

PLACEMENT AND PROMOTION

SPICE IT UP!



What's This Session All About?

Earlier, you learned about the marketing mix: product, price, placement, and promotion. We looked at product and pricing strategies in Session 8. Now, it's time to learn about placement and promotional strategies.

In this session, we'll look at the following topics:

Placement strategies. In simple terms, placement, or distribution, refers to how you'll get your product to your customer.

Will you sell directly to customers at a retail location? Will you sell to wholesalers who then sell to the end-user? If you provide a service, where will you actually perform that service? At a home office? At the client's office? At another job site? Placement also includes how you will deliver your product (e.g., via UPS, express delivery services, truck, train, boat, Internet, personal delivery, or US

mail). Analyzing the costs involved with these delivery options is also a part of your distribution strategy.

Promotional strategies. Promotion is everything you do to let people know your business exists, and to persuade them to buy your product. Promotional strategies are built around advertising, public relations, networking, and other promotional tools that we'll look at in this section.

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“

*Next to doing the right thing,
the most important thing is to let
people know you are doing the
right thing.*

”

—John D. Rockefeller

The marketing plan. You've developed the pieces of your marketing plan throughout the last several sessions. Now, it's time to look at all the pieces, and make sure they fit together properly.

Placement Strategies

Placement, or distribution, describes everything involved in getting your product to your customer. All businesses rely on some form of distribution network to sell and deliver their products. They might take care of distribution themselves, work with **intermediaries** (e.g., wholesalers or distributors), or use some combination of the two.

This section explains the basics of distribution, and will help you choose the right distribution strategy for your product.

Distribution Strategy

Distribution strategy means choosing the best way of delivering your product to your customer. You'll want to choose the right form of distribution from the start, because distribution strategies can be difficult to change once they're in place. Also, anywhere from 15% to 50% of your total product price is likely to be spent on distribution. That gives you another good reason to choose wisely!

Needless to say, your distribution strategy must fit your product, price, and promotion strategies. Imagine trying to place premium handcrafted jewelry at K-Mart, or offering maple syrup through a sporting-goods catalog, or trying to sell refrigerators door-to-door. It wouldn't be long before you were out of business!

Service businesses also need a distribution strategy. For instance, some bookkeepers work from home, some rent an office space, and some do most of their work at their clients' offices. If you're offering a service, think about where you'll serve your clients.

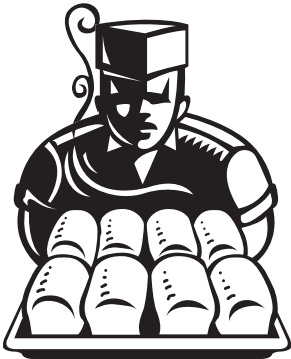
Distribution Partners

Many new businesses don't have the time, money, or expertise to deliver products directly to customers. Instead, they outsource certain distribution tasks. This leaves them free to focus on customer service, product design, or promotion.

Of course, the Internet has made it much more common for small businesses to sell directly to customers...even overseas customers! For many businesses, the Internet is like a shop window where their merchandise is always on display. Customers can buy at all hours, from the comfort of their homes. Websites can also answer technical questions, and calculate shipping costs and delivery time.

We'll discuss e-commerce at length in the next session. For now, we'll concentrate on distribution partners. Bear in mind, though, that these partners may use the Internet to promote or even deliver your product!

- **Retailers** buy products from manufacturers, distributors, and wholesalers, then mark up the price to cover their costs and make a profit. A good retailer will promote your product, and be knowledgeable enough to answer customer questions about it.
- **Wholesalers** buy and sell bulk merchandise to other wholesalers or retailers. Their expertise lies in repackaging, storing, and reselling. They often have close relationships with regional or national retailers, and they may have their own system for transporting your goods. Also, they often buy in bulk, which can reduce your storage costs. On the other hand, you'll get a lower per-unit price from a wholesaler than from a retailer, or direct sales.
- **Distributors** buy merchandise from manufacturers and resell it to wholesalers, retailers, or sometimes directly to the final customer. A good example of a distributor is the Northern



California coffee company, Peet's Coffees. They buy coffee beans direct from growers and roast the beans. They then sell to wholesalers, who repackage and relabel the coffee for retailers. Peet's also sells directly to customers in their own coffee shops.

- **Agents and brokers.** Agents charge a commission to enable sales between manufacturers and their final customers. Brokers unite buyers with sellers, and have only short-term relationships with each. Both can present your products professionally, coordinate promotions, and share their knowledge of markets and consumers. Of course, they charge for these services, which will affect your pricing strategy. Agents work on commission, while brokers sometimes take title to the goods.

Selecting a Distribution Strategy

Do your customers want speedy delivery? Do you need to maintain control over handling and delivery? What can you afford? What fits your brand identity?

These are the questions you should ask yourself when choosing a distribution strategy. In some cases, traditional distribution channels might not be feasible, and you'll have to seek more "entrepreneurial" methods.

Whatever strategy you choose, be sure to research its cost and effectiveness. The *Distribution Worksheet* is a great place to start.

Here are some things to consider when choosing a distribution strategy:

- **Product.** Perishable or fragile products

may require direct sales to avoid spoilage or breakage. Also, note that there may be transportation restrictions on certain types of goods, based on weight, size, materials, destination, or purpose.

- **Profit.** Which strategy will allow you to meet your sales goals? Remember: intermediaries cost money! The more you have, the more units you must sell to make a profit. But if you sell direct, you have to do everything yourself. That can be expensive, too! And it can also take time away from things that are more critical to your success, like making your product.
- **Customers.** What do your customers value, and how do they view themselves? If your target customer doesn't shop at malls, there's no sense in selling to a mall-based retailer. If your customers don't buy online, e-commerce won't be an option. Your distribution strategies must reflect your customers' lifestyle.
- **Competition.** How do your competitors sell? Are they regional, local, national, or international? Will your products be handled by the same stores, wholesalers, distributors, or agents? If so, will you get equal treatment? What about online competition?
- **Confidence.** Are you confident in the competence and honesty of your intermediaries? The way they display and deliver your product will reflect on you, not them! Also, depending on how quickly they pay you, they may have some control over your cash flow. Can you afford to have all your eggs in one basket?

Your distribution strategy also varies according to whether you produce consumer goods, industrial goods, or services. This next section reviews the basics of each.

Distributing consumer goods

Consumer goods include everything we buy in the supermarket, as well as things like bicycles, running shoes, kites, firewood, and tinsel. Here are some common ways of distributing consumer goods:

- **Direct marketing.** By selling directly to end users (e.g., at a craft fair, or through a Web-site), you can control how your products are presented, and respond quickly to customer needs. Direct selling can also be faster and less expensive than other distribution methods. But if you're doing the selling yourself, it can take up a lot of your time.
- **Wholesalers.** In this strategy, you would sell your product to a wholesaler, and the wholesaler would then sell it to a retail outlet or customer.
- **Agents and brokers** sell to wholesalers or retailers on commission, and can be a good replacement for an in-house sales team.
- **Manufacturer to retailer.** While most producers of consumer goods rely on intermediaries to sell their products, large manufacturers may bypass wholesalers completely and sell directly to large retailers like K-Mart, Wal-Mart, or Sears.

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I grew up on a little farm near Paducah, Kentucky. Mama always said, "Busy hands are happy hands." And I sure kept my hands busy and happy since then.

Mama taught me to make string quilts. That's a quilt made of all sorts of fabric, that you cut into strips and sew together. From there, you cut it into blocks and make your quilt. That goes back to the Civil War, at least. Back then, you made do with what you had, and a lot of African American women used scraps of whatever cloth was lying around.

That's a lost art today. A lot of quilts these days get made by patterns, or by machines. You look at a string quilt, and you can see right away how it's different.



Adelmira Hawkins was a quilter. As far back as she could remember, she'd been collecting material to make quilts. She had boxes full of scraps, old clothes, and feed sacks. She also had lots of vintage quilts, of all kinds and patterns. Some were made for pillowcases, some were made for scarves, and some were made to hang on a wall. Many were big enough to fit on a bed.

In addition to string quilts, she did variations on traditional quilt patterns, like Pine Cone, Flying Geese, Ship's Wheel, Wedding Ring, World Without End, and Job's Tears.

No matter which pattern she used, she included a Humility Block in the lower right-hand corner of every quilt. This was a block that she made wrong on purpose, to express the traditional belief that since only God is perfect, mortals must not produce a perfect quilt.

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Distributing industrial goods

Industrial goods are parts that are sold to other businesses, which then make them into finished products. This is usually called **business-to-business selling**, or B2B.

- **Direct marketing to other businesses.** This is much more common in industrial markets than in consumer markets. In-house sales forces, telemarketing, and catalogs are the major ways that industrial manufacturers market directly to their customers.
- **Manufacturer to intermediary.** For industrial products, wholesalers and agents can provide a more cost-effective way of selling many small products to smaller customers. These intermediaries can also be helpful in getting a new product introduced to industrial consumers.

Distribution strategies for service businesses

It may seem obvious to you, but you should make sure your marketing plan describes how the customer will receive your services. Some typical ways are:

- By visiting a retail outlet (e.g., restaurant, shop, cart, kiosk, etc.)
- By visiting your home or office
- At customer's place of business
- Via e-mail or Internet (e.g., copy editing, billing service, etc.)
- Over the telephone
- By mail or overnight service

Using Sales Representatives

One of the most commonly used intermediaries in smaller businesses is a **sales representative**. Sales reps usually represent your product to retailers. They're almost always independent contractors who charge a base fee, plus a commission on sales. Sometimes, they work for a straight percentage of sales.

Benefits of using sales reps

A good rep can be the best friend a small business has! They add no fixed costs since they work as independent contractors. They're paid on commission, usually after the business has collected the money from the customer (which is better for the small business's cash flow). Sales reps often specialize in the product category and geographic region in which they operate. Chances are, they know the industry far better than you do! They might also be able to help promote your product.

Downside of using sales reps

Your product might be one of many the rep carries; unless you offer the right incentives, yours might

get lost in the shuffle. Some reps require a great deal of support to sell effectively. Last, reps can be difficult to train, monitor, and motivate.

Finding and recruiting reps

Trade journals, directories, and magazines can tell you who the major reps are, what lines they carry, and what types of customers they serve. There are also national and local representative and dealer associations, and lists of reps maintained by local and state chambers of commerce. Businesses that deal in products like yours might be able to recommend a good rep in a given territory.

Tips On Selecting Reps:

- Evaluate selling techniques, contact base, and technical know-how
- Make sure the rep's personality is right for your business
- Review his or her track record and get references
- Clearly define your sales expectations, base fee, expense reimbursements, and commission arrangements
- Prepare and sign a written contract
- Hire rep for a three-month trial period, and assess results

Once you hire a rep, you need to stay informed about his or her efforts. Your rep should:

- Give you weekly or monthly updates on prospects and sales efforts
- Prepare regular expense reports and receipts
- Stay current on industry and market trends
- Let you know about customer problems or complaints
- Be honest

Creative Placement Strategies

You may find that your best placement ideas come from rethinking how your product is used. Perhaps it has another use you haven't thought of yet, or perhaps it could easily be adapted to some other purpose. In either case, identifying a new use may lead to new placement opportunities.

Promotional Strategies

Even the best product won't sell if people don't know it exists!

A good promotional strategy lets consumers know what your product is, what it does, why it's better than anyone else's, and how they can buy it.

A great promotional strategy does much more than that. It communicates your brand and your values. It doesn't just tell consumers why they need your product; it inspires their goodwill, trust, admiration, respect, and loyalty.

Promotional strategies are built around such tools as advertising, public relations, and networking. Most start-up entrepreneurs are looking for low-cost or no-cost ways of increasing consumer awareness. That will be the focus of this section.

Promotion can be expensive, so it's very important to prepare a promotional plan *before* you spend any money on promotions. Making sure your promotional strategies complement each other will also help you get more for your money.

Here are the goals of your promotional plan:

1. Reach your target customer with your promotional message
2. Make your message appealing and easy to understand

3. Use a message that gets your customer excited to buy your product
4. Choose the lowest-cost methods that produce the best results
5. Review your plan quarterly

You'll need to analyze and evaluate all your promotional options, and determine which ones will reach more of your target audience. Then, estimate the cost of these promotion elements.

You'll soon find out that reaching your target customer can be expensive if you do everything you want to do! Frankly, it's unlikely a small microbusiness will be able to afford TV advertising or flashy direct mail. You'll probably rely on less expensive methods, like word of mouth, networking, signage, and flyers. Still, it's good to have a working knowledge of the tools available to you. They'll become more important as your business grows.

What is Advertising?

Advertising is a promotional message aimed at a target market. Its purpose is to create awareness, inform, and persuade. In newspapers and magazines, the message is called an advertisement. On radio or television, it's called a commercial or a spot.

Advertising can be as simple and inexpensive as word of mouth, or as complicated as a multi-million dollar plan combining TV, radio, and print ads. It can be leaflets on doorsteps, or a 30-second television spot during the Super Bowl.

You can use advertising to:

- Introduce a new product
- Increase sales (e.g., through special promotions)
- Explain features and benefits
- Communicate company values (e.g., donation to charities, schools, or disease research; use



of environmentally safe or American-made materials; and so forth)

- Change attitudes about your brand (e.g., why your more expensive product offers better long-term value)
- Make an emotional connection (e.g., linking your product to something or someone the consumer has a good feeling about)

Shrewd advertisers often pursue several of these goals at once! However, they don't do it at random. They know which messages are appropriate in which markets.

Planning Advertisements

Once you've decided to advertise, you must decide which medium to use, what message to convey, which image to project, how often to run your message, and how much to spend. To get the most out of your advertising dollars, you should:

- **Identify your target audience.** Your market research and analysis identified your target audience, and these findings should guide the content, style, and placement of your advertising.
- **Set your objectives.** Typical advertising objectives are to reach a certain percentage of the target market, increase the target customer's awareness of your brand, or achieve a certain level of sales. Setting clear goals will let you gauge whether you've gotten your money's worth.
- **Set your advertising budget.** How much you decide to spend depends on your goals, and on what you can afford.
- **Design your advertising strategy.** This is the most creative part of advertising, and it relates directly to your positioning strategy. How will you encourage your customers to buy?

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I believe my quilts have old cotton clothes in them from every house in Paducah. I've been going to the flea markets, rummage sales, and thrift stores for I don't know how long. And that's not counting what people donated to me. I never know what's going to be out on my porch. People leave me bags of old dresses, shirts and tablecloths, baby blankets...whatever they don't need anymore, that's too worn out for anyone else.

Some pieces just naturally go together. Others, you have to experiment. I'd try different pieces next to each other, or sew them different ways. When I started, I was making traditional bed quilts and scarves. But I had too many ideas to stick with that. Any time I was working on one thing, I had ten others I was planning out in my head.

A few years ago, I was over to my nephew's house and they'd hung up the quilt I gave them in the front room. They said it was too pretty to hide away on the bed.

For most of her life, Adelmira had simply given her work to friends and family. But one summer, she took some of her quilts to the Fourth of July church social. Everyone loved them, and told her she should go into business.

The next month, she arranged to attend the downtown street fair. She sold a good number of pieces. But what she didn't realize was that people were looking at the things she made as everyday household items. She didn't realize that she was selling not just a blanket, but art, and that art had a much greater value.

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Types of Advertising

For most small businesses, the main issues in selecting an advertising medium are cost, speed, reach, and effectiveness. In this section, we'll look at:

- Word of mouth
- Networking

- Newspaper advertising
- Broadcast advertising (television and radio)

Advertising Costs by Type

Word of mouth	\$
Networking	\$
Print (Newspaper)	
Local	\$\$
National	\$\$\$\$
TV and Radio	
Local	\$\$
National	\$\$\$\$

Word of mouth

The best form of advertising is when your customers say wonderful things about you and your business. This can make people eager to find out for themselves if you're as good as everyone says!

Word of mouth is great, as long as it's positive. If you do something really well for your customers, they might tell two or three people. If you disappoint your customers, they may not tell you—but they *will* tell their family, friends, coworkers, and acquaintances!

Quality control and outstanding customer service are the two greatest tools for maintaining positive word of mouth, and minimizing the effects of negative word of mouth.

Networking

Networking can be a very effective and inexpensive way to promote your business. You should keep widening your circle of contacts to include customers, investors, vendors, distributors, and other entrepreneurs. Think about what you can do for the people you meet, and what they can do for you. You never know if they'll become customers, or refer customers to you!

You can also develop a network of partners who refer people to each other's businesses. For

instance, a gardener could refer a customer to someone who hauls yard waste, or a drycleaner could refer a customer to someone who cleans carpets.

Always have lots of business cards with you, and collect business cards from others. Follow up on new contacts with a brief note or a phone call. Set aside some time to work on these things every week!

Newspaper advertising

Newspapers are good for running short-term promotions and offers to a wide audience in a specific geographic region, or for keeping your business in the public eye. By placing different coupon ads in various local papers, you can measure which ones are most effective. Newspaper salespeople can advise you on the best placement, day, size, and length of run for your ad.

The potential problem with newspaper ads is that so many big businesses are placing large, eye-catching ads that the smaller ones may get overlooked.

Be sure to consider local newspapers and classified gazettes. They cost less than big papers, and may do a better job of reaching your target customer.

Facts About Newspaper Advertising

- Most newspapers can tell you their circulation and readership figures for weekdays and weekends. They can also give you demographic information about their readers, which you can compare to your target customer profile.
- The cost of your ad depends on its size, its position, and the day(s) on which it runs. All newspapers have a rate sheet that lists these prices, which is available on request.
- Print ads are usually measured in **standard advertising units (SAUs)**. The normal SAU is



3 x 7, which means the ad is 3 columns wide and 7 inches long. To calculate the cost of the ad, multiply the cost-per-inch by the number of column inches. If an ad costs \$20 per inch, multiply $\$20 \times 3 \times 7 = \420 .

- The newspaper should provide you with a **proof sheet**, which is a sample showing how your ad will look in print. Check it carefully! If you don't check your ad before it runs, and there's a mistake in it, you'll probably have to pay for the ad no matter whose fault the mistake is.
- All papers provide you with a **tearsheet** (your ad as it appeared in the paper, to show the date on which it ran), along with an invoice. Check the tearsheet and invoice against your order, to verify you got what you paid for. If the ad ran on the wrong day, contained incorrect information, or ran in the wrong section, contact your salesperson immediately!

Broadcast advertising (radio and TV)

Radio and TV commercials are called spots. A typical spot is exactly 30 or 60 seconds in length. Some stations will accept shorter or longer spots, depending on their availability. Radio stations have staff and equipment to help you produce spots.

Radio and TV spots are ideal when you want to contact your target customer during a specific part of the day. These contacts are measured in terms of reach and frequency:

- **Reach** describes the percentage of your target market that sees your message.
- **Frequency** describes the number of times individuals in your target market see your message during a particular schedule.

Radio and TV Advertising Terms

Here are some terms that are often used in radio and TV advertising.

- **Air checks** confirm that your spots ran when they were supposed to. You should request an air check sheet when you negotiate to buy the advertising.
- **Buy** refers to the purchase of airtime on a radio or television station. Most buys are for roughly 12 spots per week, because smaller buys rarely make an impression on the audience.
- **Drive time** is when commuters are likely to have their car radios playing. It runs from 5 a.m. to 10 a.m., and from 3 p.m. to 8 p.m. It's usually the most expensive airtime to buy on radio, but often the most effective.
- **Flight schedule** is the amount of airtime you buy during a given time period, broken down by days and times.
- **Gross rating points (GRPs)** are an estimate of the number of times your spot was heard by the total listening audience.
- **Targeted rating points (TRPs)** represent the number of times your spot is heard by your target audience.
- **Rates** are fees charged for spots on a radio or TV station. They vary with the length of the spot; the day and time the spot runs; and the number of spots. You may be able to negotiate rates with some stations. Such deals must be documented in writing.

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When I was at the street fair, a woman came by from one of the downtown stores. Her name was Annie, and she said what I was doing was “wearable art.” She said I should be charging more, and selling at galleries and stuff like that.

I didn’t know anything about that, so I kept quiet. I just that said for a quilt or scarf made of scraps, I was already charging people plenty. Well, she picked up a scarf I had for thirty dollars, and asked how long it took to make one like that. I said it took maybe ten hours, all told. So she said, “Adelmira, that means your time and your skill are worth about three dollars an hour. Does that sound right to you?”

I have to say, when she put it like that, it didn’t sound right. I’ve earned more money than that working jobs where you don’t even have to have a brain, let alone a heart. I never looked at it that way. I was just doing what I loved, you see.

Annie explained to her that it was this love for quilting that made her work valuable. There were plenty of companies that turned out quilts with machines, and they spent a lot of money trying to create the image that Adelmira already had.

“People like handmade things,” she explained. “And they like the idea of having a quilt or a scarf that no one else has, because you made it that way only once. That makes it special, and people will pay more for something special.”

The question was, how could Adelmira get her art into galleries and boutiques? With Annie’s help, she came up with a plan. She’d work hard on her quilt art in the fall and winter, and sell them at regional arts and crafts fairs in the spring and summer.

When she went to fairs in different cities, she’d call on local boutiques and galleries and sell to them as well, and take special orders and requests. Once she got home, she’d make those pieces and mail them out.

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Other Promotional Tools

Trade shows

One of the best ways to reach your target customers is at trade shows, exhibits, or industry fairs. The people who attend these events are serious prospects who have come to do some pre-purchase information gathering. Check with your trade association, local Small Business Development Center, or other economic development group for trade show information that applies to your industry.

Business cards

These are an excellent and inexpensive way to promote your business. Remember, all of your printed materials should be consistent, so use the same logo and style on your business cards that you use elsewhere.

Brochures

With today’s desktop publishing programs, even small businesses can produce a top-quality brochure in-house. Brochures can be printed fairly inexpensively in one color. Costs go up as you add colors and improve paper quality. If you plan to produce your own brochure, it’s always a good idea to have several people review it before you invest money in printing it.

Newsletters

Even businesses on small budgets can use software templates to create an inexpensive, attractive newsletter. In order to be effective, newsletters should be published regularly and consistently, contain important information and up-to-the-minute news, be easy and enjoyable to read, communicate your image, and provide solutions for your customers’ problems.

Flyers

Flyers are usually single sheets of paper, printed front and back. They can be produced inex-

pensively, but again should look professional and reflect your business image. Start-up businesses often use flyers.

Classified ads

Magazines, newspapers and classified-ad newspapers all sell space for classified ads. They're less expensive than traditional ads, and can contain more information. Classified ads are often offered at a discount to advertisers who place regular listings. If you see classified ads in your local paper or favorite magazine for your type of business, you might benefit from placing ads there too.

Cooperative advertising

This means sharing the cost of advertising with your suppliers, who may have funds available to help promote your products. Usually, you pay for the advertising up front, and the suppliers reimburse you for a portion of the cost upon proof of advertising. There are many ways to use co-op funding, so ask your suppliers!

Direct mail

This allows businesses to send advertising to specific market segments, and to tailor the message being sent to that target market. Direct mail can take the form of flyers, postcards, brochures, catalogs, e-mail, and so forth.

Magazine advertising

If you have a very specialized niche market, a magazine that caters to the same market can be very effective. Note, though, that lead-times for placing ads in magazines are generally long. Also, production may be expensive.

Internet marketing

The Internet is a valuable tool for microbusinesses. It can help you introduce your company to new customers via a Website, as well as online and maintain customer contact. Session 10 will describe this in more detail.

Signage

By any standard, a sign is the least costly form of paid advertising around. Even the most elaborate sign is cheaper over its lifetime than any other advertising medium. Of all the forms paid advertising might take, signage is the one with the longest reach, highest frequency, and lowest cost.

A sign works to promote your business every hour of every day in the year. It tells your customers what you offer and how to find you, and communicates your brand identity loud and clear. The best signs provide a necessary service, while protecting public safety and upholding community standards.

Your sign may give your customers their first impression of your business, and as you know, first impressions tend to be lasting impressions! This is why it's important to let your market research and analysis, and your branding and positioning statements, guide your signage decisions.

You might think that signage is just for retail stores, restaurants, and the like. But that would be a mistake! If you run a manufacturing operation, suppliers and clients need to be able to find your business. It's also possible that a distributor might drive past your sign, make a note of your location and your line of business, and give you a call. And if you have a sign on your truck or car, think of how many people will see it as you drive around town!

The bottom line is this: No matter what kind of business you're in, you need to attract customers and promote your brand. Signage is one of the most cost-effective and powerful ways to do it.

Here are the ABCs of effective signage:

- **Attracting new customers.** Because a certain number of your customers will move out of the area, change their buying habits, or switch to competitors, your business must constantly restock its customers, just like it restocks its inventory.



- **Branding your business.** A sign that's on display year 'round may do more to communicate your brand identity than all your other marketing efforts combined!
- **Creating impulse sales.** Studies show that 68% of all sales in the country are impulse sales. Your job is to attract your share of these impulse buyers and to turn them into regular customers.

There are a few basic standards for effective signs: They need to be visible, they need to stand out, they need to be readable, and they need to be compelling to the target customers you identified in your market research. In other words, they must be in a place where your target customers can see them, they must stand out enough to gain the customer's attention, and they must communicate your message at a glance. It does no good to have a visible sign that doesn't attract attention, and there's no benefit in attracting attention if you don't communicate a clear message!

Effective Sign Design

- **Visibility.** To be effective, your sign must be visible. Will it be hidden during the day by a supermarket's delivery trucks? Is it obscured by other signs, power poles, street furniture, or overhangs? Does it show up at night when the lights are mostly behind it? Does it draw the eye in? Does it give motorists time to see, read, and react?
- **Legibility.** Simple, easy-to-read fonts make for the most effective signs. You should also choose solid, bold colors, and have plenty of contrast between the background and the text. Last, make absolutely certain that the words on your signs are spelled and punctuated properly. Do you know the difference between "complementary" (given away free with a product or service) and "complimentary" (offering kind words)? How about the

difference between "every day" (every 24 hours) and "everyday" (ordinary and dull)? These are a couple of the most common mistakes you'll find on signs; there are many, many others. You may want to look each word up in the dictionary, just to be on the safe side.

- **Lighting.** LED lighting can be a boon to small businesses. It's very bright, and it can reduce your electricity consumption by as much as 90%. With energy costs on the rise, it's a very good idea to look into this new technology for your nighttime signage needs. For more information, visit <http://theledlight.com>.
- **Types of signs.** When choosing between different types of signs, you must consider the needs of your target customer, the kind of environmental conditions your sign will be exposed to, and the primary type of traffic.

For more information, consult **The International Sign Association** (<http://www.signs.org>); **The Signage Foundation for Communication Excellence** (<http://www.signagefoundation.org>); and **Signs of the Times** (<http://www.signweb.com>).

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I decided to call my company "By My Own Hands." Annie said I needed to tell my story, so people would know how long I'd been quilting, and how I'd learned. Me and my grandson made up a little card that we put on everything I made. It had a picture of me. It said some things about my life, and told how the quilt was made. We fastened it on with a red, white, and blue ribbon.

To me, it was an honor if people wanted to own something I made, or give it as a gift. So when it came to money, I felt like I was already getting satisfaction just from that. But I had bills to pay and medicine to buy like everybody else, and between Annie and me, we figured I needed to make no less than \$25 an hour for my work.

I said, "That's a lot more than anyone's charging for quilts around here." And she told me, "No one else is doing your work, so you can't compare it." That was her attitude. It wasn't a price for any old quilts. It was a price for my quilts. If you don't want them, you don't have to pay that price. But if you do, no one's got them but me!

To get the boutiques and galleries to carry her one-of-a-kind quilted art pieces, Adelmira developed a couple of promotions to get better placement, and increase add-on sales. If a boutique agreed to put one of her quilts on a display bed in the window, or the front of the store, for a minimum of one month, she'd give them 50% off the price of that quilt.

Also, if a customer bought a quilt she'd offer a 25% discount on two pillows. She also made up brochures with descriptions of her quilted art, a list of wholesale prices, and an order form with her address. She wanted to make it as easy as possible for stores to reorder.

Promotions like these worked out well. Soon, she was selling her work as fast as she could make it. In fact, it wasn't long before she had a waiting list. It started to seem as though she'd never be able to catch up, so she hired a couple of helpers to keep up with the demand.

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Specialty advertising

This refers to giveaway items—like pens, balloons, pins, and hats—on which you print your business name, logo, address, phone number, and Website. Specialty advertising is a great way to increase the visibility of your business, as long as you target the right customer, and make sure the specialty item is something the customer will actually use.

Telemarketing

Marketing over the phone is generally unpopular, and raises legal questions. In March of 2003, the Do-Not-Call Implementation Act was signed into law, which created a National Do Not Call Registry.

Under this Act, firms engaged in telemarketing must:

- Pay a subscription fee for online access to the Do Not Call Registry
- "Scrub" their call lists every 31 days, in order to remove the phone numbers of consumers listed in the Do Not Call Registry
- Remove consumers from their internal call lists when asked to do so, whether or not that consumer is listed in the Do Not Call Registry

The Act has an exception for calls relating to an "established business relationship," which means you may contact anyone with whom your company has done business in the last 18 months, even if that person is listed on the Registry. However, if the person asks to be put on your "do not call" list, you must honor the request.

There may also be stringent state laws regulating "do not call" lists. Get legal advice before engaging in telemarketing!

Yellow Pages

People who use the Yellow Pages are especially hot prospects because they are in a buying mood. Another advantage is that small businesses can appear to be as big as their larger competitors. That said, putting an ad in the Yellow Pages can be very expensive. Before you spend the money, you must be certain that your customers will use this method to find you.

Public relations and publicity

Public relations are organized efforts by business owners to present themselves (and their businesses) in a positive way to the public. **Publicity** is unpaid promotion of a business by the mass media. Because it's unpaid, publicity is one of the most credible sources of promotion. Good publicity is a great promotional tool for small businesses!

You can generate publicity by preparing a press



release for radio, newspapers, magazines, or local TV stations. Join your local trade associations, Chamber of Commerce, and community clubs; and find opportunities to speak in public or write articles for newsletters. Other great ways of generating publicity include:

- Co-sponsoring local sporting or charity events
- Donating money to clean up highways, parks, and beaches
- Hiring local students to be interns
- Giving lectures to trade organizations or chambers of commerce
- Sending your small business bio to your local newspaper

Press releases

You might prepare a press release in order to announce an event in which you're participating, or a change at your business. Moving to a bigger space, hiring new people, offering a new service, donating to charity, or holding a contest are all good reasons to issue a press release.

The easier you make it for people to help you promote your business, the more likely you are to get publicity. When preparing a press release about your business, double-space it and keep it simple and short (one page is ideal). The less people have to think before they act, and the more questions you answer for them in the press release itself, the more likely it is that your release will actually get used.

Mail, e-mail, or hand-deliver your press release to your local newspaper, radio, and TV stations. Be sure it gets sent to the correct section editor, or to the news editor. Don't forget about weekly community or college papers, and public radio stations. If you have a good photo, include it in mailings to key newspapers.

Low-Cost / No-Cost Promotional Tools

Here are a few tips to help you think creatively about unusual ways to promote your business.

- **Barter** allows you to trade your products or services for something someone else has to trade. How about trading lawn care for advertising space in your local newspaper?
- **Offer to be a guest speaker** on a radio show to discuss elements of your business. A landscaper can be interviewed on how to design a garden. A dog trainer can talk about the best way to train your dog to fetch the paper.
- **Use the back of your business cards to offer incentives**, like a 10% discount on your product.
- **Start a frequent buyer program.** If you have a sandwich shop, give out a card that gives the customer a free sandwich after buying ten sandwiches.
- **Team up with other businesses** to refer customers, swap flyers to give to customers, and share ads. Example: A grocer could team up with a business that provides grocery delivery.
- **Give potential customers a trial size with a coupon.** If you sell BBQ sauce or salsa, give out a small trial size with a coupon for a purchase.
- **Offer product samples at high-traffic places** where your target customer goes. Or set out samples at your location.
- **Sponsor offbeat, memorable events** like a pie-eating contest. If the event relates to your business in some way, that's even better!

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By that time, I'd done well enough that I decided to buy a booth at the American Craft Council Show in Charlotte. Me and my helpers had to work around the clock to get enough stuff together to make it worth our while. I still don't know how we did it! I always think of quilting as something relaxing, but there was nothing relaxing about it that time! I guess you could say we were doing speed-quilting.

They asked me to give a quilting demonstration at the ACC Show, too. They had a special class set up on the art of quilting, and asked would I like to do it. I said, "Of course I would." I was going to be quilting most of the time anyway, and I thought it might bring some more people by my booth.

After Adelmira gave her quilting demonstration, many people came by the booth and asked questions. Naturally, some of them also bought her pieces.

One of the buyers was Bruce Calderwood, an art broker who owned his own company. He promoted several lines of arts and craft products to fairs, gift marts, and customers. He specialized in high-quality products, and he loved Adelmira's work.

Bruce wanted to represent By My Own Hands, and sell Adelmira's quilted art all around the world. He said he'd be able to get it into boutiques and galleries in the big cities, where there'd be a bigger market for upscale hand-made art. He offered to do this for 15% of the sales.

Adelmira was tempted by this offer. On the one hand, 15% was a lot of money, and she had workers to pay. On the other hand, she'd be selling consistently all year long. And turning over the sales to Bruce Calderwood would let her spend more time doing what she loved most: creating and sewing quilted art.

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Managing Your Promotions

Because small businesses have less money to spend on promotions, they must get the most out of what they *do* spend.

You should judge media by the access they give you to your target customer. As we said earlier, **reach** describes the percentage of your target market that sees your message. **Frequency** describes the number of times individuals in your target market see your message.

Different media have different effects depending on your audience and advertising content. By using reach and frequency information, you can estimate how much it costs to advertise per customer you contact. This gives you a standard with which to compare your advertising choices.

Once you've picked your advertising tools, you need to decide when to use each one. If yours is a seasonal product, coordinate your message with your customers' purchase cycles. You can air advertising messages in a few large bursts at scheduled intervals, or spread them over a period of time to maintain awareness.

For businesses that wish to introduce a new product, frequency is more important than reach. It takes several exposures to a message before people absorb it, much less take action on it! Thus, businesses use a "burst" strategy when they want to create an early and intense impact on customer awareness. Seasonal businesses and short-term sales promotions often rely on this strategy.

Remember: Your customers are busy people! You may have to deliver your promotional message many times before they hear it.

The main thing is to research the cost and effectiveness of each tool you're considering. The *Promotional Tools Worksheet* will help sort out your choices.



Here are the necessary steps in managing promotions:

Set a promotional budget

You should always plan carefully before spending your hard-earned cash, and that's especially true when you're planning promotions!

You need to set aside funds for each part of your promotional strategy. You can either decide on your total budget, then divide it among each of your promotional tools; or set the spending levels for each element, then total them to arrive at your promotional budget.

First, tally up the total cost of your ideal promotional budget. Next, decide which of these promotional elements are most important, and estimate how much money you can afford to spend on each. If the amount seems too low, don't give up! With a little creativity, you can make your money go further than you think.

In most industries, there's a percentage of gross sales that the industry association recommends should be spent on advertising in a year. For example, in the sporting-goods industry, the recommended advertising budget is no more than 4.5% of your gross sales. That means if you anticipate selling \$100,000 of merchandise, your advertising budget for the year should not exceed \$4,500. If you don't have industry recommendations, your mentor or advisor may be able to help you choose a budget amount.

If you can, determine your budget at least 12 months in advance. This will help make sure you have funds available for promoting important holidays or events. Also, a budget will keep you on track when advertising sales reps approach you.

It's important to stick to your budget! You may get tempting offers from ad reps. If this happens, you can always say, "My advertising budget is already planned for and spent for this year. My business plan doesn't allow me to spend additional money

on advertising right now."

It's also important to measure the results of your promotions, and change them as needed. If you hand out 1,000 flyers, and don't see an increase in business, don't be afraid to try another strategy!

Create a promotional calendar

This enables you to use your budget more efficiently, and avoid gaps in your promotional efforts. Usually, a promotional calendar lists when promotions and events will occur, how long each will last and what its purpose is, and the total budget for each event.

Measure the effectiveness of your promotions

Evaluating the impact of advertising on sales is not an exact science. It can be one of the most frustrating parts of your advertising plan. But it's also necessary. You must measure the effectiveness of your advertising efforts to see if they're paying off.

Here's one way to evaluate advertising effectiveness. Let's say your goal is to sell 45 flower arrangements at \$25 each. To accomplish that goal, you decide to advertise in the local paper.

To measure the effect of that ad, the first thing you need to do is establish your baseline sales. What's the average weekly number of flower arrangements you sold during the previous two weeks?

Next, you must track your sales over the time your ad was running.

Last, you should track your sales for two to four weeks after the ad, to see if there's any delayed effect.

Once you analyze your sales, before, during, and after you ran the ad, you can determine how many extra flower arrangements you sold. Compare your sales during and after to your baseline sales. Divide the cost of running the ad by the extra number of flower arrangements you sold, and you'll know

Measuring Advertising Effectiveness

To be meaningful, sales must be tracked:

- At least two weeks before the advertising campaign
- During the advertising campaign
- At least two weeks after the advertising campaign

if the ad was effective. If it cost you more to run the ad than you received from sales, the ad is not effective.

Once you know how to calculate advertising effectiveness, you must decide what part of your business to measure. Do you want to measure the increase in overall sales? Or just the increase for the items you advertised? Or maybe you want to measure whether there was an increase in foot traffic (number of customers coming in your door, whether they buy or not).

You can also gather information about effectiveness by surveying customers, counting coupons, or measuring the number of participants in contests or sweepstakes.

Having done so, ask yourself these questions:

- Did my promotion communicate the right message?
- Did the message fit my product positioning strategy?
- Did the message fit my branding statement?
- Did I reach my target audience?
- How did each element of my promotional mix affect sales?
- How did my customers feel about my message?
- How can I do better next time? What should be in my next promotional plan?

tion you gathered, and begin to prepare your marketing plan.

You may have noticed that each section of the marketing plans depends on the others. Decisions you make about your target customer affect your pricing and placement strategies. Decisions you make about your pricing affect your promotional budget.

Your marketing plan, like the NxLevel® Micro-Entrepreneur Business Plan, should be revisited and reviewed again and again, so that it stays current with market changes and your business growth.

The Marketing Plan

A. Product Description

- Product Description
- Features and Benefits

B. Market Analysis

- Customer Analysis
- Competitive Analysis
- Market Potential

C. Marketing Strategies

- Product Lines
- Positioning
- Packaging/Branding
- Pricing
- Placement
- Promotional Strategies
- Customer Service

The Marketing Plan

In the last two sessions, you learned about the Four Ps: Product, Price, Placement, and Promotion. You researched each of them, and analyzed your customers and competition. Now, you'll develop your marketing strategies, using all of the informa-

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Things were getting bigger and bigger, to the point where I never had any time for myself anymore. For that matter, I didn't really have any time for quilting either. Seemed like I was always on the phone, or packing up things to mail, or telling other people what to do.

None of that was my style. I'm a quiet person. It was exciting in the beginning, but it was such a

wild time running up to the ACC show that I was ready to say “Stop! Let me off!” I wanted some time to breathe.

*So Bruce came along at a good time for both of us. It seemed like with him doing the selling, I could have a business **and** a life of my own.*

Bruce Calderwood gave Adelmira the opportunity to grow her business, while having time to create new things. She needed to think it over, though. She decided to interview other agents, so she could see what kind of terms they offered. In the end, she agreed to go with Bruce, because of the relationship they’d developed at the ACC.

It was a good choice. Bruce had connections all over the country, and he also had a Website that brought in quilt orders from all over the world. He even managed to get her some write-ups in local newspapers and crafts magazines. It was a good deal for him, too; Adelmira’s quilts soon became his most profitable product.

The only thing that was bothering Adelmira was that her success was taking time away from the community work that had been so important to her. She decided to have an old-fashioned quilting bee on National Quilt Day, which takes place on March 18. She invited all the women in town to come together at a meeting room in the town hall, and asked them to bring their rags, ribbons, and thread. The special quilts they made would go to patients in community assisted-living facilities. This annual community event allowed Adelmira to give back to her community, provided a fun day for women who also wanted to give back, and let people in assisted-living facilities know that the community hadn’t forgotten them.

Nearly three years after starting her business, Adelmira has sold more than 800 quilted art pieces in boutiques, galleries, and art shows. And two of her pieces are in the American Folk Art Museum in New York City!

What You’ve Learned

Two key elements of marketing were covered in this session—Placement (Distribution) and Promotion.

The most important points to remember are:

1. Choose the distribution strategy that gets your product to your customer in the most efficient and cost-effective way. Anywhere from 15% to 50% of your total product price is likely to be spent on distribution efforts, so choose wisely!
2. Promotion is everything you do to let your target customers and the general public know about your business. Promotion includes advertising, public relations, networking, and a variety of other promotional tools.
3. Promotion can be expensive, so it’s very important to prepare a promotional plan before you spend any money.
4. When businesses take the time and energy to create the right mix of strategies for the Four Ps, they save time and money. They serve the right target customers. They succeed in positioning their product in the right place at the right time, for the right price!