

2-1 Developing the Marketing Plan

OBJECTIVES

- Explain the importance of marketing a business.
- Discuss how to develop a marketing strategy for a business.
- Describe what information is included in a marketing plan.

WHAT IS MARKETING?

As defined by the American Marketing Association, "marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." To simplify this definition, marketing is all of the processes – planning, pricing, promoting, distributing, and selling – used to determine and satisfy the needs of customers and the company. This definition demonstrates the importance of the customer.

It is very important to conduct market research to discover what products or services customers want to buy. Using the primary and secondary data that is gathered through market research helps entrepreneurs develop a marketing concept for the business. The marketing concept uses the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service. To use the marketing concept successfully, businesses must be able to:

- Identify what will satisfy the customers' needs and wants
- Develop and market products or services that customers consider better than other choices
- Operate profitably

An important part of implementing the marketing concept is developing a marketing mix that helps meet customer needs and enables the business to earn a profit. The marketing mix is a blending of the product, price, distribution, and promotion used to reach a target market. For example, once you have determined what product or service meets customers' needs, you must determine the right price for it, make it available to the customers in the right places, and then let your target market know about it.

THE MARKETING STRATEGY

As a business owner, you will need to outline the goals you want to accomplish through your marketing efforts. Once you have identified your goals, you will need to develop a marketing strategy, which is a plan that identifies how these goals will be achieved. In your startup marketing plan, your strategy should address:

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|---------------------------|-------------------------|---------------------------|
| • Product introduction | • Sales or market share | • Projected profitability |
| • Promotion or innovation | • Pricing | • Distribution |

It is important that your marketing strategy be consistent with the overall goals you have set for your business. Be sure that the strategy will actually work for you and is within the resources you have available. Your marketing goals should be written following the SMART guidelines you learned before. Smart goals are specific, measurable, attainable, realistic, and timely. Your goals should reflect your short-term, medium-term, and long-term plans for your business. What do you want your marketing efforts to achieve for your business? Do you want to offer additional products or services after one year? Perhaps in three years, you want to find a larger building or add on to your current one. After five years, maybe you want to sell your product internationally. Establishing short-, medium-, and long-term marketing goals ensures that the marketing you do today fits in with the vision you have for your business tomorrow.

SHORT-TERM GOALS

Short-term goals are what you want your business to achieve in the next year. They can be stated in terms of number of customers, level of sales, level of profits, or other measures of success. Identifying your short-term goals will help you determine how to target your marketing. If your goal is to build a customer base, you may decide to keep prices low and spend more money on promotion. If your goal is to have a positive cash flow, you may decide to price your products or services higher. Luisa Ramirez, a 32-year-old entrepreneur, wants to open a gourmet food shop in her community. In the short term, Luisa wants to generate traffic into her store. Because of that goal, her marketing strategy focuses on establishing a customer base. She creates a list of short-term goals based on product, price, distribution, and promotion.

MEDIUM-TERM GOALS

Medium-term goals describe what you want your business to achieve in the next two to five years. Although your marketing strategy will be determined largely by your short-term goals, you will need to make sure that the strategy you are planning will make it possible for you to achieve your medium-term goals. Luisa wants her business to become the most successful gourmet

food shop in her community by increasing her customer base and her total sales. She hopes to expand the offerings in her store to include more international foods and specialty items from local suppliers. In addition to running her store, in five years Luisa hopes to expand her business to include catering.

LONG-TERM GOALS

Long-term goals show where your business will be 5, 10, and even 20 years from now. Thinking about what you want the business to do in the long term can help you think about how to market your business today. Luisa eventually would like to establish a mail-order division of her business. She does not let her long-term plans for a mail-order division change her thinking about how to market her store today. Knowing what she wants in the long run, however, motivates her to work very hard to make her store a success so that she can use it as a foundation to develop a second business.

WRITE YOUR MARKETING PLAN

When your goals and marketing strategy have been determined, you will be ready to write your final marketing plan. The purpose of the marketing plan is to define your market, identify your customers and competitors, outline a strategy for attracting and keeping customers, and identify and anticipate change. A written marketing plan will help you determine whether it is solid and all parts are consistent. Your written plan becomes a guiding document as you operate your business. You can always review it later to determine if you need to change the way you are marketing your business. The marketing plan becomes a part of your business plan. Having a marketing plan as part of your business plan is essential when you seek financing for your business. Investors will expect your marketing plan to answer the following questions:

- What product or service will I offer?
- Who are my prospective customers?
- Is there a constant demand for this product or service?
- How many competitors are providing the same product or service?
- Can I create a demand for the product or service I want to offer?
- Can I compete effectively in price, quality, and delivery of my product or service?

To effectively answer these questions, the marketing plan for your business must include information on the following topics:

1. Product or Service
2. Target Market
3. Competition
4. Marketing Budget
5. Business Location
6. Pricing Strategy
7. Promotional Strategy
8. Distribution Strategy

As part of your marketing plan, you should include performance standards that will help you measure your effectiveness. Researching industry norms and past performances will help you develop appropriate standards. After your marketing plan has been implemented, you should compare your actual results to your performance standards to see how well you are progressing. It is helpful to examine your performance quarterly. Questions to ask yourself include:

- Am I meeting sales forecasts?
- Is my promotional campaign reaching the target market?
- Is my company doing everything it can to meet customers' needs?
- Is it easy for my customers to find what they want at a competitive price?

2-2 Identify Your Market

OBJECTIVES

- *Identify a target market by analyzing the needs of customers.*
- *Explain how market segmentation can help an entrepreneur analyze a target market.*

TARGET MARKET

Entrepreneurs with exciting new ideas are sometimes so focused on their products or services that they forget about the customer. Coming up with a good idea for a business is not enough to guarantee success. Customers are the people or organizations who buy the products and services companies offer. Before establishing your new enterprise, you will have to determine who your primary customers are and whether these customers will be willing to buy your product or service. Market research is the key to finding out this information. Understanding people's wants and needs will allow you to identify business opportunities. The more you know about your customers, the better you will be at giving them what they need and want.

As an entrepreneur, you will need to estimate demand for your products or services by identifying your target customers. The target market includes the individuals or companies that are interested in a particular product or service and are willing and able to pay for it. Identifying your target market helps you reach the people who desire your products and services. Target customers are the customers you would most like to attract. A car dealer selling moderately priced minivans would target middle-class families with children. A car dealer offering expensive sports cars might target single people with higher incomes.

IDENTIFY YOUR TARGET MARKET

To identify the target market for your product or service, you will need to answer the following questions:

1. Who is my potential market? Are my customers individuals or companies?
2. If my customers are individuals, how old are they? How much money do they earn? Where do they live? How do they spend their time and money?
3. If my customers are companies, what industries are they in? Where are those industries located?
4. What needs or wants will my product or service satisfy?
5. How many potential customers live in the area in which I want to operate?
6. What is the demand for my products or services?
7. Where do these potential customers currently buy the products or services I want to sell them?
8. What price are they willing to pay for my products or services?
9. What can I do for my customers that other companies are not already doing for them?

SAMPLE CUSTOMER PROFILE FOR A SPORTING GOODS STORE

- Individual 23 to 52 years of age
- Participates in sports
- Wants good-quality sports equipment
- Looks for good prices
- Lives in city of Blanchester
- Average household income: \$42,000 per year

As an entrepreneur, you should put yourself in your customers' shoes before you start your business. Afterwards, you should think about your customers' needs and viewpoints every day. By continually evaluating your market, you will be ready to respond to changes in communities, consumer tastes and buying habits, and competitors' offerings.

MARKET SEGMENTS

Groups of customers within a large market who share common characteristics are known as market segments. Market research can be used by a business to identify market segments. Segmenting, or dividing your target market into several small groups, can help you develop a product or service that will meet specific customer needs and wants.

The process of market segmentation is important because most products and services appeal to only a small portion of the population. The leisure services market is a large market that includes many segments, such as outdoor adventurers, people who vacation frequently, couples who eat at restaurants, and more. Targeting the entire leisure market would not make sense. You would never be able to meet the needs of the entire market. Even the restaurant segment of the leisure services market has sub-segments. Some people eat fast food on a regular basis while others like a sit-down meal at a nice restaurant. Some people like Italian food while others prefer seafood or Chinese food.

Businesses can make decisions based on the information gathered about market segments. However, if the data are not analyzed correctly, the product may not meet the needs of the customers, or the business might ignore a segment of the market that would be very interested in the product.

Customer Profile

A market segment is made up of people with common characteristics. The more you learn about them, the better strategy you can develop for reaching them. A very useful part of analyzing your data is the creation of a customer profile. A customer profile is a description of the characteristics of the person or company that is likely to purchase a product or service. A customer profile can help you understand what you need to do to meet customer demand. Customers may be profiled based on many types of data, including demographics, psychographics, use-based data, and geographic data.

By analyzing these types of data, you will be able to develop a marketing strategy that identifies those customers you can serve more effectively than your competitors can. The data can help you determine the size of your market and how many people would be willing and able to purchase your product or service. You can design your products and services, set prices, and direct promotional efforts toward those customers.

Geographic Data. Data that help you determine where your potential customers live and how far they will travel to do business with you are called geographic data. If you were thinking of opening a coffee shop, it would be important for you to know that people are not willing to drive more than one mile for coffee.

Demographic Data. Data that describe a group of people in terms of age, marital status, family size, ethnicity, gender, profession, education, and income are called demographics. Women business owners between the ages of 25 and 40 who earn at least \$50,000 per year would be an example of a market segment based on demographic data.

Psychographic Data. Data that describe a group of people in terms of their tastes, opinions, personality traits, and lifestyle habits are called psychographics. People who prefer to live in a downtown setting and whose musical preference is jazz would be an example of a market segment based on psychographic data.

Behavioristic Data. Data that help you determine how often potential customers use a particular service are called behavioristic (or use-based) data. If you were starting a travel agency, you would want to know how often your potential customers travel.

2-3 Conduct Market Research

OBJECTIVES

- *Explain the role of market research.*
- *Identify the six steps involved in market research.*
- *Explain the role technology plays in market research.*

ROLE OF MARKET RESEARCH

For your business to succeed, you need to identify potential markets, analyze demand, and determine how much customers are willing to pay for your products or services. To collect this information, you will perform market research. Market research is a system for collecting, recording, and analyzing information about customers, competitors, products, and services. Based on the findings of market research, a business will be able to determine which marketing strategies will be most effective and most profitable. Spreadsheets and databases are used for collecting and analyzing market research data. Market research has its limits because it can be very expensive and time-consuming, but it is worthwhile when major decisions must be made. You will draw on primary data and secondary data to help you identify ways in which you can meet customer needs. Market research can also help you forecast sales and make other business decisions.

PRIMARY DATA

Most market researchers collect primary data. Information collected for the very first time to fit a specific purpose is primary data. A researcher collects primary data to help identify and understand the target market. There are a few different ways to collect primary data.

Survey. The most common type of primary market research is a questionnaire, or survey. A survey is a list of questions you would like to ask your customers to find out demographic and psychographic information. A survey can be conducted by mail, over the phone, on the Internet, or in person. Creating a good survey is important. Surveys should be kept to a page in length when read over the phone or mailed to respondents. Longer surveys can be used if an interview is face to face. Questions should be clear and easy to answer, and only the most important questions should be asked.

Observation. Market research can also involve observation. If you are considering opening a juice bar in a shopping mall, you might want to see how many customers you could attract. You could go to the mall and count the number of people purchasing drinks at various food outlets. An entrepreneur interested in starting a motorcycle repair shop might count the number of motorcycles at a busy intersection.

Focus Groups. Another way to find out about the market is by conducting interviews with small groups of people. A focus group is an in-depth interview with a group of target customers who provide valuable ideas on products or services. You can ask the same kinds of questions in a focus group that you would ask in a survey, but the group setting allows for more discussion and interaction. Focus groups usually are led by a moderator, who asks questions about buying habits, likes and dislikes, and interest in particular products and services. The focus group session is recorded so that the comments can be reviewed carefully after the session.

Disadvantages Of Primary Data. While primary data can provide the most up-to-date and useful information, collecting it can be time-consuming and more expensive than gathering secondary data. As an entrepreneur, you will need to determine how much primary and secondary market research data you need to collect.

SECONDARY DATA

Entrepreneurs also research their target markets by using secondary data. Secondary data are found in already-published sources. Data on population, family size, household income, economic trends, industry forecasts, and other information can be found in secondary data resources. Places to find secondary data include the following:

- Publications issued by government and community organizations, such as the U.S. Census Bureau, the Small Business Administration, and the Chamber of Commerce
- Books about specific industries
- Information on websites for government and businesses
- Books about other entrepreneurs who set up similar businesses
- Trade magazines and journals
- Newspaper articles and statistics

Kisha Nichols wanted to expand her family-owned chain of retail shoe stores. She decided to perform some secondary data research. She visited the local Chamber of Commerce website, which provided her with population demographics for her city and county and industry forecasts for local communities. This information allowed Kisha to identify the largest markets as well as any growing markets. Magazines provided information on the average income of retail shoe store owners in her state. Newspaper articles gave Kisha psychographic data on the lifestyles of people in her area. Most of them worked in professional office settings, which meant they had a need for comfortable dress shoes. The secondary data gave Kisha a good idea of which community might provide the best prospects.

SIX STEPS OF MARKET RESEARCH

Collecting primary data can be time-consuming and expensive, but it is extremely valuable. It will tell you exactly what you want to know and uncover information you may not find through secondary sources. Conducting primary market research involves six steps.

1. Define the Question

In the first step in the market research process, you need to define exactly what you need to know. Entrepreneurs have many concerns and questions about the businesses they are planning. By determining what they need to know, they are defining the question that will be the focus of their research. Maggie Blandin is thinking about starting a dog-walking service. Before she invests in her business, Maggie needs to determine who would be most likely to use her service (her target customers).

2. Determine the Data Needed

Once you have defined the market research question, you are ready to determine what data you need to collect to provide the answer to your question. Entrepreneurs need to be sure that the data they collect will be helpful. It would not be helpful for Maggie to know how many families live in the area where she wants to open her business. She needs to know how many people living in the area are dog owners who lack the time to walk their dogs.

3. Collect the Data

Before you begin collecting data, you need to decide how you will go about gathering the data. Should you use a survey? Should you use an observation method? Is a focus group appropriate? The method you use will depend on what type of information you want to gather. For example, you can find out people's opinions in a survey or focus group but not by observation. You should perform some secondary market research first to familiarize yourself with your market. Demographic and psychographic data, as well as information on economic trends and industry forecasts, will help you determine what kind of primary data research to perform. You can then choose the best research method for the information you want to gather.

If you use observation to do your research, you need to determine where and when to get the best information. If a focus group is needed, you should think about what kinds of individuals to include and what questions to ask them. If you choose a survey, think carefully about how long it should be, what questions it should include, how it should be administered, and how many people you should survey. Maggie decides that a survey is the best way for her to find answers about customer preferences for a dog-walking service. Through her secondary data research, Maggie learned that 60 percent of the households in her area own one or more dogs and that the average annual household income is \$75,000. Most households have one or more adults working in a professional field. She also found that dog ownership is on the rise in her area. Using this information, Maggie put together the survey shown on the next page, asking about the lifestyles, opinions, and choices of dog owners.

4. **Analyze the Data**

Once you have collected all your primary and secondary data, you will need to analyze and interpret the information thoroughly. The data may be used not only to find out about your potential customers but also to forecast sales. The analysis should be in a written format so you can refer to it later. Through her secondary data research, Maggie found that 2,500 dogs live in her area. From her primary data research, she found that 30 percent of dog owners in her area would pay \$20 to have their dogs walked for 30 minutes. Many would pay to have them walked two or three times a week. Maggie determines that she could easily have 750 dogs to walk each week.

5. **Take Action**

Once you have analyzed and interpreted your data, you will need to determine how to use the data to make a decision. You will develop a plan of action based on the information you found in your market research. Maggie Blandin's market research has helped her conclude that her idea for a dog-walking service is profitable. From her market research, she has created a target customer profile of people aged 31 to 50 who travel often, work long hours, and earn \$50,000 to \$100,000 a year. She also knows the amount of money her target customers are willing to pay for her service and how much income she can expect to make. In her first effort to get customers, Maggie plans to create a flyer aimed at her target market, which she will distribute in neighborhoods and veterinarian offices. She also plans to distribute the flyer downtown and in other business areas where many of her target customers work.

6. **Evaluate the Results**

Evaluation is the last step in the market research process. It is not enough just to develop a plan of action. Entrepreneurs must regularly evaluate the actions they take as a result of the plan. Once Maggie has developed and distributed the flyer, she will need to evaluate the results. If she feels that she is getting a good response from her target market, she can assume that her plan of action is effective. However, if she is not getting a good response, then she will need to revise her plan of action.

TECHNOLOGY-DRIVEN MARKETING

Customer relationship management (CRM) is the goal of a new marketing trend that focuses on understanding customers as individuals instead of as part of a group. It is a business strategy designed to increase profitability and customer satisfaction. CRM uses technology to track customer interactions and to organize business processes in a way that will produce customer-satisfying behaviors.

INTERACTIONS WITH CUSTOMERS

In a CRM system, companies identify customer relationships, including information on who customers are, where they are located, and what products and services they buy. This is done by collecting data on all types of interactions a customer has with the company. These can include phone, web-based, or salesperson contacts. Other touch points where a customer might have contact with the company include a product or service registration, a request for product information, the return of a completed warranty card, or a customer talking with delivery personnel and product installers.

Many companies are now using websites as a touch point for customers to communicate with them. On the Web, companies provide forms that customers can complete to purchase products, make reservations, enter product and service preferences, and provide customer feedback. This information is transmitted through electronic data interchange (EDI), which is the movement of data between locations in a structured, computer-retrievable format. The information is then used to define market segments, adjust marketing strategies, develop new products, and improve customer relationships.

CUSTOMER DATABASE

Large amounts of data can be obtained from the interactions between a company and its customers. A business must decide what types of data it wants to acquire and how it can use the data to enhance customer relationships. Data collected can include customer contact information and data pertaining to the customer's current relationship with the company- past purchase history, quantity and frequency of purchases, average amount spent on purchases, and reactions to promotional activities.

The data are stored in a data warehouse, which is a large computerized database containing all of the information collected in the CRM process. Data stored in the data warehouse by one department within the company are available to other departments or to anyone else who has access to the database.

Data mining is used to find hidden patterns and relationships in the customer data stored in the data warehouse. The value of data mining is the ability of a company to transform individual bits of data into usable information that marketers need to develop successful marketing strategies. Using data mining, marketers can search the data warehouse to find relevant data, categorize significant characteristics, and develop customer profiles. Once the most profitable customers and prospects are identified, marketing strategies that will appeal to them are created.

2-4 Know Your Competition

OBJECTIVES

- *Explain the importance of knowing and understanding your competition.*
- *Prepare a competitive analysis.*
- *Describe strategies for maintaining customer loyalty.*

IMPACT OF COMPETITION

The U.S. economic system is based on private property, freedom of choice, profit, and competition. Because consumers are free to buy whatever they want from whomever they want, companies compete for their business. Most new businesses face competitors-companies offering similar or identical products and services to the same group of target customers. As the owner of a new business, you will have to persuade customers to buy from you instead of from your competitors. You must always watch the competition and be sure that you are offering products that are of equal or better quality at the same or lower prices.

When personal computers first came on the market, Apple computers were the biggest sellers. Then IBM developed a personal computer, and soon there were many other manufacturers of personal computers. Today, customers have many choices for personal computers. All of the computer manufacturers work hard to persuade customers to buy their product.

UNDERSTAND THE COMPETITION

Knowing about your competition will also help you define your target market. Businesses typically enter into areas where there is competition. To survive, they have to identify some special customer need or want that is not being met. Customers may be happy with the products or services, but they may be unhappy with the prices. Customers might be dissatisfied with the quality of a product or service and would be willing to pay more for better quality. In either case, a customer need is going unmet by a competitor, indicating a possible opportunity for an entrepreneur.

KNOW THE TYPES OF COMPETITION

Competitors may be categorized as either direct or indirect competition. You will need to find ways to identify and differentiate yourself from both types of competition.

Direct Competition. A business that makes most of its money selling the same or similar products or services to the same market as other businesses is direct competition. Secondary data resources can give you information on your direct competition. Your direct competitors may be in the same geographic area as your business. The telephone directory or an Internet search will help you find the number and locations of competing businesses. Your local Chamber of Commerce will also have information on competitors in your business field. Observation methods can help you learn more about your direct competitors. If you start a retail business, you can visit all of the malls, shopping centers, and retail outlets in your area. For some businesses, direct competitors may be located far away. Carmen Quinterro publishes a travel newsletter about Ireland. Carmen's target customers live all over the United States. Her competitors include five other newsletters about Ireland as well as several travel websites. Although Carmen's competitors are located far from her, they compete for the same target customers.

Indirect Competition. A business that makes only a small amount of money selling the same or similar products and services to the same market as other businesses is indirect competition. Locating your indirect competition is more difficult than finding direct competitors. You should first think of all of the possible businesses that can compete with you indirectly. A large department store may stock some of the most popular products carried by a privately owned specialty shop. The department store offers many other lines of merchandise as well. It makes only a small amount of money on the same items that the specialty shop offers. This makes the department store an indirect competitor to the specialty shop.

Large Retailers. When a large retailer enters a community, it can be a source of direct and indirect competition for many other businesses. Large retailers like Walmart bring lower prices and jobs to a community, but many small businesses find it difficult to compete with them. Some of the smaller, locally owned retailers often are forced out of business. Some of the reasons that it is difficult for entrepreneurs to compete with large retailers include the following:

- Large retailers usually are able to keep larger quantities of products in stock. They can purchase inventory in bigger quantities because they have more revenue and larger storage areas. Bigger orders result in volume discounts, and the savings can be passed to consumers in the form of lower prices.

- Large retail chains do not rely on a single product line. If one product line does poorly, a large retail store does not go out of business because it has other successful product lines. Small businesses have risks associated with having only one product line. If its product falls out of favor with consumers, it has no other product lines to make up the difference.
- Large companies usually have more resources to devote to advertising. A larger company makes more revenue and can hire advertising professionals to create effective advertising to attract more customers.

COMPETITIVE ANALYSIS

Identifying and examining the characteristics of a competing firm is called a competitive analysis. Analyzing the strengths and weaknesses of your competition will help you identify opportunities and threats against your business. This is also known as a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats). Follow these steps to begin your competitive analysis:

1. Make a list of your competitors. Using the Internet and The Yellow Pages and driving through the area in which you plan to locate your business are good ways to identify your competition. You can also talk to potential customers to find out with whom they are currently doing business. Review trade magazines and newspapers to see who is advertising the product or service you plan to offer.
2. Summarize the products and prices offered by your competitors. Investigate the products or services your competition offers for sale. How are they different from yours? Examine the price ranges of your competitors and determine how they compare to what you plan to charge. Are your prices higher or lower?
3. List each competitor's strengths and weaknesses. What does the competitor do that no one else does, or what does it do better than everyone else? Where are your competitors located? Determine if their location is better, worse, or about the same as the planned location for your business. Compare your competitors' facilities to the planned facility for your business. Are their facilities better, worse, or about the same as yours? What attracts customers to your competitors' facilities?
4. Find out the strategies and objectives of your competitors. A copy of each competitor's annual report would have this information. In addition, looking at competitors' websites or advertising can give you clues about their strategies and objectives.
5. Determine the opportunities in the market. Look at your competitors' weaknesses. How can you use these weaknesses to your advantage? Also, determine if there is an increase in demand for the product or service you plan to offer. What are the industry forecasts? If demand is predicted to increase, more opportunities exist for those wanting to enter the market.
6. Identify threats to your business from the competition. What would make a customer choose the competition over you? Examine your competitors' strengths. How will you compete with these strengths?

Interjit Singh wants to start a premier car wash in an expensive suburb of Washington, D.C. He does a competitive analysis as shown below. He researches his direct and indirect competition. He finds that Royal Hand Wash is able to charge twice the price of the other competitors even though its location is not the best. Royal Hand Wash guarantees non-scratch car washes and waxes done by hand, not machines. Because Interjit's business will also offer car washes, waxes, and detailing done by hand, Royal Hand Wash is the direct competition. All other car wash businesses, including gas stations with automatic car wash machines, are his indirect competition. Interjit considers Royal Hand Wash's location and prices to be two of its biggest weaknesses, which open up opportunities for Interjit. He plans to capitalize on these opportunities by choosing a prime location for his car wash and charging lower prices. The biggest threat posed by Royal Hand Wash is its excellent facility. Interjit believes that having a convenient location and offering better service will stamp out this threat.

| ANALYSIS OF COMPETITORS | | | | | | |
|-------------------------|---------|-----------|-----------|--------------------|--------------------------------|--|
| Competitor | Price | Location | Facility | Strength | Weakness | Strategy |
| Standard Gas | \$6.00 | Excellent | Good | Excellent location | Car wash not easily accessible | Target a different market |
| Lakeland Car Wash | \$5.50 | Fair | Good | Low price | Location | Target a different market |
| Ray's Car Wash | \$5.00 | Good | Fair | Low price | Facility | Target a different market |
| Royal Hand Wash | \$11.50 | Fair | Excellent | Excellent facility | Location, high price | Offer lower prices, better service, more convenient location |

MAINTAIN CUSTOMER LOYALTY

Getting customers to buy your products and services instead of your competitors' is only one step in running a successful business. Once you get the customers, you must make sure they remain loyal to you and keep coming back.

LISTEN AND RESPOND TO FEEDBACK

To retain customers, you will need to continually ask customers for their opinions about your business and respond to their feedback. Businesses that ignore customer concerns will not stay in business long. Businesses stay in touch with their customers' needs in different ways. Some businesses may call customers after sales are made to ensure they are satisfied with their purchase. Many companies have a customer feedback box where customers can put complaints or positive comments about the business. You can also design a survey for your customers to complete.

Jason Rose's business, the Metropolitan Athletic Club, closed because of his failure to respond to customer feedback. Club members had repeatedly complained about the lack of cleanliness in the locker rooms and the lack of available weight machines during peak hours. Jason ignored his customers' complaints, believing that the excellent location and low monthly membership fee would ensure his success. Jason learned from his mistake. When he opened his next athletic club, he immediately tried to find out what customers wanted by conducting a market research study. His study revealed, among other things, that he should offer more aerobics classes and put high-speed hair dryers in the locker rooms. Due to his focus on customer satisfaction, Jason's club is doing very well and attracting new members all the time.

OTHER STRATEGIES FOR MAINTAINING LOYALTY

To maintain customer loyalty, businesses use many strategies. The main purpose of these strategies is to keep customers happy so that they will return to the business. The strategies also give the business a means for gathering data about their customers and their shopping and spending habits that can help in future decision making. Some of the most basic customer loyalty strategies businesses use include the following:

- Superior service
- More convenient hours than other businesses
- Easy return policies
- Store-specific credit cards
- Personal notes to say thanks for the business
- Frequent-buyer programs

Frequent-buyer programs have become popular among businesses. Customers must join by filling out a registration form that asks for personal information, such as your name, address, phone number, and e-mail address. Customers are then given a card, which they can use each time they make a purchase. The cashier scans the magnetic strip or barcode on the card to keep a running total of the purchases made by the customer. Rewards are given to the customer based on the frequency of purchases. The rewards help attract customers to the business. In addition, the business can collect information electronically about the buying habits of its customers, helping it know what items to stock.

Kathleen McGuire, the owner of Flower Markets, encourages shoppers to buy all of their flowers from her garden store by issuing them a frequent-buyer card with a magnetic strip that stores customers' information on it. Every time a customer makes a purchase, she scans the card to record the purchase. When customers have made purchases totaling \$200, she offers them a 25 percent discount on their next order. Kathleen also uses the purchasing data she collects from the cards to notify customers about sales on items they frequently purchase.

2-5 Marketing Mix – Product

OBJECTIVES

- *Explain how the marketing concept affects decisions regarding the product mix.*
- *Define and describe the importance of product management.*

THE MARKETING CONCEPT AND THE PRODUCT

Once you have determined what kind of business you will run, you will need to make decisions about the products that you will sell. To select your products, think carefully about which products and services most appeal to your target customers. If you can convince your customers that your products satisfy their needs better than any competitor's products, then your products become a marketing tool for your business.

CONSUMER-DRIVEN MARKET

The marketing concept is the belief that the wants and needs of customers are the most important consideration when developing any product or marketing effort. Over the past 50 years, consumers have become more educated, and competition has increased to include the global market. This has led the U.S. market to change from a product-driven market to one that is consumer-driven. The marketing concept can give small businesses an advantage over larger businesses. Small businesses can get to know their customers better than larger businesses can. They can be more responsive and have more flexibility when trying to satisfy customer needs.

In the newspaper in Luisa's community, there was a recipe for a pasta dish using a special type of cheese that Luisa did not carry in her gourmet food store, and she knew none of the local grocery stores stocked it. However, she knew that many of her customers liked to try the recipes from the paper, so she immediately placed an order with a supplier to get the cheese in stock the next day.

PRODUCT MIX

The different products and services a business sells are its product mix. In a consumer-driven economy, entrepreneurs realize that sometimes they must include products in their mix as a convenience for customers even though those products may not be profitable. This will give the appearance to customers that the store has everything they need. It has been found that often a small percentage of the product selection makes up the majority of the sales revenue.

Luisa's Gourmet Luxuries will offer hundreds of different packaged goods, such as imported Italian olive oil and pastas. Luisa will also offer a wide selection of fresh foods, including cheeses, fruits, vegetables, and baked goods. To determine her product mix, Luisa lists the various departments she plans to establish in her store and the products that each department will carry. Luisa knows that most of her customers are looking for gourmet foods, but she decides to carry a small selection of pasta-making machines and coffee makers. Although these items will not be a large source of revenue, they will show customers she can meet all their needs.

PRODUCT MANAGEMENT

Consumers buy a product because it meets their needs. However, there is much more to a product than consumers may realize. The many aspects of a product that a business must spend time developing and managing include its features, branding, packaging, labeling, and positioning.

SELECT PRODUCT FEATURES

A product includes features which are product characteristics that will satisfy customer needs. Features include such things as color, size, quality, hours, warranties, delivery, and installation. You will need to consider your target market when selecting product features. Every product has features. For instance, Luisa has many choices when she is deciding what types of olives to stock in her store. There are green and black olives and olives stuffed with pimentos, blue cheese, and almonds. There are olives that come in jars and in cans and fresh olives that are available loose. There are olives that are produced in the United States, in Italy, and in France. There are so many different types of olives that there is no way Luisa can offer every single type to her customers. She needs to decide how many types of olives she can carry and what kinds her target customer prefers.

CONSIDER BRANDING, PACKAGING, AND LABELING

Making your product stand out from all the others in the market is a challenging task. The brand is the name, symbol, or design used to identify your product. The package is the box, container, or wrapper in which the product is placed. The label is where information about the product is given on the package. The brand, package, and label that you choose for your product will help differentiate it from others on the market. The Nike "swoosh" has become a very recognizable brand. When you see the Nike symbol, you know about the quality of the product you have selected.

POSITION YOUR PRODUCTS OR SERVICES

Different products and services within the same category serve different customer needs. For example, both Hyundai and Jaguar sell automobiles, but these two product lines are positioned very differently in the marketplace. Positioning is creating an image for a product in the customer's mind. Businesses position a product in a certain market to get a desired customer response. Product features, price, and quality may be used for positioning. Jaguar's pricey cars are positioned in the market to meet the needs of those consumers who desire high quality and status. Hyundai positions its products to satisfy a need for an inexpensive family automobile. Examining the

2-6 Marketing Mix – Price

OBJECTIVES

- Identify pricing objectives for a business.
- Calculate the price for products using various methods.
- Discuss factors to consider when pricing services.
- List and describe various pricing strategies.

SET PRICING OBJECTIVES

The price is the actual amount a customer pays for a product or service. Prices you charge must be low enough so that customers will buy from you, not from your competitors. To earn a profit, though, your prices need to be high enough so that revenues exceed expenses. Before you can select a pricing strategy, you will need to establish objectives for your pricing program. What is the most important thing you want the price to do? Examples of pricing objectives include:

- Maximize sales
- Increase profits
- Discourage competition
- Attract customers
- Establish an image

RETURN ON INVESTMENT

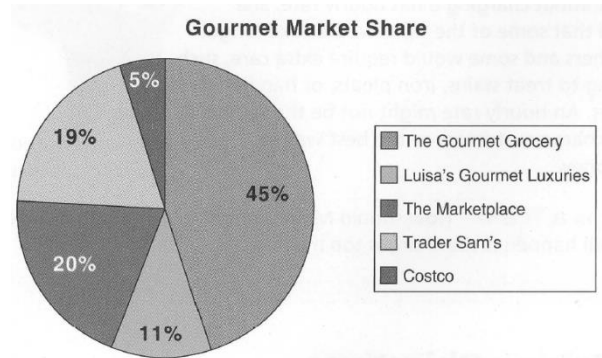
When setting pricing objectives, you may want to consider your return on investment. Investment refers to the costs of making and marketing a product. The return on investment (ROI) is the amount earned as a result of the investment and is usually expressed as a percentage. Entrepreneurs must identify the percentage return they want from their investment. The target percentage in the beginning may be lower than it will be as the business grows. If you invest \$5,000 in your smoothie stand at a local park and you want a 15 percent return, you need to price your product so that you will earn \$750, since $\$5,000 \times 0.15 = \750 .

MARKET SHARE

Market share is another consideration when setting pricing objectives. Market share is a business's percentage of the total sales generated by all companies in the same market. The total market for a product must be known in order for a market share to be determined. For example, if people in Luisa's community normally spend \$1,750,000 a year on gourmet food products and Luisa's store sells products amounting to sales of \$192,500, her market share will be 11 percent calculated as follows:

$$\begin{array}{rcl} \text{Amount of sales} & \div & \text{Total market size} & = & \text{Market share} \\ \$192,500 & \div & \$1,750,000 & = & 11\% \end{array}$$

The chart graphically illustrates Luisa's market share along with the expected market shares of her competitors.



Your market share will depend on the level of competition in your market.

If you create a market for an entirely new product, your market share will be 100 percent because you will be the only supplier, at least for a period of time. If you enter a market with many competitors or one in which a few large companies dominate the market, your market share will be small at first.

Companies in highly competitive environments must develop a plan to gain a higher market share. Companies can increase market share in many ways. One way is to lower prices. Advertising and promotion campaigns that attract more customers can help too. You can also network with potential customers. Networking involves establishing informal ties with people who can help your business grow. Attending trade association meetings and other gatherings can provide good opportunities to network and gain new customers.

One of Luisa's goals is to become the most successful gourmet shop in her community by having a market share of at least 40 percent and a 10 percent return on investment. If Luisa wants a market share of 40 percent, she will need to generate annual sales of at least \$700,000 ($\$1,750,000 \times 0.40$). Based on this, Luisa sets her pricing objectives carefully. She decides to set her prices low to build customer traffic. Once Luisa has increased her market share, she may raise prices slightly to increase her return on investment.

To help increase her market share, Luisa will seek out networking opportunities. As part of her networking efforts, Luisa will play softball in a local women's league in the summer. She also plans to attend Chamber of Commerce meetings monthly. She hopes that through both settings she will meet people who will become customers. She also hopes to meet other business professionals, such as lawyers, financial advisers, and other business owners, who might offer advice on ways to run her business more efficiently and, in turn, increase her return on investment.

DETERMINE A PRICE FOR A PRODUCT

Once pricing objectives have been determined, the next step is to determine the possible prices for products. There will usually be more than one price that can be charged for a product. Pricing may be based on demand, cost, or the amount of competition.

DEMAND-BASED PRICING

Pricing that is determined by how much customers are willing to pay for a product or service is called demand-based pricing. Potential customers are surveyed to find out what they would be willing to pay for the product. The highest price identified is the maximum price that can be charged. If the bakery at Luisa's Gourmet Luxuries becomes widely recognized as the best in town, Luisa could begin charging higher prices for her baked goods. People will be willing to pay a higher price for a loaf of bread that they believe is the best available.

COST-BASED PRICING

Cost-based pricing is determined by using the wholesale cost of an item as the basis for the price charged. A markup price is determined by adding a percentage amount to the wholesale cost of an item. Luisa buys artichoke hearts for \$1.77 a can. To cover her operating expenses and allow for a profit, she adds 40 percent to her wholesale cost, or \$0.71. The new price of \$2.48 is her markup price, or retail price.

$$\begin{array}{rcl} \text{Wholesale cost} & \times & \text{Percentage markup} & = & \text{Markup amount} \\ \$1.77 & \times & 0.40 & = & \$0.71 \end{array}$$

$$\begin{array}{rcl} \text{Wholesale cost} & + & \text{Markup amount} & = & \text{Retail price} \\ \$1.77 & + & \$0.71 & = & \$2.48 \end{array}$$

Sometimes business owners purchase too much of a particular item and want to sell more of it quickly. To do so, they mark down the retail price of the product. A markdown price is determined by subtracting a percentage amount from the retail price of an item. You should be careful not to mark down an item below its cost. You do not want to lose money.

Luisa usually charges \$10.50 for a large bottle of olive oil. To sell more, she decides to mark down its retail price by 20 percent.

$$\begin{array}{rcl} \text{Retail price} & \times & \text{Percentage markdown} & = & \text{Markdown amount} \\ \$10.50 & \times & 0.20 & = & \$2.10 \end{array}$$

$$\begin{array}{rcl} \text{Retail price} & + & \text{Markdown amount} & = & \text{Markdown price} \\ \$10.50 & - & \$2.10 & = & \$8.40 \end{array}$$

COMPETITION-BASED PRICING

Pricing that is determined by considering what competitors charge for the same good or service is called competition-based pricing (also known as market-based pricing). Once you find out what your competition charges for an item, you must decide whether to charge the same price, slightly more, or slightly less.

Luisa's business will compete with The Gourmet Grocery, which has been in her community for five years. She cannot charge more than her competitor for items that customers could purchase there. She decides initially to charge a few cents less than The Gourmet Grocery on all packaged goods. She will keep an eye on competitors to make sure she stays up to date on what they are charging for their products.

PRICE A SERVICE OR AN IDEA

When setting the price for a service, it is important to consider not only the cost of any items used in providing the service but also the amount of time and anything that is included with the service. You may also have business ideas that you can sell to others. You should consider the different ways to structure payments for your ideas.

TIME-BASED PRICING

The price to charge for services can be determined by the amount of time it takes to complete the service. A plumber may charge \$100 per hour. If the job takes 1.5 hours to complete, the labor charge would be $\$100 \times 1.5 = \150 . A service provider must decide whether there will be a separate charge for materials or whether the materials will be included. A hair stylist charges a set amount to highlight someone's hair. The amount includes the hair stylist's time as well as all of the supplies used for the highlighting. Some service providers will negotiate the price. This is often done with legal services and construction projects.

One area in which Luisa would like to expand her business is catering. She will have to calculate prices based not only on the cost of the food but also on the time that it takes her to prepare and deliver the food. If she is responsible for serving at a catered event, she will have to charge for her time and the time of any helpers she may hire to serve guests at the event.

BUNDLING

Services can be bundled, or combined under one charge, rather than making the customer pay for each individual part of the service. When you go to a beauty salon and have your hair cut and styled, the price is bundled. The price you pay includes the services of the hair stylist as well as the cost of the hair products, water, and towels that were used on your hair.

PRICING AN IDEA

Ideas can be priced in different ways. You might be acting as a consultant to another business. When consulting, you could charge an hourly rate for your time and the ideas you present during that time. You might have an idea that you want to license to another company for development. Licensing is the process of selling your idea to a company for the development and launch of a new product. When licensing your idea, there are different ways you can be paid:

1. Up-front payment. The licensee pays you a fee before development or sales begin. This may be the only amount you receive, or it could be an amount that is applied to future royalties.
2. Royalties. The licensee makes payments to you based on a percentage of the product sales. For example, you may be paid royalties of 2 percent of the total sales of a product developed from your idea.
3. Annual minimum. The licensee pays you a minimum amount each year regardless of the amount of sales.

PRICING STRATEGIES

It is important to set the right price for your products and services. Pricing can make or break a business. When first introducing a product or service into the market, price skimming and penetration pricing strategies may be used. Afterwards, psychological pricing and discount pricing are two pricing strategies that you should examine and incorporate when establishing permanent pricing for your products and services.

INTRODUCTORY PRICING

As a product is introduced into the market, sales will be low, marketing costs will be high, and little, if any, profit will be made. Two pricing strategies that are often used in the introductory stage of a product are price skimming and penetration pricing. Price skimming, which is used when a product is new and unique, starts with a high price to recover the costs involved in developing the product. Then as more competitors enter the market with similar products, the price is dropped. Penetration pricing uses a low introductory price with the goal of building a strong customer base. The low price also discourages competition.

PSYCHOLOGICAL PRICING

Psychological pricing is based on the belief that certain prices have an impact on how customers perceive a product. This type of pricing is most often used by retail businesses. Strategies used in psychological pricing include the following:

- Prestige pricing is selling at a high price in order to create a feeling of superior quality and social status.
- Odd/even pricing suggests that buyers are more sensitive to certain ending numbers. Studies have shown that prices ending in odd numbers are perceived to be bargains while those ending in even numbers suggest higher quality. For example, \$29.99 sounds like a bargain compared to an even \$30.00.
- Price lining involves offering different levels of prices for a specific category of product based on features and quality. A jeweler might offer three price lines of diamond necklaces and display them in different cases so that shoppers can go straight to the price level they can afford.
- Promotional pricing is offering lower prices for a limited time to increase sales. This type of pricing is temporary, and prices will return to normal when the promotion ends.
- Multiple-unit pricing involves pricing items in multiples, such as 10 for \$10. This type of pricing suggests a bargain. People will buy more items than they would if the items were priced individually.

DISCOUNT PRICING

Discount pricing offers customers a reduced price. Discount pricing is used to encourage customers to buy. Markdowns are a type of discount pricing. Other discount pricing strategies include the following:

- Cash discounts are offered to customers to encourage early payment of invoices. When this is done, the terms of an invoice will include the amount of the discount, the number of days in the discount period, and when the invoice is due if the discount is not taken. For example, terms of "2/10, net 30" mean that a 2 percent discount may be taken if the invoice is paid within 10 days. If no discount is taken, the net or total amount of the invoice is due within 30 days of the date of the invoice. To find the last date available for the discount, add the number of days in the discount period to the date of the invoice. If the invoice is dated April 1, you would add 10, and the last day of the discount period would be April 11.
- Quantity discounts are reductions in price based on the purchase of a large quantity. This is also called a volume discount. Selling a large quantity at once reduces a business's selling expenses.
- Trade discounts are reductions on the list price granted by a manufacturer or wholesaler to buyers in the same trade.
- Seasonal discounts are used for selling seasonal merchandise out of season. Barbecue grills are in high demand in the spring and summer months but not in the fall and winter. Manufacturers offer discounts to customers who purchase grills out of season.

2-7 Marketing Mix – Place/Distribution

OBJECTIVES

- *Describe the four basic options of channels of distribution.*
- *Apply channels of distribution to the specific needs of various types of businesses.*
- *List factors to consider in the physical distribution of products.*

SUPPLY CHAIN MANAGEMENT

Supply chain management is the coordination of manufacturers, suppliers, and retailers working together to meet a customer need for a product or service. Distribution is an important component of supply chain management that involves the locations and methods used to make products and services available to customers. As you develop a distribution strategy for your business, you will determine how you will get your goods and services to your customers. You must be sure you have the right product in the right place at the right time.

Luisa Ramirez, who is opening a gourmet food shop and catering business in her community, knows that she must consider distribution in the marketing of her business. She will need to consider how to get the goods to sell, as well as how to actually get them into the customers' hands.

Channels of distribution are the routes that products and services take from the time they are produced to the time they are consumed. Choosing the right channel of distribution for a product includes finding the most efficient way to ship it to desired locations. Using the right distribution channels saves time and lowers costs for both buyers and sellers.

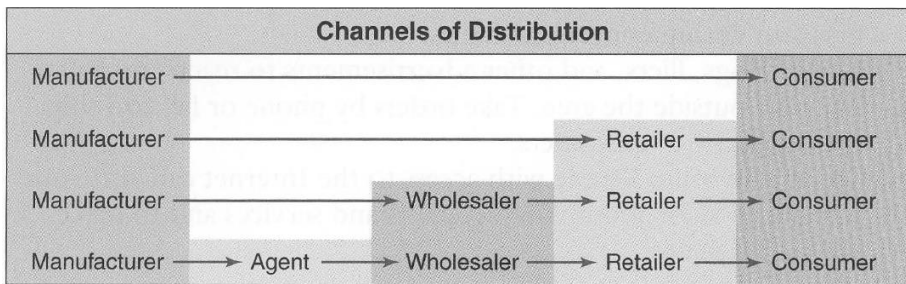
DIRECT AND INDIRECT CHANNELS

Channels are either direct or indirect. A direct channel moves the product directly from the manufacturer to the consumer. An indirect channel uses intermediaries – people or businesses that move products between the manufacturer and the consumer. Agents, wholesalers, and retailers serve as intermediaries.

Getting a product to the market in a timely manner is an important component of the distribution phase. If a farmer in South Georgia grows strawberries, the value of the strawberries will be maximized if they can be moved to northern markets quickly while they are fresh. Because there is a lack of fresh strawberries in northern markets, the demand will be higher, and they will command a better price. The strawberry farmer must determine whether to use a direct or indirect channel of distribution to get the product to customers.

CHANNEL OPTIONS

Entrepreneurs should examine the different options for channels of distribution and choose the one that best meets the needs of their business. The four basic options are illustrated and described below.



1. **Manufacturer to Consumer.** The product can be sold by the manufacturer directly to the consumer using various methods, such as the Internet, direct mail, or television shopping channels. There are no intermediaries involved in this option, and it is the most cost-effective. However, sales opportunities are limited because it is more difficult for a manufacturer to reach the final consumer.
2. **Manufacturer to Retailer to Consumer.** A sales force can sell manufactured goods to retail stores, and the retail stores can sell to the consumers. This is a more expensive option than selling directly from the manufacturer to the consumer, but it offers more sales opportunities.
3. **Manufacturer to Wholesaler to Retailer to Consumer.** To reach a large market, the manufacturer can sell large quantities to a wholesaler, also called a distributor, who will then store and sell smaller quantities to many retailers. Even though more intermediaries are involved in this method, prices can be lower because the manufacturer is producing mass quantities of the product, resulting in lower production costs.
4. **Manufacturer to Agent to Wholesaler to Retailer to Consumer.** With this option, the manufacturer does not get involved in selling. Selling is handled by an agent. This option is often used in international marketing.

DISTRIBUTE GOODS AND SERVICES

Retail businesses, service businesses, and manufacturing businesses will choose different channels of distribution based on the needs of their businesses. Those needs can vary based on the size of the market, the type of product or service, and customer needs and wants.

RETAIL BUSINESSES

Retail businesses have many ways of selling products. As the owner of a retail business, you can distribute products in various ways.

- Offer your product or service to consumers in a convenient location and during convenient hours.
- Use catalogs, fliers, and other advertisements to reach customers who live outside the area. Take orders by phone or fax and ship them directly to customers.
- Create a website. People with access to the Internet can visit your website to learn about your products and services and to make online purchases.

Luisa's food and catering shop is a neighborhood business that caters to local residents, so she does not think she would get much benefit from catalogs. As a convenience for customers, Luisa decides to stay open until 8:00 and have hours from 10:00 until 4:00 on Saturdays and 12:00 to 4:00 on Sundays. She also creates a website that contains product descriptions, menus, and order forms for customers wanting to place catering orders.

SERVICE BUSINESSES

Most entrepreneurs who own service businesses sell their services directly to customers. These businesses have a single, direct channel of distribution because the production and consumption of a service happens at the same time. For example, electricians, restaurant owners, and lawyers deal directly with the people who purchase their services. It is important for a service provider to offer the service when it is needed by the customer to maximize the value of the service. If the service cannot be provided when needed, the customer will look for another provider. Some service businesses, such as film developers, use retail stores to distribute their services.

MANUFACTURING BUSINESSES

Manufacturers usually don't sell directly to customers. Instead, they make their products and then sell the products to other businesses, such as retailers. The retail store then sells to the final consumer. Some manufacturers distribute their products very broadly and use all possible channels of distribution. Other manufacturers distribute their products through selected

outlets only. For example, high-priced cosmetics usually are sold in exclusive department stores. Inexpensive cosmetics are sold in discount stores and drugstores.

PHYSICAL DISTRIBUTION

Physical distribution includes not only transportation but also storage and handling of products and packaging within a channel of distribution. A product may move through several channel members by various forms of transportation to get to the point where it will ultimately be sold to consumers. As the product is transported, it will be stored at various points along the channel before being moved to the next channel member. It is important that storage facilities along the channel provide safe and adequate space to protect the product.

TRANSPORTATION

There are many choices when transporting goods. Products can be moved by airplane, pipeline, railroad, ship, truck, or a combination of methods. You must determine which method is best and most cost efficient for your products. Factors to consider in making a transportation decision include what you are shipping and where it is being shipped. If you are shipping a small product to someone in your city, you would probably choose a parcel delivery service. If you are shipping a large item to another country, you would probably send the item by ship or air and use a truck to get the product to and from the shipyard or airport. If the product is perishable, you may need to choose a carrier that provides refrigeration or that can move the product very quickly to its destination.

PRODUCT STORAGE AND HANDLING

Efficient storage allows channel members to balance supply and demand of products. However, this adds to the cost of the products and also adds the risk that products may be damaged or stolen while stored. Most products are stored in warehouses at various points through the channels of distribution. An automobile manufacturer in Japan selling autos in the United States stores them in Japan at the factory and at the shipyard until they are shipped. Once they arrive in the United States, they will be stored at the port until they can be loaded onto automobile carriers to be distributed to the dealers. Dealers have to provide storage for the automobiles until they are sold to the consumer.

PACKAGING

Packaging is designed to protect the product from the time it is produced until it is consumed. If the product is not protected during the distribution phase, it could be damaged or destroyed, resulting in a loss of money to channel members. Packaging requirements will vary depending on the product, the way it is shipped, and where it is being shipped. The automobile manufacturer in Japan would package a small accessory item being shipped to the U.S. differently than the autos it ships.

RECEIVING GOODS TO SELL

All types of businesses must receive goods from suppliers. Whether or not they sell goods to customers, all businesses need paper, computers, raw materials, and more to be able to function. Retailing businesses need to obtain goods to sell. A service business that grooms pets needs to buy cat and dog shampoos and flea combs. A blanket manufacturer must buy cotton. You can use various sources to locate distributors, wholesalers, and manufacturers. Your public library and the Internet will have research materials you can use. Some helpful sources include the following:

- The American Wholesalers and Distributors Directory, which lists suppliers in a wide range of industries
- The ThomasNet website, which lists all manufacturing companies
- Trade magazines that may include articles or advertisements pertaining to the suppliers for your industry

Luisa needs to create relationships with wholesale distributors. She must find companies she can trust to deliver high-quality products quickly. Luisa will purchase products directly from companies that produce them and through distributors. Her pastries come from a local baker. Distributors will supply her with imported and domestic canned goods as well as meats, fruits, and vegetables.

2-8 Marketing Mix – Promotion

OBJECTIVES

- *List the many forms of advertising and discuss advantages and disadvantages of each.*
- *Define publicity and describe ways to use publicity as a promotional tool.*

PROMOTION STRATEGIES

No matter how wonderful your products, distribution methods, and pricing, you will not succeed as an entrepreneur if customers do not know about your business. You will have to promote your business to make customers aware of the benefits

of buying from you. Promotion takes many forms including advertising, publicity, personal selling, and sales promotion. The strategy created by adopting a blend of some, if not all, of these techniques is called your promotional mix.

ADVERTISING

Service industries, manufacturers, and retailers all advertise. **Advertising** is a paid form of communication sent out by a business about a product or service. It keeps your product or service in the public's eye by creating a sense of awareness. Advertising should help a business convey a positive image.

Advertising can be very important for small businesses, particularly new ones. Advertising helps you communicate with potential customers. It lets them know what kinds of products and services your company offers and why they should buy from you. Large companies generally use advertising agencies to create their advertisements. Using an advertising agency usually results in highly creative and effective ads, but it can be costly. As a small business owner, you probably will handle your own advertising.

Your advertising should clearly communicate your message and image. If, for example, your marketing strategy is to have low prices, advertisements should highlight your prices. If your aim is to target customers who are willing to pay higher prices for excellent service, advertising that describes your well-trained staff would fit your image. Once you choose a message, you will need to decide which advertising medium to use. To choose a medium, you will have to consider both cost and effectiveness in reaching your target audience.

ONLINE ADVERTISING

As Internet use has increased, online advertising has become widely used by businesses to promote their products and services. This is a cost-effective way for businesses to get information to potential customers. Ongoing changes and advancements in online advertising technology make it easier for customers to get the information they need. Potential customers can use keyword searches and browse through online catalogs by category to find information about available products and services.

Online technology lets businesses interact with customers through online chat rooms, blogs, and e-newsletters. A well-designed website can enhance customers' experiences by giving them easy-to-navigate pages that contain up-to-date information on products and services.

Types of Online Advertising. Online advertising combines color, imagery, animation, and other elements to attract the reader's attention. Some common types of online advertising include the following:

- **Banner Ad.** A graphic image or animation displayed within a rectangular box across the top or down the side of a web page
- **Floating Ad.** An ad that moves across the screen or floats above the page content
- **Wallpaper Ad.** An ad that changes the background of the page being viewed
- **Trick Banner.** A banner ad that looks like a dialog box with buttons, often appearing like an error message or an alert
- **Pop-Up Ad.** A new window that opens in front of the current one, displaying an advertisement
- **Pop-Under Ad.** A new window, similar to a pop-up ad, that loads behind the current window and does not appear until the user closes one or more active windows

Paying for Online Advertising. It is easier to accurately determine the effectiveness of online advertising than it is to determine the effectiveness of other, more traditional forms of advertising. As a result, new methods of charging for online advertising have been developed, based on the effectiveness of the ads. Three of the most common ways online advertising is purchased are as follows:

- **Cost per Mil (CPM).** The charge to the advertiser is based on the exposure of the message to a specific audience. CPM costs are priced per thousand viewers reached with the message.
- **Cost per Click (CPC).** The charge to the advertiser is based on the number of user clicks on the advertisement. This method offers an incentive to the publisher of the ad to target the ad correctly. It will appear when certain keywords are used in visitors' searches that correspond with the content of the ad. Payment to the publisher is dependent upon viewers actually responding to the ad by clicking on the hyperlink within the ad.
- **Cost per Action (CPA).** The charge to the advertiser is based on the user completing a form, registering for a newsletter, or taking some other action that will lead to a sale. The publisher assumes all the risks in running this type of advertisement. Advertisers prefer this type of charge for banner advertisements.

Disadvantages of Online Advertising. Many marketers have abused the Internet and its ease of use with excessive spamming, which involves sending mass e-mails to Internet users. Excessive use of pop-ups, flashy banners, and spam has caused people to use pop-up blockers, spam control, and spyware to block promotions. Luisa creates a website that provides information

about her gourmet food shop and catering services. Because her customers are local, Luisa decides not to use any other forms of online advertising.

TELEVISION ADVERTISING

Promotions on television reach millions of people every day. It is the best way to reach a large number of people quickly. Television advertising usually comes in the form of commercials and paid advertisements. Commercials are usually less than a minute in length and are run during breaks in television programming. They are very short promotions about a product or business. Infomercials can last a half hour or more and go into depth about the product being offered. Television promotion allows businesses to communicate through both sight and sound. It can be creative, entertaining, and informative.

Television advertising expenses include the fee you have to pay the station to air the commercial. This fee is based on the amount of time your advertisement or commercial plays. In addition, you must also consider the costs of producing the commercial. If a one-minute commercial costs \$25,000 to produce, you pay the television station \$2,000 for each minute it airs, and you plan to have it aired 30 times, the cost per minute would be $[\$25,000 + (\$2,000 \times 30)] \div 30 = \$2,833.33$.

Disadvantages of Television Advertising. Advertising on television is very expensive. Producing even a low-budget commercial can cost thousands of dollars. You will need to seek the help of video and production professionals when developing a television ad. In addition, you will have to pay a network or cable station to broadcast the commercial. Television reaches too broad an audience to be effective for most businesses. If, for example, only one percent of the viewing audience is interested in a particular product, advertising on television is not likely to be cost-effective. Because of the excessive costs and the fact that she may not reach her target customer very effectively, Luisa decides that television advertising is not right for her business.

RADIO ADVERTISING

Radio advertising can be effective for small businesses. It is less expensive than television promotion. You can also be more certain you are reaching your target market. Radio stations tend to attract a particular kind of listener. Pop rock stations target teenagers and young adults. Classical or talk radio stations usually attract older listeners. Selecting a station whose listeners share the same demographics as your target market can increase the effectiveness of your advertising. You can contact stations and ask for a demographic profile of their listeners to make sure it fits your target market profile. The costs of radio advertising are determined in the same way as the costs of TV advertising. You must pay for air time and production costs.

Disadvantages of Radio Advertising. Radio is a purely audio message and cannot visually show your product. Radio listeners may not remember what they hear. They may tune out or even "surf the airwaves" during the commercial spots. You may need professional help when developing a radio ad, which can be costly. Luisa is targeting middle-aged, upscale customers. To reach this audience, she decides to advertise on the classical music station in her community. She receives a demographic profile of the radio station's listeners and determines that her business targets a similar type of person.

NEWSPAPER ADVERTISING

Newspapers have been the single largest form of advertising in the United States. However, as more people are looking to the Internet for news and information, newspaper circulation has dropped in many cities. Small businesses may choose to promote their products and services in the newspaper for the following reasons:

- It is relatively inexpensive.
- It targets a limited geographic area.
- It reaches large numbers of people.

Luisa decides to advertise in several local newspapers. She places quarter-page ads in the morning paper serving the citywide area. She also puts half-page ads in all of the free newspapers that serve her community. The community papers reach a much smaller audience than the large city newspaper, but they target the local audience Luisa is trying to reach. Advertising in newspapers represents a cost-effective way for Luisa to reach her target market.

Disadvantages of Newspaper Advertising. Newspapers reach a large audience, but much of that audience may not be interested in your business. If, for example, you own a small gift shop that caters to people only in your immediate area, advertising in a large city newspaper with a wide circulation may not make sense. You would be paying to reach thousands of people who are outside of your target market. Another disadvantage of newspaper advertising is the fact that your advertisement will compete with many others. Newspapers carry so many advertisements that readers may overlook yours.

TELEPHONE DIRECTORY ADVERTISING

Telephone directories list the phone numbers of people and businesses in a certain area. Directory ads usually appear on a page close to the listing and phone number of the business placing the ad. Directory ads can be similar in appearance to newspaper ads. Customers look in telephone directories again and again, making them a good advertising medium.

A disadvantage of directory advertising is that people look in the directory only when they are already in search of a particular type of business. With directory advertising, it is not easy to persuade customers to try your business instead of a competitor's business. But, knowing how important the phone book can be, Luisa decides to place a quarter-page ad in the commercial directory distributed in her area.

DIRECT-MAIL ADVERTISING

Direct-mail advertising includes fliers, catalogs, letters, and other correspondence sent to target customers through the mail. Mailing lists for target markets are available for purchase. If your business sells hospital beds, you can purchase targeted mailing lists of people who would purchase your product. You can also get lists of people based on the geographic area. Companies that specialize in maintaining targeted mailing lists can provide almost any kind of list for any kind of business.

Direct-mail advertising can be effective if people read it, but many people throw out direct-mail advertising, calling it "junk mail." If you use this method of advertising, you will want to come up with an attention-grabbing design or other means of making people want to read it. Luisa decides to use direct mail to target residents living in four zip code areas near her store. She creates an attractive brochure with a catchy slogan on the outside cover, and she mails it to residents in the neighborhoods she is targeting.

MAGAZINE ADVERTISING

Magazines are an excellent way to aim products and services at specific markets. Fitness magazines are full of advertisements for athletic apparel and equipment. Magazines targeting teenage girls are full of advertisements for products that appeal to them, such as cosmetics and clothing. Most magazines are nationally distributed. This can make them inappropriate for businesses that sell in a limited geographic area. Some large cities have local magazines, which would be an effective way to target a certain area.

The city in which Luisa will be opening her gourmet store has two local magazines. One focuses heavily on restaurants and entertaining. Luisa checks the demographics of the magazine's readership and finds that it targets the same market she is trying to reach. She decides to advertise in the magazine every other month.

OUTDOOR ADVERTISING

Outdoor advertising includes billboards and signs. Such advertising can be effective in keeping the name of your business in a place where many people can see it. But because people view such advertising quickly as they drive by, it cannot include much information. Also, outdoor advertising may not project the image you are trying to convey for your business.

TRANSIT ADVERTISING

Transit advertising consists of signs on public transportation. Transit advertising can provide more information than is typically seen on a billboard. Such advertising can be effective if the market you are trying to reach includes many people who use public transportation. Luisa's target market lives in the suburbs and rarely uses public transportation. For this reason, she rules out transit advertising, which would not help her reach her target market.

SOCIAL NETWORKING SITES

Business owners are beginning to find new and creative ways to use social networking sites for business promotion.

- Twitter provides a good way for businesses to keep their name in front of people who have a connection with or interest in their business. Some businesses also use it to announce special offers.
- LinkedIn is a social networking site aimed specifically at businesses. It can be used to search for consultants and contractors. It has also become a major source for posting job openings.
- YouTube is a great way to get information out to prospects and customers. You can make a short promotional video demonstrating your product or service or have current customers provide testimonials about it. A short e-mail can direct prospective customers to your YouTube video.
- Facebook is used to set up web pages promoting your business. Customers and prospective customers can view company information on your Facebook page and become a fan of your business. Once they become a fan, any posts you make will go on their own Facebook Wall.
- Blogging is used by companies to highlight new products and share company information. A blog can combine text, images, and links to other web pages. It is an interactive format in which readers can add comments on a particular topic, such as a company's products or services.

BUDGETING FOR PROMOTION

Once you determine your promotional mix, you must obtain the approximate costs for all forms of advertising media that you plan to use. Using the estimated costs, calculate a projected promotional budget. Compare this amount to your projected sales and decide what percentage of the budget promotion represents. Determine whether this budget is realistic for your business.

Compare your percentage to the industry average, which you can obtain from trade associations, business publications, or business owners. Be sure your promotional budget is in line with similar businesses.

PUBLICITY

Publicity is a nonpaid form of communication that calls attention to your business through media coverage. Publicity may be good or bad. Good publicity can be as helpful as advertising. Publicity is free, but staging an event or bringing in a celebrity to generate publicity usually is not. A **press release**, which is a written statement meant to inform the media of an event or product, is a good way to promote an event. While there are things you can do to attract positive media attention, publicity is largely out of a business's control. Publicity can be negative if the media coverage is unfavorable. For example, some community newspapers publish listings of restaurants that have violated health code laws. Customers may see this publicity and stop eating at those restaurants.

Luisa plans to have an open house to mark her first day in business. She hopes that the media will do a story on her grand opening. To increase this chance, Luisa hires a popular local jazz band to perform. She also invites her community's leaders and personalities. She writes and sends a press release to all of the local newspapers, magazines, and radio and television stations as well. Luisa's press release is shown on the next page.

To keep her name in the news, Luisa volunteers to write a weekly cooking column for one of the free newspapers in her community. She likes the opportunity to educate the public about gourmet cooking and to increase her store's visibility as a seller of gourmet foods.

PUBLIC RELATIONS

Public relations is the act of establishing a favorable relationship with customers and the general public. Public awareness and positive public relations can be generated for your business when you show your community that you are involved and committed to it. There are many ways to support your community, including the following:

- Sponsor a community sports team.
- Make a donation to a local charity or relief effort program.
- Get involved with the work-based program at your local high school or community college.
- Become active in the local chapters of the Big Brothers or Big Sisters organizations.
- Organize community programs such as cleaning up neighborhood parks.

SELF-PROMOTION

A business should try to keep its name visible and in the forefront of people's minds. Self-promotion is a good way to do this. It's a simple way to generate "free" publicity. Self-promotion may include activities such as:

- Giving away t-shirts and hats displaying your company name and logo.
- Distributing pens, notepads, coffee mugs, and other useful items printed with the name, telephone number, website address, and logo of your business.

FOR IMMEDIATE RELEASE

GALA OPENING OF LUISA'S GOURMET LUXURIES

Come celebrate the opening of Luisa's Gourmet Luxuries on Friday, September 20, at 8:00 P.M. Hors d'oeuvres, imported champagne, and French pastries will be served at the event. Music will be provided by Glendale's leading jazz ensemble, Jazz Expressions.

The opening of Luisa's Gourmet Luxuries marks the realization of a dream by owner Luisa Ramirez. "As a specialty cook," she says, "I could not always find the products I needed. And I was never happy with the selection of produce and baked goods in town." Luisa decided to open a store that would offer the kinds of products she could not find elsewhere in town.

Luisa's Gourmet Luxuries offers an astounding selection of products, including 14 different kinds of olive oil, 12 different kinds of rice, and pasta products from several different countries. "Everyone's taste is different," says Luisa, "so I offer a large selection."

For more information contact:

Luisa Ramirez, Proprietor
Luisa's Gourmet Luxuries
1610 Marbury Road, Glendale, CT
(275) 555-3983

2-9 Selling and Promoting

OBJECTIVES

- *Explain the role of selling in business.*
- *Determine how to meet customer needs and wants.*
- *Discuss other types of promotional activities.*
- *Evaluate the effectiveness of promotional campaigns.*

SELLING

Good selling skills are important to an entrepreneur. You will be selling your business ideas to potential investors in the beginning stages of developing your business, and you will be selling products or services to customers once you open your business. You may need to hire others with good selling skills to assist you with your business.

To many customers, the salesperson is the business. This may be the only representative of the company the customers ever come in contact with, so it is important for the salesperson to create a positive image for the company. Selling is the way a business makes money, so a salesperson plays a very important role.

PERSONAL SELLING

Personal selling is direct communication between a prospective buyer and a sales representative in which the sales representative attempts to influence the prospective buyer in a purchase situation. It is important for the salesperson to uncover and identify the customer's needs, issues, and concerns so that they can be addressed throughout the sales process.

PRODUCT KNOWLEDGE

To be successful at selling a product or service, a salesperson must have thorough knowledge of the features and benefits of the product or service. Features are the physical characteristics or capabilities of the product or service. Benefits are the advantages that could result from those features. Customers are mainly interested in the benefits they will receive from purchasing a product or service. Many times a salesperson builds a sales presentation around the features alone. However, customers who see the benefits of purchasing the product or service will be less likely to object to the price of the item as the sales transaction progresses. It is important for a business to spend time training salespeople about the product or service being sold as well as the industry in which they are working and the market in which they are selling. They should also be familiar with their own company as well as their company's competition. The more salespeople know about the internal and external environment in which they are working, the more effective they will be.

DETERMINE CUSTOMER NEEDS AND WANTS

Customers purchase goods and services in order to satisfy needs. The need may be as basic as food, water, or shelter. Or, it may be a more complex need, like the need for esteem. A salesperson must determine what need the customer is seeking to satisfy in order to sell a product or service to meet the need. To satisfy lower-level needs, customers do not usually need the assistance of a salesperson. Selling skills become more important as customers try to meet upper-level needs.

NEEDS ASSESSMENT

When an individual customer goes shopping, it is up to the salesperson to find out as much as possible about the customer's situation by conducting a needs assessment. This involves interviewing the customer to determine his or her specific needs and wants. The salesperson can then help identify the range of product or service options to satisfy those needs and wants.

Some customers will know exactly what they want. In this case, the fulfillment of their needs is referred to as need satisfying. Even though the customer knows what he or she wants, the salesperson must be flexible and willing to commit company resources and selling time in order to better satisfy needs. When the need is not identified, the process of satisfying the need is called problem resolution. Problem resolution requires the salesperson to adopt the prospect's point of view, ask questions to assess the nature of needs, and act as a consultant to assist the prospect in solving the problem.

BUYING DECISIONS

Customers are influenced by rational and emotional buying motives. Rational buying decisions are based on the logical reasoning of customers. Customers evaluate their options and make a purchase only after careful thought. Rational buying motives include safety, simplicity, quality, reliability, economy, convenience, service, durability, knowledge, money gain, and ease of operation. Emotional buying decisions are based on the desire to have a specific product or service. Feelings, beliefs, and attitudes can influence buying decisions. Often, little thought or time is spent making an emotional decision. Some emotional buying motives include fear, protection, appearance, recreation, improved health, comfort, recognition, pride of ownership, imitation, prestige, and popularity.

CUSTOMER DECISION-MAKING PROCESS

Following a problem-solving process is the best way to make a decision. This is also true with customers when they are making a decision to purchase a product or service. The steps are to define the problem, gather information, identify various solutions, evaluate alternatives and select the best option, take action, and evaluate the action. A salesperson can assist customers through this process by helping them define their need, showing them the products or services that could meet the need, explaining the features and benefits of the various options, making the sale, and following up.

OTHER TYPES OF PROMOTION

Advertising, publicity, and personal selling are not the only ways to draw attention to your business. You can also offer sales promotions, use telemarketing, and develop a visual marketing strategy to promote your business.

SALES PROMOTIONS

A sales promotion is the act of offering an incentive to customers in order to increase sales. Examples of sales promotions include contests, free samples, rebates, coupons, special events, gift certificates, and frequent-buyer rewards. A rebate is a refund offered to people who purchase a product. Customers who purchase a \$12 bottle of olive oil may be entitled to a \$2 rebate from the manufacturer.

As part of her sales promotions, Luisa plans to give away a \$25 gift certificate each month. She also offers free samples and distributes discount coupons for selected merchandise. Luisa makes customers aware of all product rebates by posting a list in her store.

TELEMARKETING

Telemarketing is using the phone to market your product or service. It can be an inexpensive, effective way to let people know about your business or about special offers. Keep in mind that some consumers consider telemarketing to be annoying.

VISUAL MARKETING

Visual marketing involves the use of visual media to promote, sell, and distribute a product or service to a targeted audience. Visual images help a company build an identity in the mind of consumers. It begins with the company's identity materials-its logo, signage, promotional tools, company vehicles, and uniforms. Every point at which the company's identity is viewed by the public should create an image that is unique. Visual marketing spans across all company communications, including advertisements, promotions, and websites. Having a well-planned visual marketing strategy can help establish brand awareness, which can lead to customer loyalty and repeat sales.

EVALUATION STRATEGIES

An important part of your promotional plan is to evaluate the effectiveness of the promotional strategies you use. Some factors to consider include:

1. Is the volume of sales increasing? In addition to an increase in sales volume, you might also check the number of new leads or appointments being generated or determine if there is an increase in customer traffic in a retail establishment.
2. How are you getting new customers? Ask your clients/ customers where they learned about your business.
3. Does your advertising and/or promotional activity produce direct responses? Be sure you are advertising in the right media. Choose media that your target market uses.
4. Do your networking activities create new opportunities for you? To measure the effectiveness of your networking activities, track the source of incoming business and inquiries.
5. Do your marketing tactics make it easier to sell your services? Your marketing activities and materials should do the following:
 - Attract customers who have shown a specific interest in your services and who have the resources to pay for them.
 - Anticipate and answer potential questions from customers.
 - Be easy to use in the personal selling process.
 - Focus on your customer/client needs.
6. What is your sales conversion rate? Review your records and determine whether the number of sales has increased. Selling is an important part of the marketing function, so make sure you evaluate your success rate at closing the sale rather than focusing only on new leads.
7. Does your plan have a positive return on investment (ROI)? Does your promotional plan bring in enough new/repeat business to justify the expense? Instead of looking at the marketing budget as a whole, evaluate the cost-effectiveness of each specific marketing activity. Even if you think you're getting a great ROI overall, you might improve your rate by changing or eliminating unproductive promotion tactics.

Chapter Summary

- Before starting a new business, you must determine who your target market is and whether your target customers will be willing to buy your product or service. Market research is key to finding out this information.
- You should develop a customer profile and decide which segment(s) of the market to target. Markets may be segmented based on many factors, including demographics, psychographics, use-based data, and geographic data.
- Market research is important because it helps you learn about your customers and your competition. Primary data are collected for the very first time to fit a specific purpose. Secondary data are found in already-published sources.
- The six steps of market research are: (1) define the question, (2) determine the data needed, (3) collect the data, (4) analyze the data, (5) take action, and (6) evaluate results.
- Customer relationship management (CRM) focuses on understanding customers as individuals instead of as a group. CRM uses technology to track customer interactions.
- All businesses have both direct and indirect competition. Direct competition comes from a business that makes most of its money selling the same or similar products and services to the same market. Indirect competition comes from a business that makes only a small amount of money selling the same or similar products to the same market.
- Creating a competitive analysis involves the following steps: (1) make a list of competitors, (2) summarize products and prices offered by competitors, (3) list each competitor's strengths and weaknesses, (4) find out strategies and objectives of competitors, (5) determine the opportunities in the market, and (6) identify threats to your business from the competition.
- There are many ways to maintain customer loyalty. You should ask for and respond to customer feedback. Offering superior service and frequent-buyer programs also promotes customer loyalty.
- Marketing is all of the processes—planning, pricing, promoting, distributing, and selling—used to determine and satisfy the needs of customers and the company. Businesses that follow the marketing concept use the needs of customers as the primary focus.
- A marketing strategy identifies how you will achieve your marketing goals. For a new business, a marketing strategy should address product introduction or innovation, pricing, distribution, promotion, sales or market share, and projected profitability.
- A marketing plan should include information on the product or service, target market, competition, marketing budget, business location, pricing strategy, promotional strategy, and distribution strategy. Putting it in writing helps you determine whether your marketing plan is solid and all parts are consistent.
- The different products and services a business offers are its product mix. The marketing concept keeps you focused on meeting the wants and needs of customers as you develop a product mix.
- Product features are the characteristics of the product that will satisfy customer needs. Branding is the name, symbol, or design that identifies your product. The brand, package, and label will differentiate your product from others. Positioning is creating an image for a product in the customer's mind.
- A business may set pricing objectives aimed at maximizing sales, increasing profits, discouraging competition, attracting customers, or establishing an image.
- Pricing may be based on demand, cost, or competition.
- Services may be priced based on time, materials used, and bundling. Ideas can be licensed and priced in different ways.
- Introductory pricing strategies include price skimming and penetration pricing. Psychological pricing techniques include prestige pricing, odd/even pricing, price lining, promotional pricing, and multiple-unit pricing. Discount pricing includes cash discounts for early payment, quantity discounts, trade discounts, and seasonal discounts.
- The four basic options for channels of distribution are: (1) manufacturer to consumer, (2) manufacturer to retailer to consumer, (3) manufacturer to wholesaler to retailer to consumer, and (4) manufacturer to agent to wholesaler to retailer to consumer.
- Entrepreneurs should examine the different options for channels of distribution and choose the one that best meets the needs of their business and their customers.
- Transportation, product storage and handling, and packaging needs are all factors that play an important role when choosing methods of physical distribution.
- Advertising may be done on the Internet, on television, on radio, in the newspaper, in a telephone directory, through direct mailings, in magazines, on billboards and signs, and through social networking sites. The best option for a business is the one that reaches the desired target market in the most cost-effective way.
- Publicity is a nonpaid form of communication that generates media coverage. A business may capture media attention by submitting a press release and through public relations activities.
- A salesperson must identify the customer's needs, issues, and concerns so that they can be addressed throughout the sales process. To be successful, a salesperson must have a thorough knowledge of the features and benefits of the product or service.
- Needs assessment involves determining the customer's needs and wants. Customers' buying decisions may be rational or emotional. Customers often use the problem-solving process to make buying decisions. The salesperson can assist customers during this process.
- Offering an incentive to customers in order to increase sales is called sales promotion. Telemarketing is another way to let people know about your business. Visual marketing creates brand awareness.
- Evaluate promotional activities by looking at the volume of sales, direct responses to promotional activities, sales conversion rate, and return on investment.