

Marketing For SMEs

**BUSINESS COMPLIANCE
SOLUTIONS
WEALTH PROTECTION
ADVICE
BUSINESS LIFESTYLE
OPTIONS**

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1. Marketing - What Is It?

- The process of finding out and obtaining the goods or services that customers want; and presenting them at the right price, how, when and where they want it
- Marketing means choosing the right product or service in the first place and then selling it successfully by adopting the right pricing, promotions and distribution strategies
- To choose the 'right' product or service you have to know what Customers want. You have to find out all you can about your Customers - their ages, sex, incomes, likes, dislikes and habits. Many people could have saved themselves a lot of problems if they had taken the trouble to find out through market research that their business 'brainwave' could never have worked

2. Objectives

- Know the market for your Product or Service:
 - Find out exactly who your Customers are going to be
 - Plan how to use those facts about Customers for profit
- Price your product or service competitively and profitably
- Recognise product distribution options and packaging needs
- Promote your product or service successfully

3. Knowing Your Market

'Find the Need'

Rule No. 1 in marketing is that you can only sell something that people want. For example, you would be crazy to sell cots and prams in a retirement village or Christmas cards in March. Nobody would want them.

So don't ignore the needs of the consumer.

This does not mean you should never try to sell an unusual or unique product or service. In fact the key to success of a lot of small businesses is just that - unique service or specialised or personalised products in a mass production market. A fresh idea or a new product can be a marvellous money-spinner if it's marketed correctly, and if people think that they need it.

4. Market Research

- Market research is essential to find out what goods and services customers are likely to buy and how many buyers exist in a given location

- The aims of your research should be to find out:
 - What goods and services people are likely to buy?
 - If you already have an idea for a product or service, are people really likely to buy it?
 - What changes need to be made to a product to better suit the market?
 - Where, when and how often customers will buy?
 - How many potential customers are there in a given area?
 - What sort of people are they?

- Where to look
 - First, approach your own Industry Group. Has your trade association or the local Chamber of Commerce surveyed the industry and trading conditions? Such a survey could answer many of your questions

 - Next, contact Statistics New Zealand. They have a wealth of information, on the New Zealand consumer and New Zealand industry

- Other useful sources of information are:
 - Your local library - not only for what books they have on their own shelves, but for references to other works they don't have, but can obtain for you, especially government publications

 - Government Departments of Industrial Development, and Local District Councils

 - The Internet

5. Who Are Your Customers?

The market is made up of people, but only some of those people are your potential customers. Find out where they are, what sorts of people they are, and how many of them are in a given area.

6. Customer Profile

There are many sources of information for drawing up a customer profile: -

- Statistics New Zealand
- Chamber of Commerce
- Trade Associations
- Local Libraries
- Personal Questionnaires
- Suppliers' Records
- Industrial Publications
- Real Estate Agents
- Local District Councils
- Management Consultants

7. Inside Information

When your business is actually running, you can start studying your own records and acting on feedback from the business.

Try to keep an up-to-date list of your customers' accounts so that you can monitor their actual purchases and how they react to various promotions, specials etc.

8. Competing: Be Different

- Competing in the market you have chosen means knowing about your competitors and offering a better deal, or something special
- Don't compete on price alone. Cut-throat competition isn't called that for nothing. Instead, make customers believe your business offers better value for money in other ways
- This something extra could be in: -
 - After Sales service
 - More personalised service
 - Long guarantees
 - Better than average quality
- For example, a small garage owner might offer a free tyre check and windshield-cleaning service to his customers, to compete with self-service, cut price petrol stations
- When you have your customers thinking your product or service is a better deal, even if it's just the way they interpret it, then you have created a Unique Selling Proposition (USP) for your product or service in the market
- But don't be a rip-off merchant. Wild claims and false promises will soon earn you a name for dishonesty instead of fat profits

9. Cashing In: Developing Other People's Ideas

Another way of gaining an edge in the market is to take someone else's idea and improve it. This isn't stealing, it's doing something better and you are entitled to get the benefit of it.

10. The Right Place To Be: Location

- Setting up business in the right place is an essential part of successful marketing
- Your choice of location depends on where your customers are likely to be and, if you are manufacturing a product, where your suppliers are. And after those two factors, the choice will be restricted by your available funds
- Be like Sherlock Holmes - look for all the clues when you are checking a location
- You'll want to know if there are any plans for new highways, residential or tourist developments, or new shopping centres. These could affect your trade and your site value

11. Selling Strategies

You can't trick people into buying things if you seriously want to succeed in business. But you still must be looking for moneymaking opportunities. When your business starts you will have to try answering these questions, so think about them now, to help you plan ahead:

- Have you studied your competitors to see whether they follow any sort of pattern when making price changes?
- Is there a pattern to the kind of items that competitors promote at lower prices at certain times of the month or year?
- Have you decided whether it is better to take early markdowns on seasonal or style goods or to run a clearance sale at the end of the season?
- Have you made regular annual sales, such as anniversary sales, winter clearance, or holiday cleanup, so popular that many customers wait for them rather than buying in season?
- When you change a price, do you make sure that customers know about it through price tags?
- Do you try to time price reductions so they can be promoted in your advertising?
- Do you know how your customers make their comparisons? By reading newspaper advertisements? Store shopping? Hearsay?
- Are you trying to appeal to customers who buy on price alone? To those who buy on quality alone? To those who combine the two?
- Do you take note when your customers tell you that your prices are higher or lower than those of your competitors?
- Do you know which items (or types of items) your customers leave on the shelves or stop ordering when you raise the price?

- Do certain items seem to appeal to customers more than others do when you run weekend, clearance or holiday sales?
- Have you used your individual sales records to classify your customers according to the amount they buy?
- Will your customers buy more if you use multiple pricing? (Offering a lower price when customers buy in multiples)

12. Promotion

- Promoting your business means creating an attractive image that will stay in people's minds and persuade them you have something better to offer
- This public 'face' has several sides to it including advertising, public relations and direct selling

13. Direct Selling

- Persuading people face to face to buy something is not a trick, it's an art and some people are naturally good at it. The technique can be learnt and you'll improve with practice
Of course, a cheerful, friendly approach is just common sense. But don't over do it.
- When potential customers are at ease it's easier for you to find out what they really need because that's not always obvious at first. Someone looking at a portable TV might really be better off buying a videotape machine. But don't be too slick or heavy-handed about telling them. People like to feel they've made up their own minds about buying an item
- When you are explaining or comparing products or services make the customer feel confident that you know what you're talking about. Also make sure your sales staff are well 'clued-up' too

14. Buying Motives

- People's needs and wants are called buying motives
- Some reasons for buying are obvious: clothing to provide cover, food to prevent hunger and medicine to stop pain
- But mixed up with these basic needs are other wants. A bald man may pay a fortune for a hair-restorer but it's only to satisfy his vanity. He doesn't have to have it
- When you promote your product or service you have to be aware of people's needs and wants so you can show the benefits they can expect from the product. That's called your product message

15. Advertising

- Advertising is an essential step to finding and keeping your place in the market
- Good advertising does four things:
 - Attracts attention
 - Arouses interest
 - Creates desire
 - Stimulates action

16. Media Advertising

Large companies use national newspapers, television, radio, billboard posters, cinema and transport signs.

You as a small business owner will probably be best served by the local radio station, the cinema, display advertisements in the local newspapers and trade journals, and classified advertisements in the metropolitan dailies and directories, in particular, the Yellow Pages of the telephone directory.

17. Reach Your Market But Don't Stretch Your Pocket

Before you decide to advertise think about:

- What you want to achieve by the advertisements?
Are you trying to break into a new market, launch a new product, expand your market or just maintain the slice of the market you already have?
- Your costs and cash flow
You should put aside a set amount of funds for advertising. The advertising budget can then be reviewed at the end of the budgeted period
- Cash flow
Extra sales mean extra outlays to begin with, so budget for these
- Stock and Staff
If sales shoot up make sure you can handle the extra sales by having enough stock on hand or easily accessible. You will need to brief your staff and rally their support. Even employ extra staff, or spend more on overheads such as storage and distribution costs
- Profit
Advertising is designed to stimulate sales but make sure in the first place that you are making a profit on that product or service, otherwise you'll not be doing yourself any favours at all by increasing sales

18. Which Advertising Medium?

- Choose the right medium. If you were going to market a new type of hearing aid, radio advertising would probably not be the ideal promotional channel to select
- Decide who is to get your message. Is it the whole country? Or are you aiming at a chosen few but more frequently? Do you want or can you afford to try both? The way your media package shapes up depends on the geographical area you wish to cover
- Ask for advice on planning your campaign, on format and on techniques from the advertising department representatives of newspapers and radio stations. It's free and from experts
- If you have an idea of the kind of advertising you need for your campaign and where you want to place it, an art studio will help you with the finer details. It's a studio's job to produce illustrations or wording to size. This is known as artwork and includes press advertisements, brochures, leaflets and catalogues, posters, graphic artwork for TV advertisements, design of letterheads and trademarks. Ask to see the work of a number of studios and get quotations before you decide on who will get the job
- After a campaign, analyse the results of your advertising so you can improve your choice of media as your business grows

19. Advertising Agencies

- If you're growing fast and your time is worth money, you should think seriously about using an advertising agency. An advertising agency will help you plan your market strategy, turn those plans into effective advertisements and then evaluate the results
- Agencies also provide back-up promotion in the form of packaging design, displays and general public relations
- The cost of agency services varies greatly, so check this out carefully when you first speak to an agency

20. When To Advertise?

- Time the advertisement carefully. For example, heavy advertising of skiing equipment in summer wouldn't be sensible unless you wanted to sell off equipment at out-of-season prices
- Frequency is crucial in making an impact. The more times people see or hear an advertisement in a short space of time the more they remember it. A 'volley' of advertisements at planned intervals over a budgeted time reinforces the ideas and attitudes you want created around your product or service

- A quick way to gauging the effectiveness of an advertisement in a newspaper or magazine is to include a reply coupon or code number in the address.

21. Direct Advertising

- A small business can often distribute handouts, leaflets and computer print-outs to mailboxes
- Mailing lists can be purchased from specialist firms called mail-brokers
- But the best and cheapest list is the one you can compile from records of customers, lay-bys or charge accounts. Reduce your risk of a bad 'shot' by first mailing to only a small number of the total list and watch the response. Increase the effectiveness of the mail out by posting your literature to arrive mid-week
- Contact New Zealand Post about postal charges and services available before starting to plan your campaign

22. Success Story: Public Relations

- One of the cheapest and often most successful forms of sales promotion for a new business is a well devised press release
- If you intend setting yourself up as, say, an office phone-cleaning service then an article in the local paper about the health risks of dirty office phones would probably attract far more attention than an advertisement
- A good public relations consultant has the right media contacts and can put your story over in an attractive way
- Exhibitions are very important in some trades. They may only happen once or twice a year and are hard work, but can be an extremely successful promotion

23. Advertising On Your Premises And Outdoors

- Advertising, like charity, begins at home - that is, inside your business
- Dirty, dowdy or badly lit premises and dusty goods will put people off, even if your prices are competitive. You have to create the right image, which is one which reflects a sound and well-run business
- A distinctive letterhead or a well-designed logo (company symbol) adds a professional touch to a small business. Attractive signs, posters and a well-arranged window display will draw customers to your business. Eye-catching floor and shelf displays encourage customers to buy on impulse

- Remember that even if you're unseen, the good image must be kept up
- That means smart telephone work as well. Never be grumpy or abrupt on the phone and if you aren't there to take the message see that someone reliable can do it for you. Use an answering machine if necessary, but bear in mind that most people prefer personal contact
- Outdoor advertising is seen frequently. It ranges from signs, posters and hoardings to advertisements on buses, taxis and in railway stations and subways. Your own commercial vehicles are an obvious and excellent form of outdoor advertising - provided they are clean and in good order
- Think about the volume and type of traffic that your outdoor advertisement will be exposed to before deciding on a site. For example, if your target is a very local one, using a whole fleet of buses to advertise your product will mean a lot of wastage. You'd do better to select just a couple of routes in your area
- Outdoor advertising can be arranged through a number of specialist firms. Look in the Yellow Pages of the telephone directory.

24. Potholes On The Road To Marketing

Here are ten common marketing mistakes:

- Going into business without finding out what customers really want. i.e. without researching the market
- Launching the products or services without sufficient market research
- Competing on price rather than developing a Unique Selling Proposition
- Pitching prices too low so that not enough funds are left for sales promotion
- Expanding sales of products or services, which offer very little profit
- Expanding sales when there isn't enough working capital
- Opening a business in the wrong location
- Using sales people who may have good technical knowledge but who have not been trained to sell
- Staying too long in dying or unprofitable markets
- Doing the same as last year - all the time