

MARKETING STRATEGIES FOR THE GROWING BUSINESS

Frederick H. Rice
Director
Kansas State University
Small Business Development Center (SBDC)
Manhattan, Kansas

Emerging Business Series

Copyright 1991, Frederick H. Rice. All rights reserved. No part may be reproduced, transmitted or transcribed without the permission of the author. SBA retains an irrevocable, worldwide, nonexclusive, royalty-free, unlimited license to use this copyrighted material.

While we consider the contents of this publication to be of general merit, its sponsorship by the U.S. Small Business Administration does not necessarily constitute an endorsement of the views and opinions of the authors or the products and services of the companies with which they are affiliated.

All of SBA's programs and services are extended to the public on a nondiscriminatory basis.

TABLE OF CONTENTS

INTRODUCTION

THE MARKETING CONCEPT

SELF-ASSESSMENT QUESTIONNAIRE

MARKET RESEARCH

EXPANDING YOUR MARKET

THE MARKETING PLAN

Market Segmentation
Market Positioning

THE MARKETING BUDGET

The Product (or Service)
Price
Place
Promotion
Persuasion

THE ADVERTISING BUDGET

How Much Should I Spend?
When Should I Spend It?
Where Should I Spend It?
What Media Should I Use?

MAKING ADVERTISING WORK FOR YOU

Appeal to Consumers' Needs
Techniques in Presenting the Advertising Message
Strengthening the Elements of Your Advertisement

MEDIA AVAILABLE TO ADVERTISERS

Paid-circulation Newspapers
Free-distribution Newspapers
Direct Mail
Magazines
Brochures
Other Local Print Media
Radio
Television
Outdoor Media
Other Media for Advertising

REFINING YOUR ADVERTISING FOR GREATER RESULTS

Timing Each Ad For Impact
Using Color
Critiquing Your Ads

REFERENCES

APPENDIXES

A. Customer Survey
B. Annual Sales by Store Type
C. Share of Annual Sales by Month

- D. Projected Sales and Planned Ad Volume -- Worksheet
 - E. Average Advertising Investments of Retail Stores
 - F. Determination of Advertising Media Budget -- Worksheet
 - G. Media Budget Allocation Form -- Worksheet
 - H. Advertising Layout Guide
 - I. Type Styles
 - J. Information Resources
-

INTRODUCTION

Marketing continues to be a mystery . . . to those who create it and to those who sponsor it. Often, the ad that generates record-breaking volume for a retail store one month is repeated the following month and bombs. A campaign designed by the best Madison Avenue ad agency may elicit a mediocre response. The same item sells like hotcakes after a 30-word classified ad, with abominable grammar, appears on page 35 of an all-advertising shopper tossed on the front stoops of homes during a rainstorm! The mystery eludes solution but demands attention.

This publication is devoted to the idea that your marketing results can be improved through a better understanding of your customers. This approach usually is referred to as the marketing concept.

Putting the customer first is probably the most popular phrase used by firms ranging from giant conglomerates to the corner barber shop, but the sloganizing is often just lip service. The business continues to operate under the classic approach -- "Come buy this great product we have created or this fantastic service we are offering." The giveaway, of course, is the word we. In other words, most business activities, including advertising, are dedicated to solving the firm's problems. Success, however, is more likely if you dedicate your activities exclusively to solving your customer's problems.

Any marketing program has a better chance of being productive if it is timed, designed and written to solve a problem for potential customers and is carried out in a way that the customer understands and trusts. The pages that follow will present the marketing concept of putting the customer first. Marketing is a very complex subject; it deals with all the steps between determining customer needs and supplying them at a profit. In addition to some introductory material on marketing, this publication includes practical material on the marketing approaches to budgeting, layout design, headline writing, copywriting and media analysis. You have to spend money on marketing; the purpose of this publication is to help you get the most for your money, or the most bang for the buck.

THE MARKETING CONCEPT

Unfortunately, there is still a misunderstanding about the word marketing. Many people, including top executives, use it as a sophisticated term for selling. Marketing representative is commonly

used in ads to recruit salespeople. Actually, marketing is a way of managing a business so that each critical business decision is made with full knowledge of the impact it will have on the customer.

Here are some specific ways in which the marketing approach differs from the classic, or sales, approach to managing a business.

1. In the classic approach, engineers and designers create a product, which is then given to salespeople who are told to find customers and sell the product. In the marketing approach, the first step is to determine what the customer needs or wants. That information is given to designers who develop the product and finally to engineers who produce it. Thus, the sales approach only ends with the customer, while the marketing approach begins and ends with the customer.
2. The second major difference between the sales and marketing approaches is the focus of management. The sales approach almost always focuses on volume while the marketing approach focuses on profit.

In short, under the classic (sales) approach the customer exists for the business, while under the marketing approach the business exists for the customer.

The marketing concept is a management plan that views all marketing components as part of a total system that requires effective planning, organization, leadership and control. It is based on the importance of customers to a firm, and states that

- All company policies and activities should be aimed at satisfying customer needs.
- Profitable sales volume is a better company goal than maximum sales volume.

SELF-ASSESSMENT QUESTIONNAIRE

In order to conduct a successful marketing program you must be able to answer the following questions:

1. What type of business are you in (manufacturing, merchandising or service)?

2. What is the nature of your product(s) or service(s)?

3. What market segments do you intend to serve? (Describe the age, sex, income level and

life-style characteristics of each market segment.)

4. What strategies will you use to attract and keep customers?

Product _____

Price _____

Place _____

Promotion _____

Persuasion (personal selling) _____

5. What is your unique selling proposition (USP)?

6. Who is your competition, and what will you do to control your share of the market?

MARKET RESEARCH

To use the marketing concept effectively in a growing business, you should

- Analyze your firm's competitive advantage. What do you do best?
- Identify specific markets you now serve.
- Determine the wants and needs of your present customers.
- Determine what you are now doing to satisfy those wants and needs.

- Prepare a marketing plan that allows you to reach out to new customers or to sell more to your present customers.
- Test the results to see if your new strategies are yielding the desired results.

Market research must be used in each of these six steps to help define your business for your customer's interests, not your own. It is the process of learning what customers want or need and determining how to satisfy those wants or needs. It is also used to confirm whether the customer reacted to a marketing program as expected. The benefits of market research include

- Learning who your customers are and what they want.
- Learning how to reach your customers and how frequently you should try to communicate with them.
- Learning which advertising appeals are most effective and which ones get no response.
- Learning the relative success of different marketing strategies, thus improving return on investment.
- Learning how not to repeat your mistakes.

The dilemma for the small business owner is that, properly done, market research is quite expensive, takes time and requires professional expertise. Acquiring all the necessary data to reduce the risk to your venture may cost so much and take so long that you may go out of business. The answer is to find a quick and inexpensive way of getting enough data to help you make the right decision most of the time. Some obvious pitfalls are

- Using a sample that does not represent the total market.
- Asking the wrong questions.
- Not listening to the responses.
- Building in biases or predispositions that distort the reliability of information.
- Letting arrogance or hostility cut off communication at some point in the marketing process.

If you have a limited budget, develop the skills to hear what your customers and potential customers are telling you. Some techniques worthy of consideration are

- *Advisory board* -- Occasionally convene a group of local people, whose opinions you respect, to act as a sounding board for new ideas. Choose your group with

extreme care; one or two negative thinkers can distort the thought process of the entire group.

- *User group* -- Gather customers together to discuss new ideas. Their opinions can help you keep your business on track. Pick a neutral setting where the people will talk. Be sure to reward the participants and share the credit for good ideas.
- *Informal survey* -- If you seek feedback from customers by simply asking, How was everything? you can be seriously misled. Most people, even those with legitimate complaints, are reluctant to speak out because they are afraid of appearing foolish. This tendency is probably more widespread in smaller communities, where friendships often stand in the way of critical review. Also, if your attitude is such that customers feel complaining will not do any good, you may be antagonizing customers without even knowing it. One solution is to take a few customers aside and ask them some sincere questions about how your business met their expectations and where it fell short. If the customer appears uneasy, do not press the issue -- you will only force him or her to give you pat answers to escape the situation. If you get a good response, take notes. Follow-up letters thanking the customers and telling them what you plan to do with their suggestions will bring you friends for life.
- ! *Suggestion box* -- A suggestion box is a simple idea that works, but only if you do the following:
 - Read the suggestions on a regular basis.
 - Do something about the suggestions you receive.
 - Reward those who give you good ideas by posting their names, writing letters to them or rewarding them with money or other things of value.

The principle at work is: If you reward good results, you will get more good results. If you do not reward them, you will end up with an empty suggestion box and the mistaken idea that everything is fine.

- *Sample survey* -- Canvass the neighborhood to gather data. If you wish to remain anonymous, line up some marketing students to perform the survey or engage a local marketing agency. Be sure you establish a technique for getting a random sample as most people naturally attempt to attract respondents with whom they feel comfortable. Be sure to test your questionnaire to see that the questions are easily understood and are meaningful (see Appendix A for a sample survey).
- *Focus group interview* -- Get 10 to 15 people together in a relaxed setting and encourage them to talk about products or services they like or dislike. Use a moderator who can lead the group discussion without inhibiting the thought processes or limiting the expression of ideas and opinions. Tape record the session

for later analysis.

- *Brainstorming* -- This is a variation of the focus group, in which participants are encouraged to freewheel in their thinking to produce as many suggestions as possible without analyzing them. Again, a trained moderator will obtain the best results.
- *Complaint analysis* -- Encourage your customers to contact you directly if they have complaints. Respond to every complaint with a courteous letter assuring that you will correct the situation. A few disgruntled customers can be harmful. If your customers feel that they can work with you to solve their problems, you are sure to be successful.
- *Comparison shopping* -- Arrange with someone in a similar business located out of town to come to your town to shop your business and several of your competitors. Then return the favor and compare notes. This will avoid the danger of your becoming complacent about your premises and overlooking things that may be annoying or confusing to your customers.
- *Customer analysis* -- Tabulate information about customers regularly to determine such data as
 - Age.
 - Size of buying group (family, household, etc.).
 - Sex of the decision maker in the group.
 - Geographic location -- Sort checks and sales slips by ZIP code, or ask customers to mark their home on a map with a colored pencil. Tabulate visitors versus local residents.
 - Average amount of purchase.
 - Coupon usage.
 - Response to recent advertising.
 - Radio station listened to.
 - Newspapers read.
 - Response to mailings.
 - Full price buyers versus those who respond to sales or specials.

- Special populations in your area, such as college students, military personnel, senior citizens, hospital visitors, convention attendees, sports spectators, fair attendees, farmers, seasonal workers, car pools, pet owners, home owners, boat or recreational vehicle owners and athletic participants. The more you know about your customers the better you will be able to satisfy and even anticipate their needs.

 - *Customer want list* -- Keep a notebook at your cash register and write down every request you receive for items you do not carry or have in stock. Periodic review of the list will give valuable clues about sales you are losing or new products and services you should consider carrying. You may learn of fad items, products being heavily advertised or items and services your competitors have dropped. Your customers may be telling you they are dissatisfied with your competition and would prefer buying from you. You will be able to tell if other businesses in the area are in trouble, even before they know it themselves. You may also discover ways to make additional income by adding new departments or product lines or by developing a special-order business if your customers are willing to pay the added shipping costs and wait for delivery.

 - *Industry analysis* -- On business trips or vacations, visit businesses similar to yours. Take pictures of signs, storefronts and displays, and talk to the owners to compare notes on new products, services and marketing techniques. Subscribe to trade journals and attend trade shows to keep current on marketing developments in your industry.

 - *Sales representatives* -- Representatives who call on other similar businesses in your area can provide valuable information on business trends, new items and changes in the industry. Be sure the information is reliable.

 - *Advertising notebook* -- Each ad that you run represents an investment. To make sure you maximize your investment, cut out each ad and tape it to a page in a three-ring notebook. (For a radio or TV ad, write a short description.) Enter the date, medium and cost of the ad. Record the results of the ad in sales, inquiries or coupons redeemed. Divide the cost by the results to get a cost-per-inquiry factor that you can use to compare your ads and the media in which they appeared.

 - *Exit interviews* -- When someone leaves your employ, be sure to spend sufficient time to find out exactly why he or she is leaving. Probe deep to learn what may be occurring in your business that causes hard feelings, employee conflict or customer dissatisfaction. It is important that your employees leave with a good feeling about you and your business, so they will not spread unfounded rumors. Also, you may wish to keep them as customers. Employee turnover and training can be expensive to a business, so try to find out what you must do to keep employees and then decide if they are worth the price.
-
-

EXPANDING YOUR MARKET

When expanding your business, explore all the strategic alternatives available to you. Select the one that makes the most sense and then prepare a marketing plan on how to implement that strategy. There are at least a dozen common strategies and a variety of strategic combinations or special situations to choose from.

Expansion of Present Location

Learn to spot telltale signs of saturation in your present facilities. Grocery stores, for example, keep track of abandoned carts. When a shopper fills a cart and then leaves because the checkout line is too long, the grocer should realize that there is a serious problem. If you are experiencing bottlenecks, think about adding to your facilities. Determine how many additional customers you could service by building up or out and compare the additional sales to the cost of construction and temporary inconvenience.

Relocation

If it appears unlikely that you can draw more customers to your present location (at a reasonable cost), consider moving closer to your customers. A location on Main Street, in a shopping mall or an industrial park may cost you more in rent, but if you gain exposure to new customers it may be a sound investment.

Additional Outlets

Reaching the most customers may require opening several outlets at convenient locations throughout your market area. In addition to the added costs of real estate and multiple inventories, carefully analyze the cost and availability of labor and training, and the cost of hiring a manager for each location and installing an efficient monitoring system. Your advertising dollars may become more efficient since your radio, TV and newspaper ads cover your entire market. The multiple locations will make it more convenient for customers to find you.

Downward Vertical Integration

If your profits depend on the prices you pay for raw materials, your most profitable growth strategy may be to buy a farm, mine or processing plant to produce your own materials. This strategy also may make sense if your product quality is based on a consistent supply of goods at an acceptable quality level.

Upward Vertical Integration

Most small manufacturing businesses that start are forced to conform to the existing marketing channels and sell through established manufacturers' representatives, jobbers or dealers who have access to the market. As you grow, however, it makes sense to analyze your distribution system to see when you can improve your situation by hiring your own sales team, contracting with

distributors, buying a truck fleet, opening retail stores or factory outlet stores or doing anything else you need to do to get closer to your market. Remember, every time someone gets between you and your customer, it either reduces your revenue or increases your operating costs. Also, it impedes the provider-consumer communication that is essential to a good marketing program.

Exporting Goods or Services

Literally, there is a world of markets available to you if you are willing to learn how to get started. The U.S. Department of Commerce's U.S. and Foreign Commercial Service and the U.S. Small Business Administration can help you explore potential foreign markets for your product or service.

Tourists' Business

When you are looking for new customers, don't ignore tourists who could be attracted to your area. Work with your local convention and visitors' bureau to determine the impact if you cooperate with local tourist attractions or hotels and restaurants to get more people to visit and spend money in your community.

Franchises

Franchising as a growth strategy offers advantages if you are short of expansion capital, yet have a concept that can be packaged and taught to people who wish to invest in a business. The legal problems can seem overwhelming, but with a good plan and competent advice, you can develop a franchise system that could prove extremely profitable.

License Agreements

If you have a technical process or service, you may be able to find people in other markets who would be willing to pay you a royalty for the rights to use your process. Perhaps you could sell raw materials, secret ingredients, special tooling or promotional materials to your license holders.

Direct Marketing

Selling directly to your customers is one of the oldest and most effective methods of marketing. Today, there are few door-to-door salespeople; most direct marketing is seen in party plan selling and through mail, TV and magazines. Direct selling requires good selection and training techniques and a commission plan plus liberal incentives.

Telemarketing

If you have a good list of prospective customers, telemarketing may be an effective method of informing them about your business, qualifying them for sales follow-up or selling your product or service to them. Professional firms can be used, or you can set up your own telephone room. Here again, recruiting and training are critical because only a few people can do telemarketing well.

Private Label

One method of reaching out to new markets is to sell your product under the name of your distributor or retailer. However, you cannot build customer or brand loyalty because the consumer does not know you are the producer. Another potential problem is that, should the owner of the label find a cheaper producer, you may be out of the business.

THE MARKETING PLAN

The marketing plan is a problem-solving document. Skilled problem solvers recognize that a big problem is usually the combination of several smaller problems. The best approach is to solve each of the smaller problems first, thereby dividing the big problem into manageable pieces. Your marketing plan should take the same approach. It should be a guide on which to base decisions and should ensure that everyone in your organization is working together to achieve the same goals. A good marketing plan can prevent your organization from reacting to problems in a piecemeal manner and even help in anticipating problems.

Before your marketing plan can be developed, research must give you the basic guidelines: for whom you are designing your product or service (market segmentation), and exactly what that product or service should mean to those in the marketplace (market positioning). Below are some guidelines to help you develop a marketing plan to support the strategy you have selected for your organization.

Market Segmentation

Your marketing plan should recognize the various segments of the market for your product or service and indicate how to adjust your product to reach those distinct markets. Instead of marketing a product in one way to everyone, you must recognize that some segments are not only different, but better than others for your product. This approach can be helpful in penetrating markets that would be too broad and undefined without segmentation. No matter what you are making or selling, take the total market and divide it up like a pie chart. The divisions can be based on various criteria such as those listed below.

Demographics

This is the study of the distribution, density and vital statistics of a population, and includes such characteristics as

- Sex.
- Age.
- Education.
- Geographic location.
- Home ownership versus rental.
- Marital status.

- Size of family unit.
- Total income of family unit.
- Ethnic or religious background.
- Job classification -- blue collar versus salaried or professional.

Psychographics

This is the study of how the human characteristics of consumers may have a bearing on their response to products, packaging, advertising and public relations efforts. Behavior may be measured as it involves an interplay among these broad sets of variables:

- *Predisposition* -- What is there about a person's past culture, heredity or upbringing that may influence his or her ability to consider purchasing one new product or service versus another?
- *Influences* -- What are the roles of social forces such as education, peer pressure or group acceptance in dictating a person's consumption patterns?
- *Product Attributes* -- What the product is or can be made to represent in the minds of consumers has a significant bearing on whether certain segments will accept the concept. These attributes may be suggested by the marketer or perceived by the customer. Some typical ways of describing a product include
 - Price/value perception -- Is the item worth the price being asked?
 - Taste -- Does it have the right amount of sweetness or lightness?
 - Texture -- Does it have the accepted consistency or feel?
 - Quality -- What can be said about the quality of the ingredients or lack of artificial ingredients?
 - Benefits -- How does the consumer feel after using the product?
 - Trust -- Can the consumer rely on this particular brand? What about the reputation of the manufacturer in standing behind the product?

Life-Style

Statements consumers make about themselves through conspicuous consumption can be put to good use by research people who read the signals correctly. By studying behavioral variables, such as a person's use of time, services and products, researchers can identify some common factors that

can predict future behavior.

ZIP Code Analysis

In his book, *The Clustering of America*,* Michael J. Weiss described the research efforts of the Claritas Corporation. In 1971, company president Jonathan Robbin started with the idea of analyzing the 254,000 U.S. census blocks and 36,000 ZIP code areas to find out what types of people live in each. Based on the theory that birds of a feather flock together, he reasoned that, as neighborhoods develop, the people who move in are attracted by a set of common life-style factors in a pattern called social clustering. He analyzed each ZIP code according to hundreds of characteristics under the headings of social rank, mobility, ethnicity, family life cycle and housing style. He found 34 key factors that accounted for 87 percent of the variation among U.S. neighborhoods. His computers then assigned each ZIP code to a cluster type and ranked them from highest to lowest standard of living (see Table 1).

Table 1
Clustering of U.S. Neighborhoods According to Standard of Living

ZIP qual Cluster ity-a	Median income	Median home value	% college grads	% U.S. Home house- holds	value/ income
1 Blue Blood Estates	\$70,307	\$200,000+b	50.7	1.1	2.8
2 Money & Brains	45,798	150,755	45.5	0.9	3.3
3 Furs & Station Wagons	50,086	132,725	38.1	3.2	2.6
4 Urban Gold Coast	36,838	200,000+b	50.5	0.5	5.4
5 Pools/Patios	35,895	99,702	28.2	3.4	2.7
6 2 More Rungs	31,263	117,012	28.3	0.7	3.7
7 Young Influentials	30,398	106,332	36.0	2.9	3.5
8 YoungSuburbia	38,582	93,281	23.8	5.3	2.4
9 God's Country	36,728	99,418	25.8	2.7	2.7
10 Blue Chip Blues	32,218	72,563	13.1	6.0	2.3
11 Bohemian Mix	21,916	110,668	38.8	1.1	5.0
12 Levittown USA	28,742	70,728	15.7	3.1	2.5
13 Gray Power	25,259	83,630	18.3	2.9	3.3
14 Black Enterprise	33,149	68,713	16.0	0.8	2.0
15 NewBeginnings	24,847	75,364	19.3	4.3	3.0
16 Blue-Collar Nursery	30,077	67,281	10.2	2.2	2.2
17 New Homesteaders	25,909	67,221	15.9	4.2	2.6

18	New Melting Pot	22,142	113,616	19.1	0.9	5.1
19	Towns & Gowns	17,862	60,891	27.5	1.2	3.4
20	Rank & File	26,283	59,363	9.2	1.4	2.3
21	MiddleAmerica	24,431	55,605	10.7	3.2	2.3
22	Old Yankee Rows	24,808	76,406	11.0	1.6	3.0
23	Coalburg & Corntown	23,994	51,604	10.4	2.0	2.2
24	Shotguns & Pickups	24,291	53,222	9.1	1.9	2.2
25	Golden Ponds	20,140	51,537	12.8	5.2	2.6
26	Agri-Business	21,363	49,012	11.5	2.1	2.3
27	Emergent Minorities	22,029	45,187	10.7	1.7	2.0
28	Single City Blues	17,926	62,351	18.6	3.3	3.5
29	Mines & Mills	21,537	46,325	8.7	2.8	2.2
30	Back-Country Folks	19,843	41,030	8.1	3.4	2.1
31	Norma Rae-Ville	18,559	36,556	9.6	2.3	2.0
32	Smalltown Downtown	17,206	42,225	10.0	2.5	2.5
33	Grain Belt	21,698	45,852	8.4	1.3	2.0
34	HeavyIndustry	18,325	39,537	6.5	2.8	2.2
35	ShareCroppers	16,854	33,917	7.1	4.0	2.0
36	Downtown Dixie-Style	15,204	35,301	10.7	3.4	2.3
37	Hispanic Mix	16,270	49,533	6.8	1.9	3.0
38	Tobacco Roads	13,227	27,143	7.3	1.2	2.1
39	Hard Scrabble	12,874	27,651	6.5	1.5	2.1
40	Public Assistance	10,804	28,340	6.3	3.1	2.6
	National Median \$	24,269	\$ 64,182	16.2	100.0	2.6

Source: PRIZM (Census Demography) Claritas Corporation 1987.

a = ZIP quality is a socioeconomic ranking based on income home value education and occupation a kind of pecking order of affluence. Although jobs have no social status per se they're rated in a complex weighting system on the basis of how much education and training they require.

b = Because the upper census limit for home values is \$200,000+ the figure for Blue Blood Estates and Urban Gold Coast are estimates.

The important thing to recognize about the 40 groups in Table 1 is that each spends its money in particular ways because the people in that neighborhood have common values. As you move up the zip quality scale, it is obvious that people have more money to spend, but unless you have what that group thinks is important or desirable, they aren't going to buy. And, more important, if their friends and neighbors don't like what you have to sell, your chances of making the sale are pretty slim.

A sample analysis of the data in Table 1 follows. The average American spends 2.6 times his or her annual income on a home (calculated by dividing the median home value for each cluster by the median income). According to Table 1, the Bohemian Mix cluster spends almost twice the average on housing because, while its members earn less money than neighboring clusters, their higher education level gives them the confidence and desire to invest in a larger house. The business owner must learn how home purchase relates to all other purchases for each cluster and how all purchases fall into a pattern. The pattern has to do with how the people in each cluster place values on and gain acceptance and pleasure from purchases, leisure activities and memberships that contribute to the life-style of that particular neighborhood.

In 1978, Claritas launched PRIZM -- Potential Rating Index by ZIP Markets -- which refined the 40 rankings by cross-referencing with magazine subscription lists, new car buyer lists, TV viewing diaries, and warranty card, voting records and sales records for thousands of products and services. With this new level of data sophistication, marketing people obtained an amazingly accurate picture of who lives in the 40 types of neighborhoods.

The largest single cluster, for example, is No. 10 -- Blue Chip Blues. These are the top-of-the-line blue-collar folks who have parlayed a high school education and skilled-labor jobs into suburban comfort and active leisure lives. By comparing this cluster's life-style expenditures with those of other clusters and the national average, we can cumulate data such as those reflected in Table 2

Table 2
Life-Style Expenditures of Blue Chip Blues Cluster

High usage	Index*	Low usage	Index*
Life-style			
Campers/trailers	202	Jewelry	91
Above-ground swimming pools	197	Civic clubs	81
Watch ice hockey	173	Watch roller derby	77
Preferred stock in own co.	173	Imported champagne	76
Bicycles	154	Malt liquor	69
Hedge trimmer	153	Tennis	67
Second mortgages	153	Jazz records/tapes	54
Lawn tools	153	Movie cameras	51
Bowling	151		
Automatic garage door opener	149		
Racquetball	145		
Desk-top calculators	137		
Vans	136		
Salt-water fishing	134		
Push lawn mowers	132		
Compact cars	132		
Diet pills	129		

Magazines/newspapers

<i>Skin Diver</i>	192	<i>Wall Street Journal</i>	77
<i>Bride's Magazine</i>	162	<i>New Yorker</i>	74
<i>4 Wheel & Off Road</i>	159	<i>Harper's</i>	69
<i>Golf</i>	154	<i>Town & Country</i>	54

Cars

Chevrolet Sprint	194	Saab	67
Buick Riviera	175	BMW 5 Series	49
Plymouth Turismo	174	Ferrari	46
Pontiac Grand Am	171	Jaguar	41
Ford EXP	171	Rolls Royce	23

Food

Children's vitamins	126	Canned corned-beef hash	94
Frozen pizza	125	Whole milk	92
Mexican food	122	Cold cereal	89
Powdered soft drinks	120	Canned stews	84

Source: SMBR and MRI data bases Claritas Corporation 1987.

*Index numbers indicate percentages of users in each cluster indexed against the national average. An index of 100 equals the U.S. average for that category. An index of 300 means the cluster has three times the national average for that category.

Such information is indispensable to direct mail marketing firms, but almost any growing business can benefit from better information about past and present customers. Start by recording ZIP codes from checks you receive, ask your customers to write ZIP codes on your charge card slips and categorize your cash sales by ZIP code. Such information gathered over time will give you clues to such questions as

- Where do your present customers live?
- What areas are growing or declining?
- What is the influence of tourists, students, military or other specialized populations?
- Does advertising increase sales in certain areas?
- What is the effect of competitive activities on your sales?
- How can you find more customers like the ones you have now?

The real key to successful marketing is to identify the market segments you wish to reach and then tabulate the results of your marketing efforts until you find out what works best for you -- and then

keep repeating your successes.

Market Positioning

You must realize that your product or service cannot be all things to all people. Very few items on the market today have universal appeal. Even when dealing in basic commodities like table salt or aspirin, marketing people have gone to all sorts of extremes to create brand awareness and product differentiation. If your product or service is properly positioned, prospective purchasers or users should immediately recognize its unique benefits or advantages and be better able to assess it in comparison to your competition's offering. Positioning is how you give your product or service brand identification.

Positioning involves analyzing each market segment as defined by your research activities and developing a distinct position for each segment. Ask yourself how you want to appear to that segment, or what you must do for that segment to ensure that it buys your product or service. This will dictate different media and advertising appeals for each segment. For example, you may sell the same product in a range of packages or sizes, or make cosmetic changes in the product, producing private labels or selecting separate distribution channels to reach the various segments. Beer, for example, is sold on tap and in seven-ounce bottles, twelve-ounce cans and bottles, six-packs, twelve-packs, cases, and quart bottles and kegs of several sizes. The beer is the same but each package size may appeal to a separate market segment and have to be sold with a totally different appeal and through different retail outlets.

Remember that your marketing position can, and should, change to meet the current conditions of the market for your product. The ability of your company to adjust will be enhanced greatly by an up-to-date knowledge of the marketplace gained through continual monitoring. By having good data about your customers, the segments they fit into and the buying motives of those segments, you can select the position that makes the most sense. While there are many possible marketing positions, most would fit into one of the following categories:

- *Positioning on specific product features* -- A very common approach, especially for industrial products. If your product or service has some unique features that have obvious value this may be the way to go.
- *Positioning on benefits* -- Strongly related to positioning on product features. Generally, this is more effective because you can talk to your customers about what your product or service can do for them. The features may be nice, but unless customers can be made to understand why the product will benefit them, you may not get the sale.
- *Positioning for a specific use* -- Related to benefit positioning. Consider Campbell's positioning of soups for cooking. An interesting extension is mood positioning: Have a Coke and a smile. This works best when you can teach your customers how to use your product or when you use a promotional medium that allows a demonstration.

- *Positioning for user category* -- A few examples: You've Come a Long Way Baby, The Pepsi Generation and Breakfast of Champions. Be sure you show your product being used by models with whom your customers can identify.
- *Positioning against another product or a competing business* -- A strategy that ranges from implicit to explicit comparison. Implicit comparisons can be quite pointed; for example, Avis never mentions Hertz, but the message is clear. Explicit comparisons can take two major forms. The first form makes a comparison with a direct competitor and is aimed at attracting customers from the compared brand, which is usually the category leader. The second type does not attempt to attract the customers of the compared product, but rather uses the comparison as a reference point. Consider, for example, the positioning of the Volkswagen Dasher, which picks up speed faster than a Mercedes and has a bigger trunk than a Rolls Royce. This usually works to the advantage of the smaller business if you can capitalize on the American tradition of cheering for the underdog. You can gain stature by comparing yourself to a larger competitor just as long as our customers remain convinced that you are trying harder.
- *Product class disassociation* -- A less common type of positioning. It is particularly effective when used to introduce a new product that differs from traditional products. Lead-free gasoline and tubeless tires were new product classes positioned against older products. Space-age technology may help you here. People have become accustomed to change and new products and are more willing to experiment than was true ten years ago. Even so, some people are more adventuresome and trusting than others and more apt to try a revolutionary product. The trick is to find out who are the potential brand switchers or experimenters and find out what it would take to get them to try your product. The obvious disadvantage of dealing with those who try new products is that they may move on to another brand just as easily. Brand loyalty is great as long as it is to your brand.
- *Hybrid bases* -- Incorporates elements from several types of positioning. Given the variety of possible bases for positioning, small business owners should consider the possibility of a hybrid approach. This is particularly true in smaller towns where there aren't enough customers in any segment to justify the expense of separate marketing approaches.

THE MARKETING BUDGET

Resource allocation is a critical part of any marketing plan. To simplify budget preparation, it is recommended that investments in labor, material and services be broken down into the five Ps of marketing:

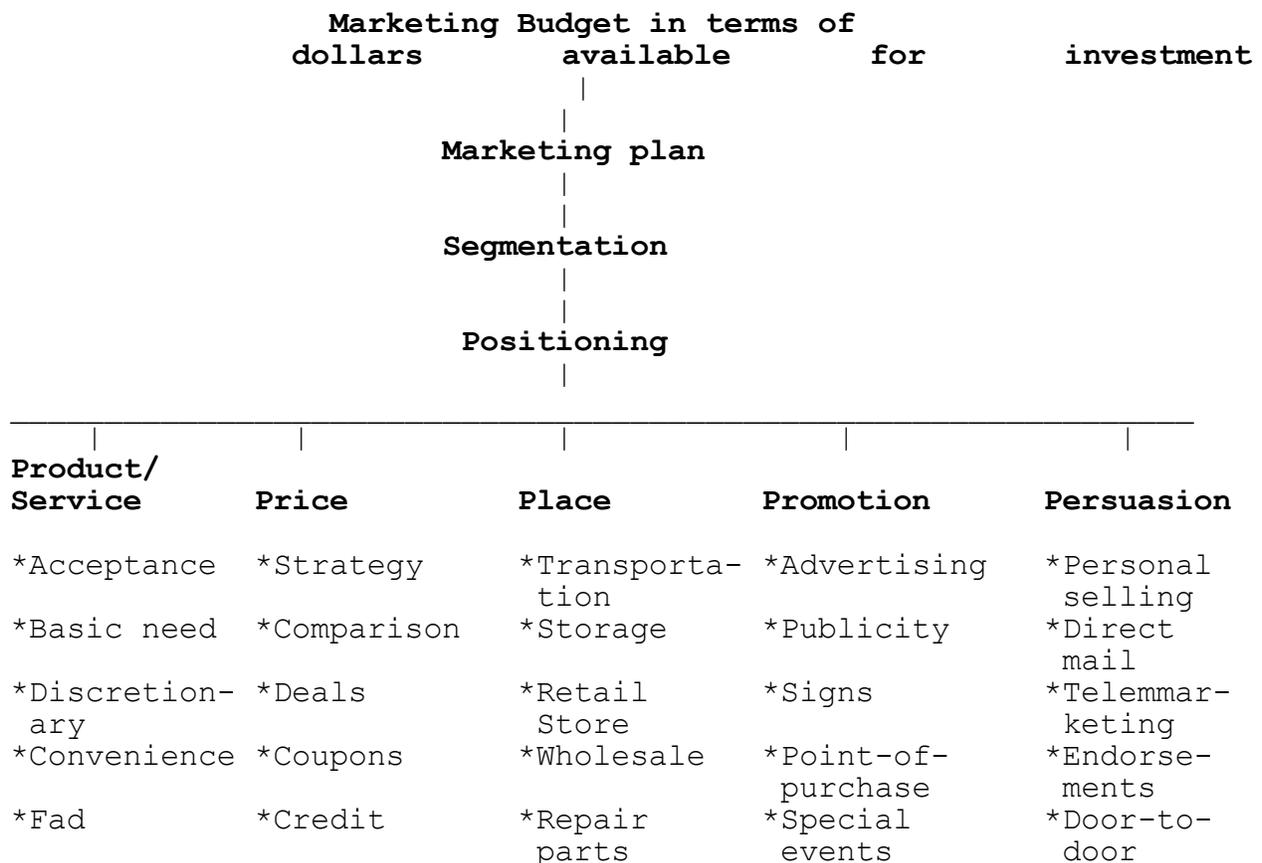
- *Product* -- The item or service you have to sell.

- *Price* -- The amount of money you ask your customer to pay for your product.
- *Place* -- Where a product is now and how it is transported to your customer.
- *Promotion* -- The advertising and publicity necessary to complete a transaction.
- *Persuasion* -- Personal selling of your business.

Each of the five Ps represents an investment in dollars, materials and services. We can represent this as a system of pipes consisting of a tank of money, which represents the total marketing budget, a main pipe through which the dollars flow and five valves that control the flow of money to each of the five Ps (see Figure 1, page 12). The concepts of market planning, segmentation and positioning are shown as filters. Budgeting is the process of setting the valves to meet the needs of each marketing task for each segment and then monitoring the results over time to make sure you remain on target.

As your market segments change, you will have to reset the valves. The important thing is to have in place an effective marketing research system that gives you the confidence to move in the right direction for the right reason.

FIGURE 1 -- A MARKETING MODEL FOR SMALL BUSINESS



*Luxury	*Layaway	*Service	*Word-of-mouth	*Party plan
*Packaging	*Delivery		*Repeat sales	
*Value	*Installation			
*Selection	*Warranty			
*Amount (size)				

The Product (or Service)

When consumers think about using a product or service, they consider its advantages and disadvantages. In other words, they ask, What's in it for me? Therefore, it is not enough to define your product and its features; other questions must be answered. Think first of your perception of your product or service and then find out how your customers see it. Ask yourself questions such as

- What is a description of our product or service?
- What image does it have in the market?
- What are its features and benefits?
- In the eyes of the consumer, is there a way for us to provide our product or service more effectively?
- Where does our product or service fit in a product life cycle?
 - Introduction (maximum investment in development).
 - Growth (investment in marketing).
 - Maturity (maximize profits).
 - Decline.
 - Marketing decision -- At some point during this declining stage, you must decide whether to invest more money in the product (i.e., create a new and improved model requiring additional investment and generating a new life cycle) or to discontinue it.

Price

There are a number of pricing strategies you can use to achieve your growth goal. Each has the potential of producing a profit, and most are tied to the critical relationship of price-to-sales volume and stock turnover. Some strategies you may want to consider are listed below.

Price Skimming

This refers to the practice of charging high prices for the purpose of maximizing profit in the short run. It works best when

- The product is unique and people are willing to pay extra just to have it. There are trendsetters in society who always are looking for something new and are willing to pay the price. A larger number are followers, and they will buy your product if it is accepted by the leaders. The followers, however, will not pay the higher price.
- The cost of development is high and there is a chance of early obsolescence or imitation by competitors.
- You have a strong patent position, or your product would be difficult to copy.

The real disadvantage of skimming is that it attracts competition. Your competitors will soon figure out what you are up to, and the high profit potential will encourage them to copy you. They may produce cheaper versions of your product or style, referred to as knockoffs in the market. Once you have meaningful competition on price, your skimming days are over and you run the risk of ending up with a warehouse full of products that cannot be sold at any price.

Penetration Pricing

The opposite of skimming is to introduce your product at such a low price that you will quickly gain a large share of the market. The purpose is to discourage competition. However, eventually you will have to raise your prices to start making some profit and, when you do, you will learn much about customer loyalty.

Buying a Market Position

A variation of penetration pricing is to buy your way into the market with free samples or heavy coupons, for example, 50 cents off on a 69-cent purchase. This tactic is usually used by big companies because it takes considerable financial backing and it may be six months or more before it starts to pay off. Small marketers can use it to the degree they know what they are doing and can control the process. Frequent follow-up is important to ensure samples are not going to professional collectors but are reaching potentially strong customers.

Loss Leader

This refers to promoting a few items at a sizable reduction to attract customers. The idea is that the increased traffic will result in greater sales of your regular-priced merchandise. The reductions have to be on recognized brands and items purchased frequently enough so customers know the prices and can recognize the savings. You must keep switching leader items -- people are not going to buy catsup four weeks in a row regardless of its price. The danger is that you may develop a following of cherry pickers who will breeze into your store, scoop up the specials and buy nothing else.

Multiple Unit Pricing

You can increase the size of your individual sales by offering a meaningful discount for larger purchases. A liquor store usually will offer a discount or throw in a free bottle of wine when you buy a case. The same idea applies to the baker's dozen, a discount on a set of tires or selling beer and soft drinks by the pitcher. This is a good technique for building customer goodwill, but you will not see your customers as often. The trade-off, of course, is that you save time and money on containers and packaging, save time by writing up fewer sales and, perhaps, can make your delivery service more efficient by selling by the truckload. Variations are two-fors, six-packs, cheaper by the carton and bulk price.

Suggested Retail Pricing

This is the practice of selling at prices set by your suppliers. It is convenient because many product lines are available prepackaged and prepriced. However, you lose flexibility and must live with a set percentage markup. (To combat this disadvantage, some suppliers offer two-for-three options using the retail price). Because suggested-retail or retail-price-maintenance plans are illegal in some states, the practice usually is a loser. Using a slightly different strategy, Panasonic published a minimum retail price list showing a higher average retail; some stores use such gimmicks as compare at or nationally advertised at to imply that the official price is at a certain point.

Discount Pricing

The discount store usually offers lower prices as a trade-off for spartan interiors, lack of sales help and the efficiency of central checkouts. These stores typically work on a 35 to 38 percent markup compared to 42.5 to 45 percent for a department store. Since discount stores depend on the efficiency of greater volume to cover operating costs, they must maintain, or at least promote, good prices.

Full-cost Pricing

This pricing is calculated by adding the costs of the product or service plus a flat fee or percentage as the margin of profit. During inflation, you must keep track of your costs to make sure that you are charging enough. In many business lines, owners have come to realize that when they replace their stock, the wholesale price has often risen above their retail price. If they do not raise prices rapidly enough, they are faced with diminishing inventories at a constant dollar investment or with having to invest more money to restock their shelves at the constant level.

Keystone Pricing

This refers to the practice of setting the retail price at double the cost figure, or a 100 percent markup. It is most common with jewelry items and in specialty shops, high-ticket fashion shops and department stores. Typically, the merchandise is subject to drastic clearance markdowns on items that are slow sellers or held past the season.

Price Lining

This is the technique used by most retail stores of stocking merchandise in several different price

ranges. A hardware store, for example, may carry hammers in good, better, and best categories at \$3.49, \$6.49 and \$9.98, respectively, and a professional model at \$17.95. The theory is that people buy products with different uses in mind and with different expectations for quality and length of useful life. If you do not carry a range of prices, you may lose the customers who cannot find the product at the right price. Price lining simplifies buying and inventory control because you buy only for the price levels that you know your customers will accept and eliminate those goods that fall outside the levels you want to carry.

Competitive Advantage

Here is where you copy or follow the prices set by your competition. Based on your service image, you can set your prices equal to, above or below those of your competition. This strategy requires constant vigilance by reading the ads and shopping your competition. It is a more passive technique because you're always following your competitors. Chances are your more aggressive competitor can make better purchases than you. A variation of this is the we-won't-be-undersold routine, where you offer to meet or beat the prices of all your competitors.

Pre-season Pricing

Many manufacturers offer price discounts or dated billing as incentives to buy early. This is important to manufacturers because of production planning and the lead time necessary for ordering raw materials. For the retailer, the same principles apply; also, off-season specials may be a way to profit in business on a year-round basis. When you sell at a lower price to get the early sales, you may be borrowing from later full price sales. On the other hand, anyone who has tried to buy snow tires during the year's first snowstorm knows the extent of delivery problems. In this case, early sales at a lower price would have allowed the merchant to serve the customers better and to capture sales that may be lost due to limited service facilities.

Price Is No Object

This refers to certain marketing situations in which the quality of the product or service is far more important than the price. If you need a kidney transplant, for example, you are not going to shop around and haggle over price. And even if you do press the doctor, he probably will quote you a range with a \$5,000 spread rather than giving a specific number. The same is often true with high-ticket fashions and jewelry. Using the same psychology, expensive automobiles and boats are not sold on price. They may use a starting at or base price to get people interested, but the prices of the options are usually in very small print. The extreme of this attitude is that if you have to ask the price you probably cannot afford the item anyway.

Place

Where the product is located when the potential customer is exposed to a buying opportunity can often mean the difference between success or failure. The distribution plan for a given product may be determined by several of the factors listed below.

Product Characteristics

- *Perishability* -- Refrigeration or frozen storage requirements can severely restrict place options and raise operating expenses.
- *Bulk* -- A product requiring large display space, or one that is heavy, may restrict transportation options as well as display opportunities.
- *Displayability* -- Package design that prevents stacking on store shelves can severely restrict customer exposure. (Log Cabin syrup was originally packaged in slanted-roof metal containers. As supermarkets placed increased value on shelf space for customer selection, the inability to stack the log cabins forced a change in package design.)
- *Buying requirements* -- If the item must be tried on to determine fit or if it must be demonstrated before the sale can be made, the place element is more restrictive than for a product that requires no package opening at the time of purchase.

Customer Characteristics

- *Impulse versus planned purchase* -- Items displayed in a high-traffic area can increase unplanned purchases.
- *Frequency of purchase* -- Items purchased once a week usually require more outlets than those purchased once a year. Grocery stores, for example, always outnumber retail furniture outlets.
- *Distance* -- How far is the customer willing to travel to purchase your goods or services?

Use Characteristics

How the customer uses the product after purchase also can determine place characteristics.

- Do you need to train the customer to use your product or supply instructions or a repair parts list?
- Can you make more sales for service contracts, accessory items, consumable supplies, repair parts or companion items?

Location

For most small businesses, especially those involved in retail, finding the best location at the lowest price becomes an important consideration. You can draw customers to a poor location but the cost of advertising is often prohibitive. You should learn how much money you have to pay for the better location and see how that compares to the cost of drawing the same number of customers to

the poorer location. Do not overlook parking, public transportation, quality of the neighborhood, sign restrictions, lighting, traffic flow and other factors that determine your store's convenience and safety.

Promotion

Perhaps the most versatile of the five marketing Ps is promotion. It covers all phases of communication between the seller and the potential customer. It is versatile because a change in budget, media or target audience can be made quickly. Promotions also can be effectively changed for specific market segment efforts. Major promotional concerns include the following.

Budget

Because promotional costs can originate from several sources, it is vital to establish a written budget and closely monitor actual costs. The budgeting procedure is simplified if separate budgets are prepared for advertising and promotional activities. Sales goals in dollars, units or both are usually the basis for promotional budgets.

Timing

Selling when the consumer wants to buy is a fundamental factor in the marketing concept. Promotional efforts, whether in-store or through mass media advertising, should be timed to coincide with maximum seasonal or cyclical demand.

Distribution of Promotional Efforts

- *Advertising* -- The major portion of a firm's promotional budget is advertising. Some advertising media, such as the Yellow Pages, where a specific amount is charged each month, can be budgeted as fixed advertising expenditures. The mass media -- newspapers, radio, TV, direct mail and magazines -- should be individually budgeted to achieve sales goals, improve your image and expand your customer base.
- *Promotion* -- Many firms classify promotion as a separate budget category. In this case, promotional efforts include in-store displays, sampling, specialty advertising, giveaways and other nontraditional media efforts.
- *Publicity* -- This is the no-cost element, meaning there is no charge by the newspaper or other medium for carrying a news release or feature. There will be an internal cost, however, for the preparation of publicity releases and photography. Many businesses miss publicity opportunities because they do not have a written marketing plan. Every promotion or addition of personnel is an opportunity for free publicity, but only if the news release is prepared and sent to the media. Business expansion, remodeling, automation or changes in product name all deserve a publicity program.

Promotion Strategy

All advertising and other promotional activities should be in tune with the firm's stated position in the marketplace. This suggests that not only advertising themes but also media selection must be based on building and strengthening that position.

- *Benefit approach* -- Regardless of your media, to make your marketing concept work in advertising messages you must analyze each product and service in relation to these two elements:
 - *Product point* -- Those features built into the product or service. Product points are usually highly touted in advertising messages, but they are relatively ineffective unless they are integrated with the second ingredient.
 - *Benefit* -- The advantage a customer receives after purchasing the product. Your advertising should promise benefits and make those promises believable by naming the product points that will produce the benefits. For example, "You'll feel better about your family's safety (benefit) when they are riding on the new steel-belted radials from Armstrong -- thanks to the interwoven blankets of steel embedded deep in the tread (product point)."
- *Media* -- Consider many types of media in your promotional campaigns.
 - Newspapers
 - Shoppers
 - Television
 - Radio
 - Billboards
 - Direct Mail
 - Magazines

A full discussion of these media is included under Media Available to Advertisers.

In summary, the importance of promotion in the overall marketing strategy suggests you devote time to its written plan and constantly monitor the plan's performance. Be creative but avoid cuteness. Stick to the benefit approach, and your customers will respond.

Persuasion

Your business's success will depend on your ability to persuade others to take actions that will help

them while also helping you. This is referred to as a win-win situation. Both parties in the transaction must receive a benefit in value or in satisfaction. There are many buying motives that may bring a customer to your business:

Gain	Utility	Conformity
Time saved	Productivity	Saved effort
Health	Convenience	Money saved
Comfort	Happiness	Need
Protection	Pride (vanity)	Want
Pleasure	Fear	Economy
Amusement	Love	Luxury
Security	Profit	Safety

The key to successful selling is to determine which motives brought the customer to you and then develop a sales presentation that will convince the customer that you and your product can meet those needs. This process can be broken down into a series of steps:

- *Prospecting* -- This is the activity of identifying potential customers or running ads to entice people into your store.
- *Pre-approach* -- This includes planning what you will say to customers and what evidence or displays you will need to enhance your presentation.
- *Approach* -- This may include a greeting, statement of objective or series of questions to determine exactly what the customer wants. Learn as much as possible about the customer and his or her buying motive before you begin your presentation.
- *Presentation* -- This is the opportunity to tell customers everything they need to know to make an intelligent buying decision.
- *Dramatization* -- Show enthusiasm for your product or service.
- *Proof* -- Words may not be enough. You may need to show facts and figures, endorsements, testimonials or other means of backing up your claims.
- *Visualization* -- your customers visualize the satisfaction they will derive from buying now.
- *Demonstration* -- If possible, let the customer experience the product. Many items are difficult to sell without a test drive.
- *Trial close* -- This is a statement or question designed to let you know how close the customer is to making a buying decision.
- *Uncover objections* -- Find out why the customer is not ready to buy.

- *Meet objections* -- Go back over your presentation to clear up misunderstandings or doubts the customer may have.
- *Final close* -- Ask a question that causes the customer to make a buying decision in your favor.
- *Follow-up* -- This includes all the steps you take to write up the sale, arrange delivery, receive payment and ensure customer satisfaction.

The above process may be inefficient in many selling situations. The genius and creativity of advertising is its flexibility in preconditioning the customer and answering some objections. Certainly your reputation, attitude and the atmosphere of the selling situation can do much to alleviate fears or concerns in the mind of the customer. Your best prospect often is a satisfied customer or the friend or relative of a satisfied customer.

For many products or services, direct mail and telephone selling can be used to complete the sale or to qualify prospects for a personal follow-up.

Motivation is an essential ingredient in persuasion. You and your employees must maintain a positive mental attitude. You must learn to sell yourself, your company and your product. And your attitude must be one of serving the customer first, with the realization that your success depends completely on your ability to serve the customer.

THE ADVERTISING BUDGET

This section will concentrate on how to prepare a written, detailed advertising budget. This differs from a budget that details specific dollar amounts for anticipated receipts and expenditures, usually handled by a certified public accountant (CPA) or other financial advisor. These professionals seldom do more than allocate a specific amount for advertising and treat it the same as rent -- i.e., as an annual expense item.

Returning once again to the marketing approach, a sound advertising budget should be based on consumer habits and preferences. Unfortunately, most retail advertising today appears as an attempt to solve a store's problems. Promotions reading *We Are Overstocked*, *We Must Reduce Inventory* and *Our Loss Is Your Gain* are commonplace and do very little to stimulate the reader to action. The first requirement of successful advertising for the retail store is to work toward solving the consumers' problems. This publication's approach to preparing an advertising budget will, therefore, be based on the following assumptions:

- Timing of advertising will be determined by consumers' preference for buying rather than when the store would like to sell.
- Items to be featured in advertising will be selected on a basis of probable popularity with customers rather than on a store's desire to reduce inventory.

- Headlines and copy for advertising will always be customer-benefit oriented.
- Any medium will be selected on its ability to reach the right prospects. Personal favorites and prejudices prevent objectivity in media selection.

The complete advertising budget must provide specific written answers to each of these questions:

- How much should I spend?
- When should I spend it?
- Where should I spend it?
- What media should I use?

How Much Should I Spend?

Since the cost of advertising must be paid from sales revenue, it should always be expressed as a function of expected sales dollars. The two most popular approaches are

1. The number of dollars considered necessary to successfully promote the sale of a given item at a given price. (Example: \$10 of the \$300 selling price for each refrigerator will go to advertising so that \$3,000 in advertising should sell 300 units and produce \$90,000 in sales.)
2. A flat percentage of every anticipated revenue dollar will go toward advertising. (Three percent of an estimated \$100,000 annual sales volume will result in an advertising budget of \$3,000.)

This section will concentrate on the second approach because it allocates advertising costs for all product lines. Although fewer than 50 percent of the items carried by most stores are never advertised, their sale is the direct result of customer traffic created by the advertised items and, therefore, all merchandise sold should contribute to the overall cost of advertising.

Setting Sales Goals

In both approaches, the first step in preparing an advertising budget must be setting sales goals. Just how many television sets do you expect to sell in a month, a season, a year? Or what will the retail sales volume for the entire store be in each time frame?

Setting sales goals can be a guessing game, but basic research into past sales performance, the quantity and quality of competition, the economic forecasts for your area and characteristics of the population in your market area can help make the guess an educated one. The U.S. Department of Commerce publishes statistical information about consumer expenditures, retail sales and expense statistics. An hour or two spent in the government publications section of your local public library can pay big dividends. Another source for statistical data is the business association that serves your

industry.

Although the first sales goal you set will be an annual figure, monthly sales goals can never be determined by merely dividing the annual figure by 12 months. One of the certainties of marketing is that consumer habits change constantly. Yet those very changes make the consumer predictable since there is a predictable pattern of consumer desire for almost every known commodity. While this consumption pattern may vary from month to month, the annual pattern repeats itself with remarkable consistency. The chart shown in Appendix B will give you an idea of the variation in annual sales patterns for just a few stores. For example, while the average retail jewelry store can expect 23 percent of its annual sales volume in December, the lumber yard or building materials store can expect only 8 percent of its annual sales during the same month. The figures on the chart represent average figures from stores of all sizes and from all parts of the United States. They have been recorded and averaged for five consecutive years, so your store's actual percentages may vary slightly.

Your next step after setting an annual sales goal is to determine what percentage of that annual volume you should anticipate for each calendar month. You may elect to use the national figures for your industry, but using your actual sales figures will give much more reliable numbers. To determine what percentage of your annual sales were achieved in any given month, merely divide that month's dollar volume by the annual dollar value and multiply that amount by 100. Your monthly share of sales percentages will be even more accurate if you compute it for each of your last three or four years of sales and then average the percentages for each month. When you arrive at your monthly percentage of annual sales, you can provide a picture of the cyclical nature of your business by plotting the percentage figures on the graph provided in Appendix C.

The worksheet in Appendix D will be the first step in preparing a written advertising budget for your firm. Fill in the dollar volume for your store for the last year in the upper right-hand corner. Next, enter the annual sales goal you project for the coming year. Remember to consider elements such as inflation, the condition of both the local and national economies, any major changes in your competition and changes you may have made in your store (e.g., expansion, remodeling or the addition of new product lines or brands). Annual sales estimates often are made on a sales-per-square-foot basis, then converted to gross sales by multiplying the square foot index by the total number of square feet devoted to selling space. Using industry indices, you can calculate your share of the market by comparing your sales with estimates of your competitors' sales.

The third item required at the top of Appendix D is the percentage of gross volume you plan to invest in advertising.

Appendix E shows the average percentage invested by 74 different industries including retail and service establishments. Remember, these published numbers are average figures; your location, competition, reputation and market area may dictate an adjusted percentage of sales for advertising. If your firm is new, you may want to double the average percentage figure during the first year just to establish yourself.

By multiplying the projected volume for the planned year by the percentage allocated for advertising, you will arrive at the dollar amount of the advertising budget for the year. You have

answered the question, How much should I spend?

When Should I Spend It?

Although you know how much money you plan to invest in advertising, your budget also must indicate how much of that amount to spend during each of the 12 months. Do this by transferring the figures you plotted in Appendix C to the first column of Appendix E -- these are the same figures. Then multiply the projected volume for the year by the percentage figures for each month and insert the results in column two of Appendix D. You now have refined your annual dollar sales goal into a dollar goal for each calendar month.

The final column in Appendix D can be completed in one of two ways. You can multiply the percentage figures in column one times the projected total advertising budget or multiply the projected monthly sales figures by the annual advertising percentage rate. Either procedure will give identical figures for the projected monthly advertising budget column. The completed Appendix D will give you a written guideline that includes your monthly sales goal and monthly advertising budget. If your business is a one-product type, this simple worksheet could serve as your total budget preparation guide. You should regularly monitor your firm's actual performance against these projected goals, and when there appears to be a deviation from the goals, reevaluate the original goals and perhaps adjust them upward or downward.

Where Should I Spend It?

Many firms, especially in the retail field, cannot settle for only the data in Appendix D since, over the years, they may have added several departments with their own sales patterns. The worksheet in Appendix F is designed to target monthly advertising dollars toward the department or item where they will be most productive. Preparation of this worksheet begins with another review of your firm's past sales records. The left-hand portion of the worksheet provides space to record the relative monthly importance of each of three departments. Make up a sheet to provide for the number of departments in your firm and divide the total volume for each month by each department's volume and multiply by 100. This will give you the percentage importance of each department to the total store volume. The totals for all the departments should equal 100 percent for each month.

Figures for the total ad budget column are merely transferred from the third column in Appendix D. Since being unpredictable is perhaps the most predictable of all human traits, we recommend that you build in some flexibility. In this example, the worksheet calls for saving 10 percent of each monthly advertising budget as a reserve fund. This fund will not be used during the year but will be held back for contingency use. It will be nice to have if a 12-inch snowstorm hits the day after your full-page ad appears!

The net media budget column is completed by subtracting the reserve figures for each month from the numbers in the advertising budget column. Finally, complete the columns labeled Departments A, B and C by multiplying the percentage figures on the left side of the page by the figures in the net media budget column. For example, if Department A in your store did 40 percent of the store's total volume in January, you would multiply the net media budget figure for January by 40 percent

and enter that figure under Department A on the right side of the worksheet. When this worksheet has been completed, you will have a written guide telling you when each advertising dollar should be spent and on which department (or item) it should be spent. If you prepare and follow the breakdowns in Appendixes D and F, your advertising will be timed to solve consumer problems by matching your maximum expenditures with maximum consumer desires.

What Media Should I Use?

The final step in preparing your advertising budget is to allocate advertising dollars to specific media by using the worksheet in Appendix G, the Media Budget Allocation Form. The worksheet provides a special column for fixed advertising expenditures. Because the monthly costs of advertising in the Yellow Pages, other directories and outdoor advertising signs are fixed costs, they should be subtracted from your net media budget before the remaining dollars are assigned to newspapers, radio stations and other media. The advantage of completing this worksheet is that you will have your total advertising expenditure for an entire year on one sheet of paper.

Preparing these worksheets may seem tedious, but the effort will be well worth your time. If you have a computer, create the budgeting format on your terminal. Automating this procedure will provide a system for tracking the actual sales performance against your targeted goals. Remember, when actual performance deviates from projected performance over a two- or three-month period, it is time to seriously reevaluate the original sales goals. Performance below projected goals, if it continues, will increase the percentage of sales your advertising is costing while continued sales performance above projected goals may justify higher advertising expenditures.

Whether or not you use the forms presented here, take the time to prepare a written advertising budget for your firm that is based on future sales goals rather than on past years. You will notice the difference where it really counts -- in profitability!

MAKING ADVERTISING WORK FOR YOU

Appeal to Consumers' Needs

Human behavior, according to psychologist Abraham Maslow, is always the result of one or more of five basic needs or motivating forces.* Maslow classified these in a sequence he refers to as the hierarchy of human needs.

His theory is that until a lower-ranking need is satisfied there is no desire to pursue a higher-ranking need. Below are the five human motivators, beginning with the basic or lowest-ranked need and continuing to the highest.

1. *Physiological needs* -- Include hunger, thirst, reproduction, shelter, clothing, air and rest.
2. *Safety-security* -- The need for security, stability, dependence, protection, structure,

order, law, tenure, pension and insurance.

3. *Love-belonging* -- The need for belonging, acceptance, love, affection, family and group acceptance and friendship.
4. *Self-esteem* -- The need for recognition, respect, achievement, responsibility, prestige, independence, attention, importance and appreciation.
5. *Self-actualization* -- The need for satisfaction, the desire to achieve fulfillment through reaching self-set individual goals or aspirations.

The advertising practitioner will do well to become familiar with the Maslow theory of human motivation because it stresses once again that motivation is always an individual act. The most your advertising message can hope to do is to present an appeal strong enough to stimulate action toward satisfying one of the basic human needs.

If there is one rule that will be most helpful in preparing effective advertising, it is this: The message must put the desire of the potential customer before the advertiser's desire. Please read that one more time! The rule may sound like a simple one to follow, but frequently advertising messages take the form of a plea to customers to respond and solve the advertiser's problem.

Visualize the felt tip pen you probably use every day. When it was manufactured the raw materials were converted into these product features: a plastic barrel, a plastic cap, a supply of ink, a felt tip and a metal pocket clip. These are the total product points in the felt tip pen. What's amazing is that none of those things have anything to do with why you will buy the pen! You buy any item only for how it will benefit you. The key, of course, is benefit. Effective advertising must promise the consumer some benefit he or she will receive after buying the goods or services advertised. Product features should be cited only to make the promised benefits believable. Here is an example of how you can advertise the felt tip pen by promising benefits and then using the product features to make promised benefits believable.

- You can drop this pen on concrete from 20 feet in the air and it will not break because it is made of a strong plastic.
- You can draw a jet black line for more than 100,000 yards, thanks to the large supply of quality ink.
- This pen will not leave an ink stain on your shirt or in your purse, thanks to the snug-fitting plastic cap.
- When you bend over this pen will not fall from your pocket because it features a strong spring steel clip.

Although this technique appears logical, many advertisements ramble on and on with all the product features while the potential customer asks, What will it do for me?

Using the benefit approach can be simplified by preparing a worksheet on which each product you plan to advertise is dissected into (1) the benefits the buyer will enjoy by owning this product and (2) which product features will help convince the potential buyer that the promised benefits are likely to be true. Using the benefit approach is the best advertising technique for each advertising medium. It is also the selling technique used by all top salespeople. Practice it -- it works!

Techniques in Presenting the Advertising Message

The buying decision is seldom a purely rational one -- emotions influence your behavior. As you explore various techniques for presenting your advertising message, do not ignore psychological and emotional appeals. For example, red, a strong color suggesting excitement, increases reader interest when used in sales ads. While the principles discussed here relate most specifically to print ads, they can apply to all media.

Determining Layout Shape and Design

Behavioral scientists have determined that of all the rectangular shapes, the vertical rectangle of approximately three units wide by five units deep is the one the public is exposed to most and, therefore, the one people find most comfortable. The advertising world refers to this shape as the golden rectangle of layout. It is believed that an advertising message receives higher readership when presented in this size.

In Appendix H is a drawing of this three-unit by five-unit shape. Notice the dot on the vertical center line, one-third of the way from the top of the ad. This is called the focal point. It is the point to which the eye is attracted first, at which the eye enters the ad. Next, note the wavy line extending from the upper left-hand corner of the ad to the lower right-hand corner. This reverse s is the path that the eye follows, called the gaze motion path. Your objective should be to reinforce the ease with which the eye can follow this path. How you place elements of your ad can invite the reader's eye to follow this path or to leave your ad completely before getting your message. If your artwork, for example, is located near the curves in the gaze-motion pattern, it will invite your reader to leave the ad at that point and turn the page. The gaze motion also reinforces the principle that the best place for a headline is at the top of the ad where the reader starts the visual journey through the ad. The worst place for your logo is the lower left-hand corner; the eye prefers to leave the ad at the lower right-hand corner, so your logo will have greater impact there.

The dotted lines divide the ad into vertical and horizontal halves to stress balance in your layout. Formal or symmetrical balance occurs when the elements on the left side of the vertical center line are in the same position and of the same size or density as corresponding elements on the right side. This formal balance is not as interesting to the eye as informal or asymmetrical balance, obtained by balancing weights on one side of the center line with weights of varying densities at greater or lesser distances from the center line on the other side of the ad. Visualize ad balance as being similar to a see-saw where weight near the outer end of the board can be balanced by heavier weights nearer the fulcrum on the other end of the board. In designing your ad layout, place illustrations, copy blocks, headlines and other elements so they appear balanced without formality.

Communicating Desired Layout to Printer

In submitting any printed advertising message to the media, the only way to ensure that your ad looks the way you intended is to provide adequate instructions. Layout means blueprint to the typesetter or printer. Your layout should be a full-size replica of what you want the finished advertisement or brochure to look like. Here are some guidelines to use in preparing layouts.

1. A layout should accurately indicate where all parts of the completed message are to be located with respect to the borders. This must include the location and approximate, if not actual, dimensions of all artwork.
2. There are five parts to a comprehensive layout:
 - *Headline* -- Print all headlines right on the layout sheet, making the headline fill the width you want. Give the printer a close approximation of the desired type size by the size of your lettering. On each line, put the exact words you want to appear and use capital letters or upper and lower case letters the way you want the type set.
 - *Illustrations* -- Use a copy machine, if possible, and paste a copy of any artwork or photograph on the layout sheet where you want it to appear. If you plan to reduce or enlarge the artwork, show the finished height, width and the location on the layout sheet.
 - *Copy* -- Copy refers to the text in your advertisement. Do not letter in the copy on your layout sheet. Use two parallel lines to represent each line of copy and draw these lines in the exact position on the layout sheet. These parallel lines should show whether you want the copy set flush on both right and left margins or if you prefer a ragged edge on the right margin (see Figure 2). Each block of copy should be positioned properly on the layout sheet and then should be keyed, i.e., assigned a circled letter of the alphabet that matches a separate block of copy supplied on copy sheets. Copy sheets should be typewritten, double-spaced and should include all words and prices to be typeset, including any headlines you have lettered on the layout. Leave a two-inch left margin on the copy sheet to give the mark-up person space to code for type style and size.
 - *Price* -- It is generally a good idea to letter your prices right on the layout if they appear anywhere other than within regular copy lines. Show the price as it should appear, including the relative size of the cents to dollars portion of the price and any dollar or cent signs you want used.
 - *Logo* -- The logo is your firm's name, whether you have a standard, exclusive design or you merely want your name set in type. Let the layout show the desired location and size. It also is helpful to letter in your address and phone number. If you have a logo design, do not paste the original artwork on the layout. Make a copy and paste the copy in the desired position.

XX

X

XX

XX

XX

Ragged

Strengthening the Elements of Your Advertisement

Headlines

Since the headline is the first contact your readers have with your message, it must reach out to them. Promise them a benefit. Tell them how they will be better off if they read the rest of the ad. Use action verbs. Save ten dollars is a stronger heading than Savings of ten dollars because of the verb.

Headlines can be classified into the following five basic types; effective headlines frequently combine two or more of these kinds.

News Headlines

This form tells the reader something he or she did not know before. Using the word news does not make it a news headline. Now -- a copy machine that copies in color is an example of this type headline.

Advice and Promise Headline

Here you are promising something if the reader follows the advice in your ad. Switch to Amoco premium, no-lead gasoline, and your car will stop ping.

Selective Headline

This headline limits the audience to a specific group. For example: To all gray-haired men over forty. Caution! Be absolutely sure you do not eliminate potential customers with this type of headline.

Curiosity Headline

The intent here is to arouse the reader's interest enough to make him or her read the ad. The danger is that this headline often appears cute or clever and fails in its mission. An example: Do you have trouble going to sleep at night?

Command or Demand Headline

Watch out for this one as most people resist pushiness, especially in advertising. Do it now! or Buy this today! This headline generally can be improved by changing to less obtrusive wording such as: Call for your key to success!

One common misconception about headlines is that they must be short and easy to understand. This is not always true. Here is a headline that was used extensively in print ads by Ogilvy and Mather for one of their clients: At 60 miles an hour, the loudest noise in this Rolls-Royce comes from the electric clock.

Illustrations

There are three primary reasons for using illustrations in an advertisement.

- To attract attention to the ad.
- To illustrate the item being featured.
- To create a mood in the mind of the reader.

Everyone has heard, A picture is worth a thousand words; in advertising, the illustration frequently helps the reader visualize the benefits promised. You can almost feel the warmth of the tropical sun when you see the photos in January travel ads. Cost and practicality may dictate whether your ad uses photographs, artists' drawings or merely canned artwork. Any of these can make the ad more appealing to the reader's eye.

Copy

If you follow the three principles of good copy, your ads will be effective:

- Good copy should be clear.
- Good copy should be crisp.
- Good copy should be concise.

Clear, crisp and concise . . . the three Cs of copywriting suggest that the words in your advertising message merely do a good job of communicating. Do not use big words when small words can make your meaning clear. Use colorful, descriptive terms. Use the number of words necessary to make your meaning clear and no more -- but also no less! Selecting the right words is critical to the success of the ads. Recent research conducted at Yale University found that the following 12 words are the most personal and persuasive words in our language.

You	Discovery	Safety
Money	Proven	Results
Love	Guarantee	Save
New	Easy	Health

Notice the overused word free is not on the list.

REMEMBER THAT WHEN YOUR MESSAGE IS PRINTED IN ALL CAPITAL LETTERS INSTEAD OF UPPER- AND LOWERCASE LETTERS, IT IS FAR MORE DIFFICULT FOR THE READER TO FOLLOW AND REMAIN INTERESTED. EVEN IN HEADLINES ALL CAPITAL LETTERS SHOULD BE AVOIDED.

Price

Should you or shouldn't you put prices in your ad? Yes! Yes! Yes! Since price is the one factor that allows the consumer to determine whether an item represents an adequate value, an ad without price makes the buying decision difficult if not impossible for the reader. Can you imagine how uninteresting your daily newspaper would be if there were no prices on the food store ads or the department store offerings? Yes, price belongs, and it belongs whether you are advertising a home for \$175,000 or a ballpoint pen for 49 cents.

Logo

Can you visualize the corporate logos for such firms as Chevrolet, Ford, Playboy, Borden or Levi Strauss? There is an identification advantage in developing a logo design exclusive to your firm. Using a logo also helps give your advertising continuity. Use the logo consistently on all printed pieces, including stationery. Use it in Yellow Page advertising, on the side of your truck or company car, on bags or boxes and anything else your customers or prospects may see.

Type

The typeface you use in advertising plays an important role in how the message comes across. Printers are very knowledgeable about typefaces and happy to help you make choices. A selection of typefaces is illustrated in Appendix I.

MEDIA AVAILABLE TO ADVERTISERS

If you understand the concept that advertising is a multiplication of a selling conversation, then the basic ingredients of advertising media are easier to grasp. First, there must be an audience. A newspaper printed as a single copy could not function as an advertising medium unless the single copy were passed from person to person to create a worthwhile audience. (In that case, the advertiser probably could go from one individual to another and be more effective while reaching at least as many prospects in the same amount of time.) A potential advertiser will require evidence that an audience does exist, and will want to know the size and location of the audience, as well as other characteristics.

The second ingredient on which an advertising medium can be evaluated is its acceptance in the marketplace. Acceptance is related not only to the total number of customers in an audience, but also to the composition of that audience as compared to the target audience of the advertiser. Advertising over a closed circuit television program received only by occupants of nursing homes

would not be very profitable for a real estate firm attempting to sell starter homes.

In addition to an audience's acceptance and size, the medium also must have a usable *frequency of exposure*. Most retailers and other local business establishments rely on their advertisements' reaching potential buyers regularly, some even several times daily. A medium with a once-a-year or even a once-a-month frequency might deserve nothing more than a very small part of a retailer's advertising budget. Remember, one way advertising functions is by repetition; a commercial message increases in audience awareness after more than one exposure.

Various advertising media will be examined from the standpoint of these three basic ingredients: the audience (coverage) each enjoys; the acceptance (impact) of the medium on the audience; and the ability to expand its initial impact by being available more than once or twice in a particular time frame (frequency).

Paid-circulation Newspapers

Almost every community has a newspaper. About 1,700 of the paid-circulation papers in America are daily papers and several thousand additional local papers are published weekly. Paid circulation means the audience reached pays to have the paper delivered to the home or pays a per copy price to pick it up at a newsstand or vending machine. Newspapers are the most popular advertising medium for most local businesses.

Today's newspaper no longer enjoys its former role as the almost exclusive source of news; that privilege applies only in those very few areas not served by radio or television. Newspapers remain, however, a strong factor in their sphere of influence. Below are some characteristics of paid-circulation newspapers that make them appealing to advertisers.

1. Most paid-circulation papers, both daily and weekly, reach the majority of homes in their primary city or town.
2. The size of the audience is easy to determine and verify.
3. The newspaper offers a predictable frequency of publication: once, twice or up to seven times a week.
4. Newspapers generally are bought by people representing all segments of the population. High- and low-income families, urban and suburban residents -- all are subscribers to the local newspaper.
5. Newspapers offer several options to advertisers. Large or small ads, words alone or words with graphics, black and white or color, news or specialized feature page positioning.
6. The printed advertising message has both permanence and desired obsolescence. A reader can refer back to or even clip and save your ad, yet tomorrow's edition is new and fresh and eagerly sought by the same reader.

7. The newspaper is the only medium in which the audience also advertise. The want ad or classified section of most newspapers serves as a local marketplace where individual buyers and sellers gather to trade their treasures and buy and sell each other's services.
8. Newspaper pasteup permits you to request special locations for ads that tie in with your market segments. Sports, business, society, food and news are the most common sections.

There are limitations to the newspaper as an advertising medium.

1. You could possibly miss potential customers who choose not to have the paper delivered.
2. Your advertising message must fight for the reader's attention. There may be hundreds of ads in one paper, as well as dozens of articles and features for the reader to spend time on. If the total time spent with a newspaper is only 20 minutes or so, as some surveys have found, you can see the odds against your one ad reaching a really significant number of subscribers.
3. To some advertisers, another limitation of newspapers is the time required to get the message into the reader's hand. The advertising deadline for some sections of large metropolitan papers may be one week or more in advance of publication date.

Advertising in newspapers is always priced by units of space. Rates for classified advertising may be priced per word or per line while display ads (the bordered ads that frequently contain illustrations as well as words) are usually priced per column inch or agate line. A column inch is a space one column wide by one inch deep. The agate line is 1/14th of a column inch. The cost of newspaper advertising is determined by the size of the circulation, the degree of the paper's dominance in the marketplace, and by the increasing costs of newsprint, ink, labor and transportation. The paid-circulation paper is the oldest of the mass media and continues to be the largest, as measured by volume of advertising dollars. It is used by industry giants as well as the corner drugstore. As a retailer or other small business owner, some of your advertising budget will most likely end up in your local paid-circulation newspaper.

Free-distribution Newspapers

Although far from new (the first newspapers in our country were distributed free), today's free-distribution paper is different from paid-circulation newspapers. Although the shopper type papers contain mostly advertising and little feature material, they remain a highly productive advertising medium in hundreds of cities and towns. Many of the earlier shoppers have grown into full-fledged newspapers with news, comics and features, and a frequency of delivery that approaches seven days a week. They offer the advertiser most of the advantages of paid-circulation papers, including the permanence of print, the versatility of color and graphics, and high readership of personal want ads. One advantage over paid-circulation papers is their ability to reach a very high percentage of the

market area. Because they are free, they are delivered to every home. If readers like what they read, they soon come to depend on the paper. Studies show penetration and acceptance by more than 90 percent of the residents in the circulation area of free-distribution papers.

To verify the number of papers delivered, publishers of free-distribution papers may employ auditing firms to come into the delivery area and certify the number of copies printed, the number of carriers used and the number of households that regularly report receiving a paper. Many of these papers have audited proof of coverage approaching 100 percent of the homes in their markets.

The phenomenal growth of free-distribution papers in recent years is related to the increased sophistication of marketing and advertising technology. The computer made possible the measurement of sales in market share. Not only do today's merchandise movers target to sell more of their products each year, but also to sell them to ever larger shares of the total population in each area. Since daily and weekly paid newspapers often do not reach a substantial number of consumers, the total coverage concept of the free-distribution papers has proven they have outgrown their reputation as throwaways! Today, Sears, K-Mart, JC Penney and dozens of smaller department, discount, food and apparel chain organizations regularly use the free-distribution papers for total coverage of certain market areas.

Another growing function of the free-distribution papers is their ability to serve as the distribution vehicle for advertisers' own preprinted flyers, sections or merchandise catalogs. Many publishers will custom design for your special promotion a delivery system that will deliver the preprinted section to every home within a specified area, such as the 12 square blocks immediately surrounding your business.

If there is a free-distribution paper in your market area, it deserves an inquiry. Advertisements in it may prove to be the most effective dollar invested in your advertising budget.

Direct Mail

We would be remiss not to mention the U.S. Postal Service and its ability to deliver your advertising message. The direct mail advertising message can be highly personal and powerfully effective. You know how saturated your home mailbox is with nothing to buy contests giving you chances to win new houses, cars, world cruises and big checks for every month as long as you live. While there is no obligation for you to buy anything, there is always something available for sale -- subscriptions, books, records, videos, personal products, real estate -- usually at discounted prices. The giveaways are possible only because enough people are tempted by what is available, and what they buy can be traced to direct mail advertising. In almost every business there is an opportunity for increased business through intelligent use of direct mail advertising.

Because the per-piece cost of direct mail is much higher than most forms of print, it must be used carefully, selectively and efficiently. Mailing lists are difficult to prepare, expensive to buy and are partially obsolete the day after they have been completed. Because people die, move away or get mad at you at an alarming pace, keeping an accurate mailing list is not easy. Still, direct mail can be an efficient way to deliver a sales message to a specific target audience. If your audience is composed of doctors, lawyers, dentists or school teachers, for example, only direct mail offers you

the chance to direct your ad to that target audience with no waste circulation. Direct mail also makes couponing and sampling practical. It can help isolate advertising response to one segment or another and compare returns in one area with those in another.

The most critical part of any direct mail program is the mailing list. Keep a list of all your customers, either by asking them to fill out a mailing list card or by taking their names off the checks you receive each day. Hold contests to get your customers to fill out an entry form. As your list grows, you may need to buy a computer or hire a mailing firm to keep the list current and to prepare mailing labels.

Magazines

Print media also include magazines. While most national magazines are not practical as an advertising medium for local businesses, some local magazines may be. City magazines are now published in hundreds of cities and towns. They may look as sophisticated as their national counterparts, and they are edited to local tastes. They use color, photography and professional writing and editing to create high-interest stories about people, places and things. They frequently are distributed free to certain people on special lists restricted to higher income families. In this way they can reach relatively exclusive audiences, but the frequency of publication (usually monthly) restricts their use as a basic medium.

Many regional and national magazines include classified ad sections that may be useful for promoting the availability of a catalog or for selling individual products. The advantage of magazines is that they have highly defined readerships that allow you to focus on specific market niches. If, for example, you run an ad in a boating magazine, you can be fairly sure the people who subscribe either own a boat or are looking for one. The Standard Rate and Data Service (SRDS) publishes a complete listing of all the magazines that serve particular market interests; it is available in the business section of most libraries.

Brochures

For many small businesses, a printed brochure may be helpful to establish credibility and tell your story in more detail. Computer typesetting and laser printing have reduced the cost of producing a brochure. Free layout help is available at many copy centers. You can keep your costs down by using standard 8.5x11 inch paper and by using a triple-fold design that will fit into a standard business envelope.

Other Local Print Media

Don't overlook drop-point media such as booklets available for free pickup in high-traffic areas like convenience stores, banks and motels. These may include guides to local television programs, listings currently available from real estate firms, entertainment or sporting events. Evaluate each booklet on its ability to provide enough value to justify using it.

Radio

In America, 280 million people own more than 300 million radios! Only radio can take your advertising message to people while they ride bicycles, walk in the park, ride in cars or climb mountains. Radio brings a sense of urgency to its listeners that is second to none. Contrary to the predictions of doom during the advent of television, radio is alive and well today, and radio advertising is a major part of the plan for advertisers of every size and description.

In its pre-television days, radio was the national advertisers' most economical way to communicate with millions at a time. Syndicated programs of music, drama and news were a common part of the American life-style. With the advent of television, radio moved to the automobile and the beach. Along came the transistor and radio moved to the shirt-pocket. Today radio is everywhere. Millions awake to the sound of clock radios, and for many the radio is the last sound they hear before going to sleep. How can a small business use this sound-only medium for effective advertising? Only by understanding it and capitalizing on its strengths.

Today's radio station is judged on its effectiveness not only by the number of its listeners, but also who those listeners are. Many of today's stations have positioned themselves to reach a selective audience instead of a total market. In one marketplace, one station may play only country-western music, another rock music, a third only religious music, while others feature 24-hour news broadcasts or talk shows. As an advertiser, format programming allows you to buy advertising on stations whose listener characteristics most closely coincide with the profile of your firm's customers. Buying time on a given station also can help you reach audience segments that you may want to target to help expand your firm's total market segment.

Radio advertising is sold on the basis of time. That time can vary from an entire program, which includes your commercial announcements, to spot announcements ranging from 10 to 60 seconds. Price ranges are higher during drive time (the hours in the morning and evening when the maximum number of people are in their cars going to or from work, school or other daytime activities) and lower during the time when more people are watching television. Most stations offer package rate plans with a specified number of commercials guaranteed within a particular time slot. Also, consider buying flights of commercials, i.e., an intense saturation of 30-second or 1-minute spots in a relatively short period of two or three weeks. Repeat this flight technique during key promotional times of the year.

The sounds you can employ on radio include not only the monologue of a man's or woman's voice, but dialogue and dramatic conversations, vocal and instrumental music, and sound effects of every imaginable nature, used individually or in combinations. The size of radio's audience, like the circulation of newspapers, is audited by independent organizations and available to advertisers through station sales representatives. Arbitron, one of the auditing firms, conducts its survey by having a sample number of households keep a written diary of the radio listening habits of each occupant during a predetermined period (usually one week). Arbitron then summarizes the various stations' listeners by time of day in 15-minute segments by sex and age of listener. An advertiser can use the Arbitron data to select the station or stations that best cover the desired target audience.

Radio advertising frequency is as high as you can afford. Many stations now broadcast 24 hours a day, seven days a week. The number of commercial minutes any station can air in each segment of programming is limited by the Federal Communications Commission (FCC), but there is still the

opportunity to have a message repeated frequently in any given period. It is also possible to have the radio station come to your business for a remote broadcast with customer interviews, prize giveaways and other crowd-drawing techniques.

Television

Watching TV is the most common leisure activity in our country today; many surveys report average daily television viewing time as high as five or six hours. It is no wonder it has grown into a giant advertising medium. Television always has been a popular medium for large retailers, but its effective use by small- and medium-size businesses is becoming more popular because of lowered production costs and the ability of cable TV to reach smaller market areas.

The power of television is its ability to appeal not only to sight and hearing simultaneously, but also to strengthen that appeal by the dimensions of movement and the realism of full color. If you have invented a new product, TV advertising can show and tell many people about it and actually show them the benefit of ownership. Since they saw how it works and the package it comes in, customers will recognize it when they are at the store and be psychologically reminded of how it works and how great it would be to have it. If the hammer had never been invented until you came along, just imagine the number of words in print advertising it would take to equal the effectiveness of a 60-second television spot during which a hammer pounded a nail to fasten one piece of wood to another!

Television advertising is sold by the time the message takes. There may be additional charges for writing, talent, props, on-location filming, music and editing. Audience loyalty is a disadvantage in TV advertising. The audience tunes to a given channel for entertainment they know they will find at a particular time. If a football game, popular movie or some other preferred form of entertainment appears on another channel, the viewer does not hesitate to change channels without leaving the couch. While viewers are loyal to the entertainment value of television, they show very little loyalty to the station itself, especially as cable can bring 40 to 50 viewing alternatives into the home. Viewers, however, do tend to have favorite news, weather and sports telecasting personalities, which can influence the size of your audience and its consistency during certain time periods.

Other developments that could affect television advertising are the availability of many different stations through cable companies, all-shopper channels, all-sports channels, all-news stations, the use of home television screens as monitors for in-home computer and game systems, and the popularity of video movie cassettes. All of these may reduce the size of the audience a television station can guarantee its advertisers.

Many rating services measure the size of television audiences. National programs are measured daily and a station's audience size can be estimated fairly well. Your local television representative can explain television's penetration within the station's area of dominant influence (ADI) and how that area may conform to your firm's trade area.

Outdoor Media

Despite restrictive legislation, billboards and other outdoor display signs still perform a strong advertising task in many areas. Instant communication is the key to successfully using billboards. Directed at drivers with only split seconds to divert their eyes and to passengers who can at best get a fleeting glance, wordy or complex messages are worthless. Photos or striking art combined with a firm name and a one- or two-word headline or slogan are common.

Audience totals are determined by how many sign locations you buy and the total traffic passing each sign. Outdoor advertising is usually sold on a basis of gross rating point (GRP) evaluation. The GRP of any medium is the number of persons exposed to a message compared to the total number of persons that make up the market. One shortcoming is that the same person may drive by the same billboard three or four times a day and be counted as four separate people. Your local outdoor sales representative can explain how many locations are necessary for you to achieve 50, 75 or 100 gross rating points, and what that exposure will cost you over varying time periods.

Other Media for Advertising

We could spend considerable time just trying to complete a list of all the other ways a business can advertise and probably still leave some out. Pencils and pens with your firm's name imprinted, skywriting, business cards and even sandwich boards all can perform an effective advertising role for some advertisers. You must evaluate each one on its ability to get your sales message to the maximum number of prospects in a believable manner and at a reasonable price. No textbook or consultant can do the job for you. After you have read and listened, go to your local media representatives and ask for their help. They have everything to gain and nothing to lose by putting your firm's best interest ahead of their desire to make a sale.

REFINING YOUR ADVERTISING FOR GREATER RESULTS

One of the greats in the advertising business, David Ogilvy, preached this philosophy to would-be advertisers: Never run an ad unless you have a Unique Selling Proposition (USP).^{*} It's still a sound philosophy. If you can substitute your competitor's logo in your ad and it still makes sense, you are not going to get your money's worth out of the ad. Having a USP, as it has come to be known, is difficult with today's brand name merchandise and competitive pressures, but it is important.

^{*} David Ogilvy, *Ogilvy on Advertising* (New York: Random House, 1985)

Every item you advertise and every word and illustration you use becomes a part of your firm's image. Your ability to develop a USP depends on your knowing what you want your image to be and then doing those things and only those things that reinforce that image.

A men's clothing store can become the store with fashions for the man who thinks young. A nursery can create the image of the home of the talked-to plants that will respond to you. A car dealer can develop a following and a reputation for his automatic three-year trade-in plan. Once you have arrived at a USP that you think will appeal to your customers, translate the idea into a selling slogan of three to ten words that can be used as the theme of your advertising campaign. Use it consistently until our customers learn to associate your business with the selling slogan.

But be careful. A few years ago Excedrin decided to position itself as the headache remedy for many different kinds of headaches, like headache No. 43 or No. 27. Their TV commercial showed the agony of each headache by the number. What happened? People went to their drugstores and

said I think I've got headache No. 43. Give me a package of Anacin. They sold the concept of the headaches beautifully but not the exclusivity of Excedrin as the best relief.

If you want to position your business in the marketplace, select your target market. How old are they? What do they have in common? What are their goals and ambitions? When you have learned all you can about them, go back and learn more! Then start talking to them, and only to them, in your advertising. Talk to them about themselves and their desires. Then tell them how the goods or services you sell are perfectly suited to helping them achieve those desires.

Timing Each Ad for Impact

While your budget will tell you how much you have to spend each month, you must refine your plan to know how many ads will run each week and on which days. In planning your ad insert schedule, be aware that the best results are obtained by strengthening already strong sales days, not by trying to make bad days better. If large employers in your area have paydays on the first and fifteenth of the month, time your advertising to coincide. If you use more than one medium, attempt to coordinate your efforts by scheduling a radio blitz to coincide with a big print campaign or special store event.

Using Color

Adding color to a black-and-white advertisement not only increases readership, but can substantially increase the sales response. Retailers, however, frequently use too much color in their ads. Remember, color works because of its contrast with noncolor areas; use it in one or two strong clustered areas rather than scattering it throughout your ad. Keep in mind that colors also communicate psychologically. Here are a few popular colors and their common associations.

- *Red* -- Suggests excitement, heat, strength and is a good color to use in a sale ad.
- *Yellow* -- Conveys brightness, airiness, refreshment. Warning: yellow gets lost on white paper, so always surround areas of yellow with a border of black or another dark tone.
- *Blue* -- As a cold color, can convey formality and haughtiness in its darker shades and fragility, daintiness and youthfulness in the lighter tones.
- *Orange* -- A color of warmth, action, power.
- *Green* -- Another cool color, suggests cheapness and coldness in its darker tones while conveying freshness and crispness in its lighter shades.
- *Purple* -- A color of royalty and stateliness.
- *Maroon* -- Suggests luxury, solidity, quietness.
- *Brown* -- Implies age, wholesomeness, utility.

- *White* -- Means purity, cleanliness, chastity.
- *Black* -- Conveys mystery, strength, heaviness.

Research on the productivity of color in newspaper advertising invariably shows increased readership as well as increased sales from ads that use color. Adding color raises the cost of the ad, but the increased results are substantially greater than the increased costs.

Critiquing Your Ads

We can learn great lessons from the past. If your firm has been running ads, dig out a few from a year or so ago and see how many of these common no-no's you can find.

1. Does your ad contain words like our, I or other personal pronouns? They are poor communicators, try using you and yours.
2. Is the ad uninteresting to look at overall? It may be balanced too formally. Try using an odd rather than even number of illustrations to help achieve informal balance.
3. Does your firm have a logo? Develop one so the name of the firm is not just set in the same type as the rest of the ad.
4. Has your layout allowed the reader's eye to stray from the preferred gaze-motion path? If your invitation to the eye causes readers to leave your ad, you will not get them back.
5. Is your logo in the upper left corner or the lower right corner of the ad? Those are the two best spots for it.
6. Does your headline promise the reader a benefit?
7. Is your copy clear, crisp and concise? Be sure to use the product points that make the benefits you promised believable.
8. Have you used a headline in capital letters? Don't!
9. Have you told the reader what each item costs? It is very difficult to reach a buying decision until the question "How much is it?" is answered.
10. Does your ad contain any misleading statements? Any attempt to misinform or mislead the reader may lead to a sale, but in all certainty it will lead to lost customers and could lead to court. Honesty is still the best policy.

As you continue to expand your business in the months and years ahead, use the tips presented here. Prepare a budget and review it frequently. Select your items for advertising to help solve consumer

problems and then present your advertising message as a form of planned communication. Ask your media representatives for help in understanding their product.

REFERENCES

Maslow, Abraham. *Motivation and Personality*. New York: Harper & Brothers, 1954.

Ogilvy, David. *Confessions of an Advertising Man*. New York: Random H. Wolff, 1963.

. Ogilvy on Advertising. New York: Random House, 1985. Weiss, Michael J. *The Clustering of America*. New York: Harper & Row, 1989.

APPENDIX A: CUSTOMER SURVEY

If you are a business owner, these questions are for you. Have you conducted your own private interview of customers? Have you personally talked to at least 50 to 60 customers to find out what they like or dislike about your business, products and service?

A personalized business survey is a simple thing to prepare and implement. If you do it regularly, you can find when and where things are breaking down in your service.

Use a piece of 8.5x11 inch paper with the following types of "yes" and "no" questions:

1. Is the service we provide meeting your highest expectations? If not,, what areas can we improve? _____ yes _____ no

1. _____

2. _____

3. _____

2. Are we providing the brands and lines you want and expect? If not, please list what is needed. _____ yes _____ no

1. _____

2. _____

3. _____

3. Is our business clean and pleasant to be in at all times? How

can we improve it? _____ yes _____ no

1. _____

2. _____

3. _____

4. Do you feel the business is truly a part of the community? _____ yes _____ no

5. Is it a friendly place? _____ yes _____ no

6. Are the prices competitive? _____ yes _____ no

7. Do you feel you are getting good values? _____ yes _____ no

You may want to include more specific questions, but the key is to keep the survey short and to the point. Keep it personal by preparing and signing it yourself. Leave room for written comments.

Questionnaires should not be stacked at the cash register for casual distribution. Personally present them to customers along with a self-addressed, stamped envelope.

What can you learn from this? Plenty. What can customers learn? Well, it shows you care and that is always a sales plus.

APPENDIX B: ANNUAL SALES BY STORE TYPE

Percentage of the Year's Total Sales Each Month (Five Year Average)

Store Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
All retail stores	7.4	7.0	7.9	8.1	8.6	8.6	8.5	8.3	8.2	8.7	8.3	10.4	100%
Department stores	6.3	5.7	7.2	7.6	8.0	7.9	7.6	8.0	8.0	8.7	9.5	15.5	100%
Drug and proprietary stores	8.0	7.5	8.0	7.8	8.2	8.1	8.1	8.2	8.2	8.5	8.2	11.2	100%
Eating and drinking places	7.3	7.0	7.7	8.0	8.8	8.9	9.2	9.3	8.7	8.8	8.1	8.2	100%

stores 6.8 6.3 7.6 7.6 8.0 7.9 7.3 7.9 8.0 9.0 9.1 14.4 100%

Source:U.S. Department of Commerce

APPENDIX C: SHARE OF ANNUAL SALES BY MONTH

%

24													
22													
20													
18													
16													
14													
12													
10													
8													
6													
4													
2													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	

APPENDIX D: PROJECTED SALES AND PLANNED AD VOLUME

**Projected Sales Volume By Months and
Planned Monthly Ad Volume**

Previous year's gross annual volume \$ _____
 Projected volume for planned year \$ _____
 Percentage of gross volume for advertising _____ %
 Projected total annual budget for advertising \$ _____

Month	% of annual sales by month	Projected monthly sales volume	Projected monthly advertising budget
January	_____ %	\$ _____	\$ _____
February	_____ %	\$ _____	\$ _____
March	_____ %	\$ _____	\$ _____
April	_____ %	\$ _____	\$ _____
May	_____ %	\$ _____	\$ _____
June	_____ %	\$ _____	\$ _____
July	_____ %	\$ _____	\$ _____
August	_____ %	\$ _____	\$ _____
September	_____ %	\$ _____	\$ _____
October	_____ %	\$ _____	\$ _____
November	_____ %	\$ _____	\$ _____
December	_____ %	\$ _____	\$ _____
Total	_____ 100 _____ %	\$ _____ (annual total volume)	\$ _____ (total annual ad budget)

APPENDIX E: AVERAGE ADVERTISING INVESTMENTS OF RETAIL STORES

Advertising and Promotion as a Percentage of Sales

Business credit institutions .2%
 Commercial printing .2%
 Services-equipment rental and leasing .2%
 Services-advertising agencies .3%
 Security and commodity brokers .4%

Services-building cleaning and maintenance	.4%
Office computing and accounting machinery	.5%
Retail-auto dealers and gas stations	.5%
Savings and loan associations	.5%
Services-engineering and architect	.5%
Services-linen supply	.5%
Insurance agents and brokers	.7%
Services-research and development laboratories	.7%
Services-computer and data process	.9%
Office furniture	1.0%
Retail-mobile home dealers	1.0%
Services-detective and protective	1.0%
Services-hospitals	1.0%
Ship/boat building and repairing	1.0%
Retail-grocery stores	1.1%
*arm and garden machinery and equipment	1.2%
General building contractors	1.2%
Travel trailers and campers	1.2%
Retail-drug and proprietary stores	1.3%
Transportation services	1.3%
Personal credit institutions	1.4%
Services-nursing and personal care facilities	1.4%
Silverware and plateware	1.4%
Motorcycles bicycles and parts	1.5%
Bakery products	1.7%
Motor vehicles and car bodies	1.7%
Retail-apparel and accessory stores	1.8%
Hardware	1.9%
Paints varnishes and lacquers	1.9%
Services-automotive repair and service	1.9%
Retail-lumber and other building materials	2.0%
Hotel and motels	2.1%
Cigars	2.2%
Retail-shoe stores	2.2%
Musical instruments	2.3%
Retail-variety stores	2.3%
Footwear except rubber	2.4%
Household appliances	2.5%
Services-management consulting and PR services	2.6%
Watches clocks and parts	2.6%
Retail-women's ready-to-wear	2.8%
Retail-department stores	2.9%
Retail-eating places	2.9%
Retail-sewing and needlework stores	3.0%
Finance-services	3.2%
Photographic equipment and supplies	3.2%
Radio/TV receiving sets	3.4%
Radio/TV broadcasters	3.5%
Pens pencils and other office materials	3.6%
Real estate	3.6%
Services-miscellaneous amusement and recreation	3.6%
Services-motion picture theaters	3.7%
Services-educational	4.1%
Services-personal	4.3%

Jewelry-precious metals	4.4%
Retail-jewelry stores	4.5%
Retail-household appliance stores	4.7%
Bottled and canned soft drinks	5.7%
Retail-mail order houses	5.9%
Candy and other confectionery	6.1%
Cigarettes	6.3%
Toys and amusement sport goods	6.3%
Malt beverages	6.5%
Soap and other detergents	6.5%
Drugs	7.8%
Retail-furniture stores	7.8%
Phonograph records	8.6%
Perfumes cosmetics and toiletries	8.8%

Source: Advertising Age, August 17, 1981

APPENDIX F: DETERMINATION OF ADVERTISING MEDIA BUDGET

Percentage of total store sales contributed by each Dept.				Total ad	*Less reserv 10% of	Net media budget				
Month	Dept.A	Dept.B	Dept.C	Total	Budget	Budget	Monthly	A	B	C
Jan.				100%	\$	\$	\$	\$	\$	\$
Feb.				100%						
Mar.				100%						
Apr.				100%						
May.				100%						
Jun.				100%						
Jul.				100%						
Aug.				100%						
Sep.				100%						

Sep.											
Oct.											
Nov.											
Dec.											
TOTALS											

- NOTE: Step 1: Transfer advertising budget figures from Appendix D to Plan Portion
- Step 2: List all fixed monthly advertising expenses (example-- Yellow Pages)
- Step 3: Determine percentage of total budget to be allocated to each category
- Step 4: Apply each media's percentage share against net budget dollars and record dollar amounts.

APPENDIX H: ADVERTISING LAYOUT GUIDE

Not Available in this format

APPENDIX I: TYPE STYLES

Not Available in this format

APPENDIX J: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in The Small Business Directory. For a free copy contact your nearest SBA office.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including

training and educational programs, counseling services, financial programs and contract assistance.
Ask about

- **Service Corps of Retired Executives (SCORE)**, a national organization sponsored by SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.
- **Small Business Development Centers (SBDCs)**, sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- **Small Business Institutes (SBIs)**, organized through SBA on more than 500 college campuses nationwide. The institutes provide counseling by students and faculty to small business clients.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the bookstore heading. You can request a Subject Bibliography by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Consumer Information Center (CIC)

P.O. Box 100

Pueblo, CO 81002

The CIC offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)

Publications Request

Washington, DC 20207

The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)

12th Street and Independence Avenue, SW

Washington, DC 20250

The USDA offers publications on selling to the USDA. Publications and programs on

entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)

Office of Business Liaison

14th Street and Constitution Avenue, NW

Room 5898C

Washington, DC 20230

DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

U.S. Department of Health and Human Services (HHS)

Public Health Service

Alcohol, Drug Abuse and Mental Health Administration

5600 Fishers Lane

Rockville, MD 20857

Drug Free Workplace Helpline: 1-800-843-4971.

Provides information on Employee Assistance Programs.

National Institute for Drug Abuse Hotline: 1-800-662-4357. Provides information on preventing substance abuse in the workplace.

The National Clearinghouse for Alcohol and Drug Information: 1-800-729-6686 toll-free. Provides pamphlets and resource materials on substance abuse.

U.S. Department of Labor (DOL)

Employment Standards Administration

200 Constitution Avenue, NW

Washington, DC 20210

The DOL offers publications on compliance with labor laws.

U.S. Department of Treasury

Internal Revenue Service (IRS)

P.O. Box 25866

Richmond, VA 23260

1-800-424-3676

The IRS offers information on tax requirements for small businesses.

U.S. Environmental Protection Agency (EPA)

Small Business Ombudsman

401 M Street, SW (A-149C)

Washington, DC 20460

1-800-368-5888 except DC and VA

703-557-1938 in DC and VA

The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)
FDA Center for Food Safety and Applied Nutrition

200 Charles Street, SW
Washington, DC 20402

The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

- **Trade association information**
Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.
- **Books** -- Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Print, a directory of books currently available from publishers.
- **Magazine and newspaper articles** -- Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.

–