the strength of a small business is its capacity for a more personal connection with its customers, its direct mail pieces should be as personal as possible. You should address your mailing piece to an individual—for instance, “Mrs. Mary Jones”—rather than to “Resident.” It is better to address the piece by hand or make it look as if it was personally typewrit-

ten rather than to use stick-on labels, which make the piece appear to be part of a mass mailing. In a crowded mailbox of advertisements, the recipient is more likely to open mail pieces that look personally addressed.

The same holds true for the salutation and the message itself. “Dear Ms. Jones”—or, in the case of a regular customer whom you know personally, “Dear Mary”—will be much better received than “Dear Customer.” Whenever possible the message should begin with a personal touch, such as “Thank you for...” or perhaps some reference to a past relationship.

Besides being personal, a direct mail message must also look professional. The use of photographs, graphs, or illustrations shows professionalism and breaks the monotony of the written message. When using photographs, include pictures of people, pets, or places of local interest rather than generic copied images. Use high-quality paper to help create the image you desire for your business.

Mailing Lists Direct mail can be used to send information letters, brochures, or catalogs. Mailing lists are available through mailing houses and can be tailored for the intended market. The cost is based on the number of names and addresses required.

The best mailing list consists of customers who have used or visited the business in the past. Designing an effective system for collecting and maintaining a database of past and current customers is a must for every new business. Mailing a letter to regular customers announcing a new product or development in your business is the most cost-effective form of advertising you can use.

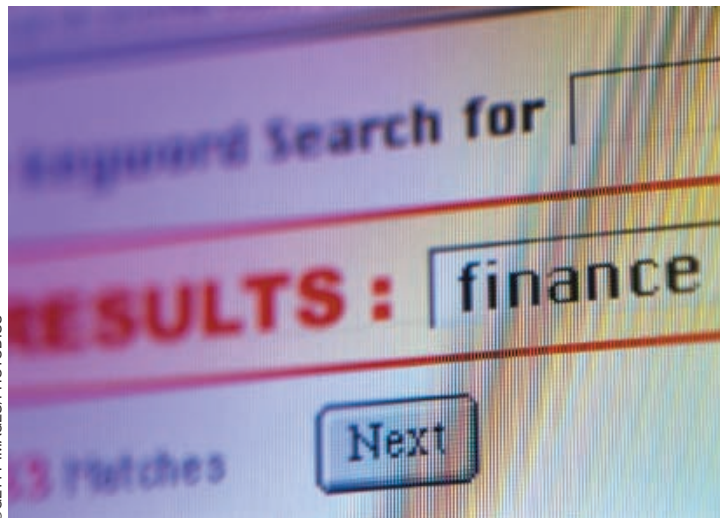
The cost of mailing pieces can be significant. If you use direct mail as a regular part of your promotional program, bulk rates are available through the postal service that will mean significant savings in mailing expenditures. Mailing fees are determined by the size and weight of a mailing piece. Check with the postal authorities before designing your mailing piece.

Telecommunications Advertising

Internet advertising is attracting more and more customers. E-mail pop-ups and banners are designed as a quick hit-and-move-on technique. As such they do not hold much appeal for most small businesses. They offer little in the way of personalization and have not been determined as cost-effective for most vendors of small consumer goods as they cannot be effectively targeted.

However, web site merchants do use services that direct customers to their sites. Pay-per-click ads are offered by Internet search services. For a fee for each customer directed to a web site, the server lists an entrepreneur’s product as a sponsor under the desired category or name. If a business wishes its web site to be listed when a search is being conducted for a product—baseball pennants, for instance—the business agrees to pay the server a specified amount to make sure its web site is listed as a source for baseball pennants. When the words “baseball pennant” are entered into an Internet search, the names of

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Small Business Technology

In the past, getting the word out about a new product or special event could take several days. Sellers had to design and place newspaper ads two to three days in advance or submit radio spots one or two days in advance. Through the use of the Internet and fax machines, information can be sent out much more quickly today. A special sale can be announced in minutes via a company’s database of customer e-mail addresses or fax numbers. Businesses often use e-mail or fax to preannounce a special sale or event to their established customers while using traditional media to attract new customers.

vendors who have subscribed to the service show up on the page. Fees range from a few cents to several dollars per hit, depending on the number of businesses bidding for a listing and in what place or order the subscriber wishes to be listed. Businesses with web sites are very dependent on this type of advertising.

Another form of advertising commonly used in conjunction with the telecommunications industry is fax broadcasting. The seller pays a fax broadcasting service to distribute a specified number of faxes to a particular market. Although it can be targeted in the same way a mailing list is, this form of advertising cannot be personalized and is generally not an effective medium for small businesses.

Create Copy

The best source of information for creating advertising copy is the entrepreneur. It is important to recognize that any promotional piece will carry the image of your business. You are responsible for maintaining a positive image, and it is therefore your job to screen all representations of the business.

Certainly you should make use of the art departments of print media and the production design skills of radio and television personnel, but final control should remain in your hands. You know your product and your target customer best.

FIGURE 11-2

Effective Advertising Copy

The advertisement is for Wilson's Record Shop and is presented as a torn piece of paper. It is set against a light blue background. On the left side, there are two brackets labeled 'Attention, Interest, and Desire' and 'Action'. The text of the advertisement is as follows:

AIDA

Wilson's Record Shop
 announces a **members-only club!**
 ❖ ❖ ❖
 Receive a **free record** with every purchase!
 ❖ ❖ ❖
FREE RECORDS
 Come in and register today.
 Wilson's Record Shop
 Springfield Mall
 Highway 405
 843-1121

Advertising copywriters often use two acronyms to guide them in creating copy: **AIDA** (attention, interest, desire, action) and **KISS** (keep it simple, stupid). An effective ad, such as the one in Figure 11-2, must, of course, attract the attention of the target market. Usually this is accomplished with a headline, photograph, or illustration. The features of the product or service and the benefits the customer will receive after purchasing it are explained in clear, concise language or illustrations.

The action part of the advertisement asks the customer to do something to gain the satisfaction being offered. “Buy now,” “come on down,” and “save today” are examples of action statements. All advertisements, whether in print media, radio, television, billboards, Yellow Pages, or direct mail, should contain the four AIDA ingredients. And they should be simple. Keep in mind that the customer is busy and will not take the time to decipher long and complicated messages. The message must be clear, concise, and understandable to everyone: KISS.

Evaluate Advertising Results

Rarely can an entrepreneur effectively measure the results of an individual advertisement. An entrepreneur who spends \$1,000 on a one-time advertisement with the objective of selling enough of the product to pay for the ad and make a profit will, in most cases, be disappointed in the results. Evaluating the effectiveness of an advertising program requires looking at the benefits of image enhancement and customer exposure over the long term rather than immediately. A business that spends money on a consistent, well-planned advertising program will show steady growth. Over a period of months or years, it will outperform the growth statistics of its industry.

To get the most out of your advertising dollars, you must make both a long-term approach and consistency a central part of your planning. Consistency assures the regular exposure that will keep the business in the customer's awareness. Large businesses know the importance of consistency, which is why they run advertisements repeatedly on television, radio, and print media. The more times people are exposed to an ad, the more likely those in the target market are to remember it.

STAGE A PROMOTIONAL EVENT

A **promotional event** is a planned program created to build goodwill for a business by offering an added value to the customers. An event can be as simple as distributing pens or calendars to customers or as elaborate as staging contests and awarding prizes. Planning a promotion for a small business can be a very rewarding and surprisingly affordable method of increasing sales and exposure.

Promotions should be fun for the customer and the business. The primary objective is to create goodwill. A simple contest of guessing the number of jelly beans in a jar for a prize creates excitement for customers and leaves them with a good feeling about the business. The cost is nominal and might include a fish bowl, jelly beans, copies of entry forms, and a prize, normally a product or gift certificate from the business. In exchange, customers enjoy participating and often encourage friends and family members to participate as well, giving the business a broader exposure. Once the word is out, potential customers stop in to enter the contest and, of course, are exposed to the products or services of the business.

Another example of a contest that attracts community members is one that offers prizes for the best artwork or science experiment by a child. Such a contest gains the attention of the entire family several times—first as the child is creating the artwork or experiment, next when the work is on display at the business. Then family and friends come by to see the child's entry. When the contest is over and the entries are judged by a source outside the business, such as the local art league or science club, the winner and runner-ups are announced with



DIGITAL VISION

great fanfare to the local newspaper or television station. A contest generates free publicity and goodwill for all concerned. The cost to the business is minimal and is returned many times over.

The small business should work from an annual calendar, which helps not only with budgeting but also with highlighting certain sales periods. Successful merchandisers use a calendar that features at least one promotional event per month. For example, a January sales event might be a white sale, February might feature a President's Day or Valentine's Day sale, and August might feature a back-to-school sale. If you market on an occasional or irregular basis, the competition may succeed in taking away your customers and changing their buying habits.

Small businesses, particularly retailers, should be socially oriented. People should enjoy visiting the store not only to see what is new on the shelves but also to interact with other customers, friends, and the staff in a welcoming environment. By staging promotions, the business is entertaining its customers, fostering good feelings, and, in the long run, increasing sales.

A grand opening is another kind of promotion that reaps benefits for a new business. A grand opening serves multiple purposes. It is an exciting way to announce that the enterprise is open for business and, done correctly and creatively, also announces that the business is fun, cares for its customers, and is socially oriented. Customers enjoy looking at new things, and they will respond to the invitation. Serving refreshments, having a ribbon-cutting ceremony, and providing entertainment are ways to create goodwill, gain excellent exposure, and ensure that new customers will return. Simple ideas such as giving a carnation to everyone who attends is an inexpensive but extremely effective method of building positive attitudes toward the new business.

As with advertising, a promotion judged strictly in terms of dollars returned for a particular event will be disappointing. Promotions must be evaluated as part of an overall marketing package that allows a business to reach its sales goals.



The Global **ENTREPRENEUR**

Many entrepreneurs who sell through the Internet are taking a global approach to designing their web sites. It is quite simple to add a translation page to a site. Simply list a click that will direct potential customers to the language of their preference. Once there, they will find the information translated into that language. For example, a German clock manufacturer lists "To view in English" at the top of his web page. With one click, all descriptions and metrics instantly transpose to English. This is an especially wise choice for entrepreneurs who market products that are difficult to find.

Think Critically

1. List three examples of products sold on the Internet that should be described in more than one language.
2. Conduct an Internet search for a product normally manufactured outside the U.S. and report your findings to the class. Note whether or not the delivery charges to your hometown make purchase feasible.

THE DYNAMICS OF PERSONAL SELLING

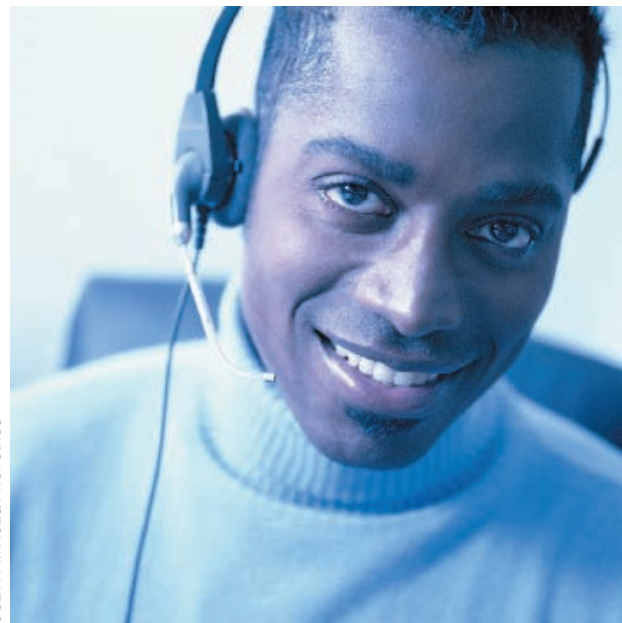
A sales plan may consist of several methods of selling. You must decide the best means of educating potential customers about the features, advantages, and benefits of your product or service.

Retailing Retail selling is the easiest method because the customer comes to the seller. The mere fact that the customer has chosen a particular store in which to shop or browse announces to the seller a need for that store's particular product or service. The seller must make sure to create an environment that encourages browsing and purchasing. Salespeople must be welcoming and knowledgeable in their presentations.

Cold Calling The most difficult sales method is cold calls, which are calls made without prior notice to the potential customer. The salesperson must be armed with techniques designed to quickly determine the needs of potential customers. Cold calling is often not an efficient method, particularly for business-to-business selling, as it requires waiting for the availability of the intended customer. Qualifying prospects is a particularly important ingredient. A salesperson who waits an hour to visit with a potential client may be disappointed to learn that he has called upon the wrong buyer in the wrong department. Proper homework must be done to prevent wasting time.

Telemarketing When done properly, telemarketing is an effective sales method for many small businesses. **Telemarketing** is selling that involves interacting with customers by telephone. An advantage of telemarketing is the ability to communicate one-on-one with the potential customer, but it has been abused so that it has a negative image. Since the product cannot be seen or touched, telemarketing should only be considered for small service companies. Telemarketing can reach large numbers of prospects relatively inexpensively. The rules of etiquette require that sales personnel be articulate, enthusiastic, and well versed in the features and benefits of the product or service. A good telemarketing script proceeds through the following steps:

1. Address the customer by name, and identify yourself, your company, and the reason you are calling.
2. Pause. Ask if the time is convenient. If it is not, arrange a better time.
3. Make an opening statement describing the features and benefits of the product or service, such as "I'm calling to tell you about a new insurance policy that will better protect your home against catastrophic natural occurrences."
4. Determine if the prospect qualifies by asking fact-finding questions.
5. Overcome any objections.
6. Sell the benefits.
7. Use a trial close.
8. Close.
9. Summarize and confirm.
10. Express your appreciation for the time or order.
11. Determine the follow-up method and date.



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The most effective use for telemarketing is as a follow-up to a direct mail piece, particularly if the piece closes with the announcement that a service representative will contact the recipient at a later date. When used in this manner, the telephone is viewed less as an intrusion and more as a tool that offers additional information. The bottom line of telephone etiquette is not to use any method that the caller might personally find objectionable, and not to violate times normally reserved for family matters or privacy, such as dinner hours. For small businesses, telemarketing is better suited for business-to-business contact during regular business hours than for residential calling.

Trade Shows Trade shows bring industry buyers and sellers together. A **trade show** is a gathering of many producers in the same industry to display products to customers. This promotional tool is normally used to communicate with businesses that purchase a product for the purpose of using it within their own production process or reselling it to consumers or other organizations. Since the potential client is part of the seller's industry, product knowledge is extremely important. Smiles and personality alone will not sell to an informed buyer who is looking out for what is best for his or her business.

Product Demonstrations Often part of the cold caller's repertoire, demonstrations show how a product is used to bring about the desired benefits. Often used in on-site industry presentations or staged promotional events, demonstrations present an excellent format for effectively handling objections.

This sales method is successful only if the full support of the company is behind the sales representative and the product. Sales personnel must be equipped with knowledge, support tools (warranties, dependable shipping schedule, and so on), merchandising aids, and the confidence that the company supports them.



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Sales Training A good sales training course or manual will help motivate and hone the selling skills of representatives. It will not transform a highly technical introvert into a dynamic sales personality, but it will teach proven sales techniques. A training program must match the sales philosophy and approach of the business. The primary requirement for successful sales training is hiring motivated, proactive individuals who want to become professional salespeople. Since training programs also serve as motivators, it is important that they be offered on a regular basis. In order to keep motivation high and skills sharp, salespeople should undergo further training at planned intervals.

PUBLIC RELATIONS AND PUBLICITY

Successful entrepreneurs know the value of public relations, whether paid or free publicity. Public relations is exactly what it says—creating good relationships with the public. Building a good reputation for integrity and fair value will, in the long run, determine how successful a business will be. New businesses must start from scratch to develop good public relations, and, although it might take a long time and a sacrifice of time and money, it should be part of the overall promotional plan. It ties together all the elements of the promotional mix as well as the social responsibilities of the business.

Good public relations is gained by companies that work effectively within their community and industry. They go beyond what is expected to earn goodwill. Whether that means community service or financial support of not-for-profit organizations, public relations demands attention and planning. Just as an advertising calendar helps when planning advertising, a public relations program lays out what is needed for a business to be considered a responsible and trusted member of the community.

Public relations cannot be evaluated quantitatively. There is no way to measure the financial return on sponsoring a Little League team. The results may show up many years later in the form of favorable word-of-mouth advertising and loyal clients who do not leave a small business to save 5 percent by buying from a large business.

Good public relations also produces more publicity. **Publicity** is free exposure for the business through media channels. It is invaluable because not only is it free, it also carries more credibility than paid advertisements. A newspaper article that describes in glowing terms the activities or products of a business organization is worth far more to the bottom line than any ad.

Entrepreneurs who build good relations with the media receive favorable treatment. They may be able to release information to a media contact about new products or developments within their company and soon thereafter find themselves being interviewed on television or written up in the local newspaper. Imagine the value to a bridal shop of a newspaper feature story that describes new bridal fashions and identifies that shop as the place to find them.

A feature story that identifies the store assigns credibility to the business and identifies it as a leader among bridal stores. Readers will discuss the article with their friends and visit the store to see the new fashions. A favorable article in a newspaper or an interview on television or radio is more advantageous to a business than a paid advertisement.



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Chapter Review

Ship in a BOTTLE

Implementing the Marketing Plan



Things were really heating up for Ship in a Bottle. Success at the gift shows, good Internet traffic, and positive feedback were leading to a very optimistic forecast. The question now was how to keep the momentum going.

Fred knew the answer to enticing and keeping customers lay in how effective his promotional strategy was. He was pleased with his web site and brochure, but those two pieces were not the total program. He went to work on further developing his advertising program, critically examining his sales program, and developing a public relations plan.

Fred turned his attention to magazine classified advertising to help build a customer mailing list. He decided to run ads under the headline “European Crafted Ships in Bottles” in magazines that were targeted to the boating community. He found over 12 such national magazines but settled on the three that most closely matched his ideal customers—sailors. The average cost of his ads, which ran approximately 20 words and included a toll-free telephone number, a small product sketch, and web site information, was \$325. The ads suggested that interested readers call for information and a brochure. Out of curiosity, he also placed a small classified ad in *USA Today* and a home decorating magazine.

By this time Fred had hired two part-time assistants to help with telephone answering and shipping. He knew it was important that these representatives have knowledge of the product and a warm, accommodating telephone personality. He had both of them review a video that Johann had sent showing how a ship in a bottle was built. It was an intricate process that demanded careful study to fully understand the complexities of the craft. He quizzed his assistants to make sure they had a firm grasp of the information and could answer customers’ questions.

Fred also spent considerable time going over telephone etiquette with his assistants. He was learning that the way customers were treated when they called for information or to place an order was a very important ingredient in the success ratio of calls to sales. He also discovered that specialty product customers wanted specific information and wanted to feel secure about their credit card transactions. At one point Fred considered a more sophisticated order processing system on his web site that would eliminate personal contact, but he quickly rejected the notion. Speaking to customers via telephone allowed a more personal connection than he had anticipated. He could answer specific questions and build a first-name rapport with each customer.

Part of his question regarding a public relations plan was answered when he received a request for an interview from one of the nautical magazines. Fred realized the craft was a mystery to most people and that regular interviews with different media would keep the business before the public eye. He also decided to explore the possibility of showing Johann’s video at trade shows and community craft shows.

The results of all these activities started to pour in. The magazine ads garnered not only many requests for information but also higher direct sales than he had expected. The ads in *USA Today* and the home decorating magazine were a total

continued

bust. The published interview was a great source of telephone inquiries and sales. Throughout this growth period, Fred was more than pleased with how professionally his staff handled telephone inquiries and sales.

Think Critically

1. Explain the pros and cons of three other advertising strategies that Fred might consider.
2. Describe some promotional ideas for Ship in a Bottle.

Summary

Entrepreneurs must develop their promotional mix and strategy after reviewing their competitive advantage. They must determine what is most important to communicate about the business and how it is to be communicated. Because of their limited capital resources, entrepreneurs must be careful to develop promotional strategies that communicate directly with their intended target market.

A common mistake is to overreach a business's market, which causes additional expenditures. An effective advertising program requires consistency. It is important to keep the name of the business in the minds of its customers and keep them informed of new developments, new offerings, special offers, and so on. An advertising program should be designed that takes into consideration the business's stage of development. Good business owners take an active role in designing their ads, as they know their business better than advertising media representatives.

Advertising strategies that allow for a more personal, one-to-one presentation are the best choice for small businesses. Direct mail, telemarketing, and print or broadcast media directed at specific target markets are viable communication vehicles.

Planned promotional events are often effective tools for bringing public attention to particular features of the product and the business. Promotions should be designed to generate goodwill. Whether they consist of giveaways, contests, or entertainment, the entrepreneur's objective with any promotion is to make the customer feel good about the business.

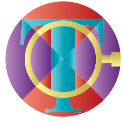
Small enterprises must select selling methods that reflect their image and philosophy. The business owner must ensure that all sales personnel are properly trained in regard to product knowledge and presentation skills. Sales training is only effective if it is reinforced with a consistent, regularly scheduled, follow-up training program.

The final piece of the promotional mix is public relations. A good public relations program is essential to building goodwill in the marketplace and the community. Although it is not possible to quantify the value of public relations in terms of dollars and cents, there is no doubt that an ongoing public relations program contributes to the long-term success of any business enterprise. It often leads to free publicity, which is a very effective means of bringing new customers to the business and reminding current customers that the business is growing and thriving.

Chapter Review

A Case in POINT

Do It Yourself



Phil Taylor was disappointed with the results of the television commercials for his car dealership. The commercials were no different from all the rest on TV, and very few customers were being enticed by them. He had always left the advertising copy decisions to Steve Farr, the sales representative at WATZ Television, because he felt that Steve had more experience in this area. Now he was wondering if Steve was missing the mark.

At his next meeting with Steve, Phil addressed the issue. “Steve, if you can’t put some excitement into these commercials, I’m going to drop them and do something different. Why can’t they be fun? Why do they have to show that boring guy droning on and on about great deals? Spark it up! I want my customers to be happy when they think about my dealership.”

“Phil, why don’t you design your own ads?” Steve replied. “I’ll help with the production techniques and make sure they look good. You know your business the best, and I think you need to get involved.”

Think Critically

1. Do you agree with Steve that Phil should design his own commercials? Why?
2. Give Phil some suggestions for writing ad copy.
3. How would you create a fun and exciting commercial for a car dealership?

Vocabulary Builder

Write a brief definition of each word or phrase.

- | | |
|--------------------------------|-----------------------|
| 1. AIDA | 2. column inch |
| 3. competitive stage | 4. direct mail |
| 5. institutional advertising | 6. KISS |
| 7. network promoting | 8. pioneering stage |
| 9. product advertising | 10. promotional event |
| 11. publicity | 12. pull strategy |
| 13. push strategy | 14. retentive stage |
| 15. telemarketing | 16. trade show |
| 17. viral promotional strategy | 18. zoned editions |

Review the Concepts

19. What is the difference between push and pull strategies?
20. Explain how viral promotions are implemented.
21. What makes network promoting effective?
22. What is the function of advertising?
23. What are the three advertising stages and their objectives?
24. What is the difference between product and institutional advertising?
25. How are rates determined for newspaper ads? For radio ads? For television commercials?
26. Why is direct mail particularly suitable for small businesses?
27. How does a promotional event build goodwill?
28. Name and describe five methods of personal selling.

Critical Thinking

29. How much would a 6-by-4-column-inch newspaper ad cost at \$25 per column inch?
30. Describe the various strategies that are employed at different stages of the advertising spiral.
31. Keeping in mind the acronyms AIDA and KISS, design a grand opening announcement for a new shoe store.
32. Explain what makes an effective direct mail campaign.
33. How can you keep a sales force motivated?
34. Describe a recent promotional event that you attended in terms of how successful it was at creating goodwill and encouraging product acceptance.
35. How does a good public relations program generate free publicity?

Project

Build Your Business Plan



1. Describe your intended promotional strategy. Defend your choice of type of media.
2. Allocate a percentage of projected annual revenues for an advertising budget. Check industry sources for the average spent on advertising.
3. On a blank sheet of paper, write the acronyms AIDA and KISS in pencil across the top. Design a newspaper ad that announces the opening of your business.
4. Using the same acronyms, write the copy for a 30-second radio ad telling listeners why they should patronize your business. Read it aloud to make sure it fills exactly 30 seconds. You may use music or other background noise to help get your message across.