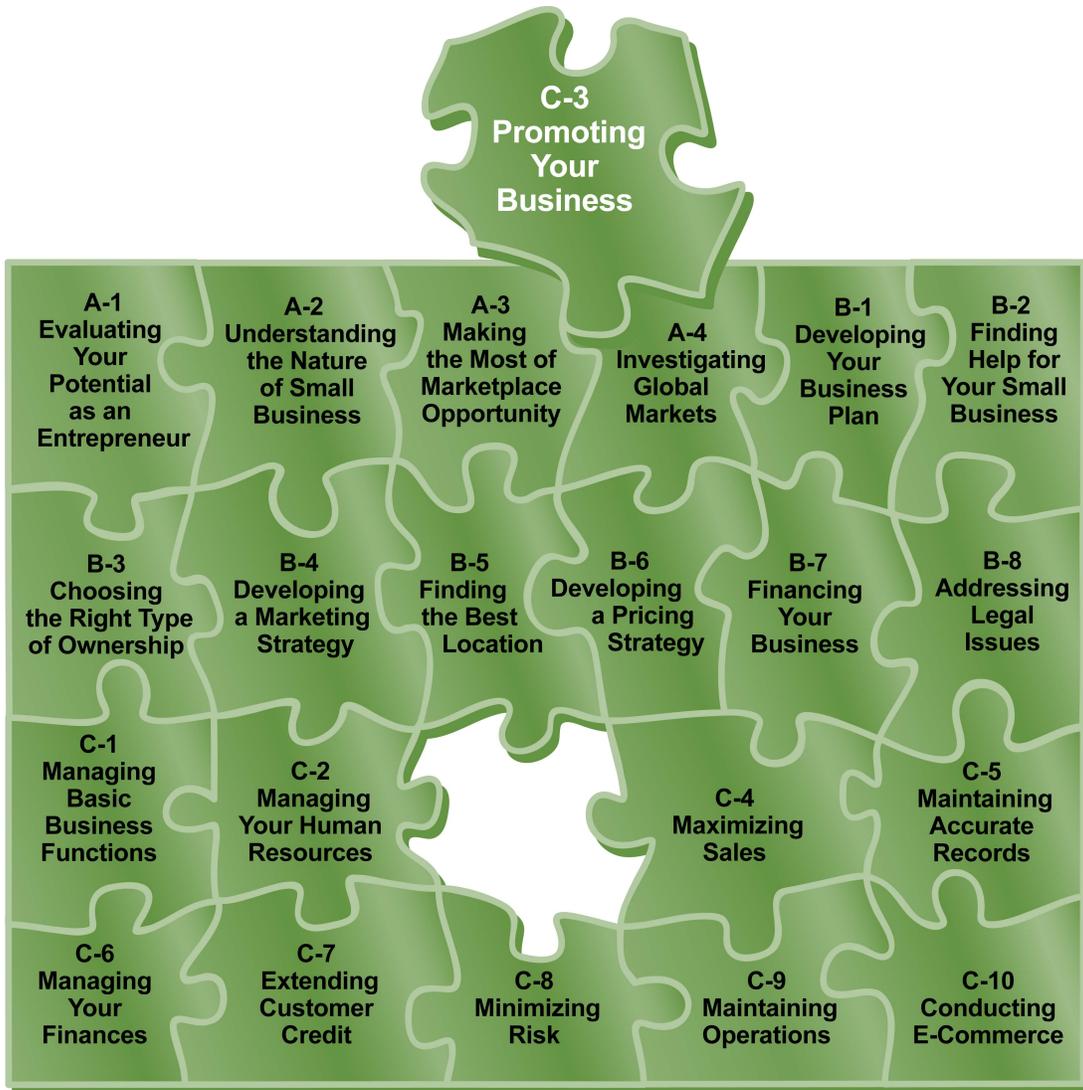


PACE

Fourth Edition

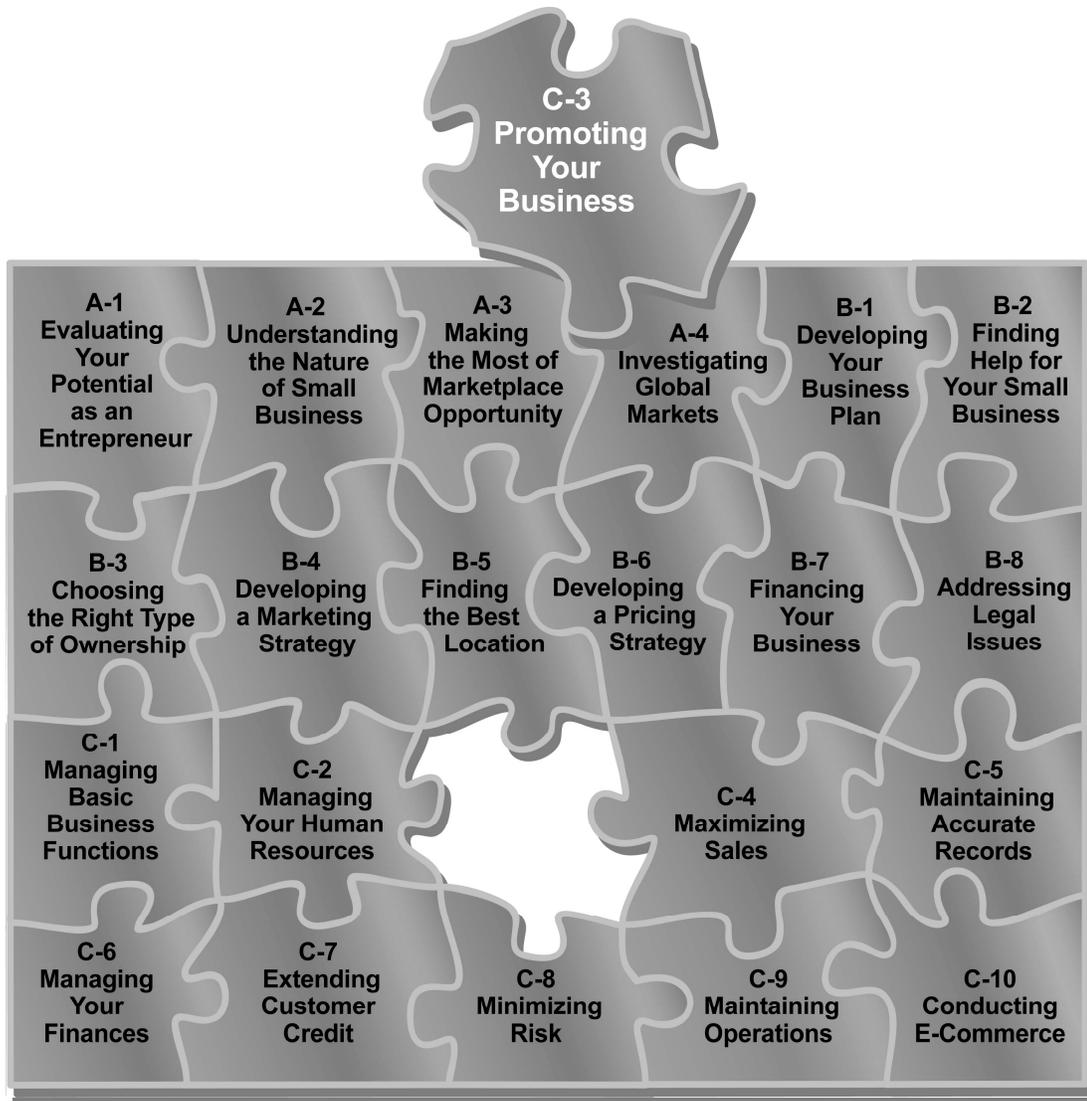
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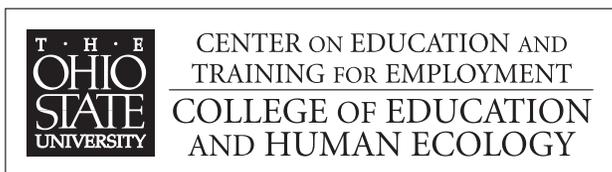
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Foreword

I am pleased to introduce you to the Fourth Edition of the Program for Acquiring Competence in Entrepreneurship (PACE). PACE represents our continuing effort to respond to the needs of the education and business communities. At no other time in history has understanding entrepreneurship been as important. For one thing, promoting entrepreneurship carries the societal imperative as small businesses as a whole contribute much to the growth and renewal of regional and national economies.

When first published in the late 1980s, PACE properly emphasized that entrepreneurship was based as much on sound planning as having products and services that were responsive to the marketplace. Through its various revisions, PACE continued to focus on the general importance of planning and managing the startup of a small business.

The current PACE edition represents a necessary break from past versions in both its format and some content. For one thing, the text format has been substantially changed from paragraphs to a series of related sections with subheadings. This change allows readers to have greater accessibility to the information, whether it is delivered via a printed booklet or a technology-based approach. And the format allows the instructor/facilitator to have greater flexibility in selecting content to accommodate the needs of various audiences and settings.

In terms of the content, PACE continues to emphasize the importance of planning and managing of a small business. But it now includes a renewed emphasis on meeting customer expectations. Any business cannot exist without a comprehensive understanding of who receives its products or services. In this sense, PACE introduces the topic of conducting e-commerce. Until recently, the entrepreneurial horizon may have been limited to serving local customers only. The advent of the Internet offers the promise of serving many more customers, but not without the accompanying challenges.

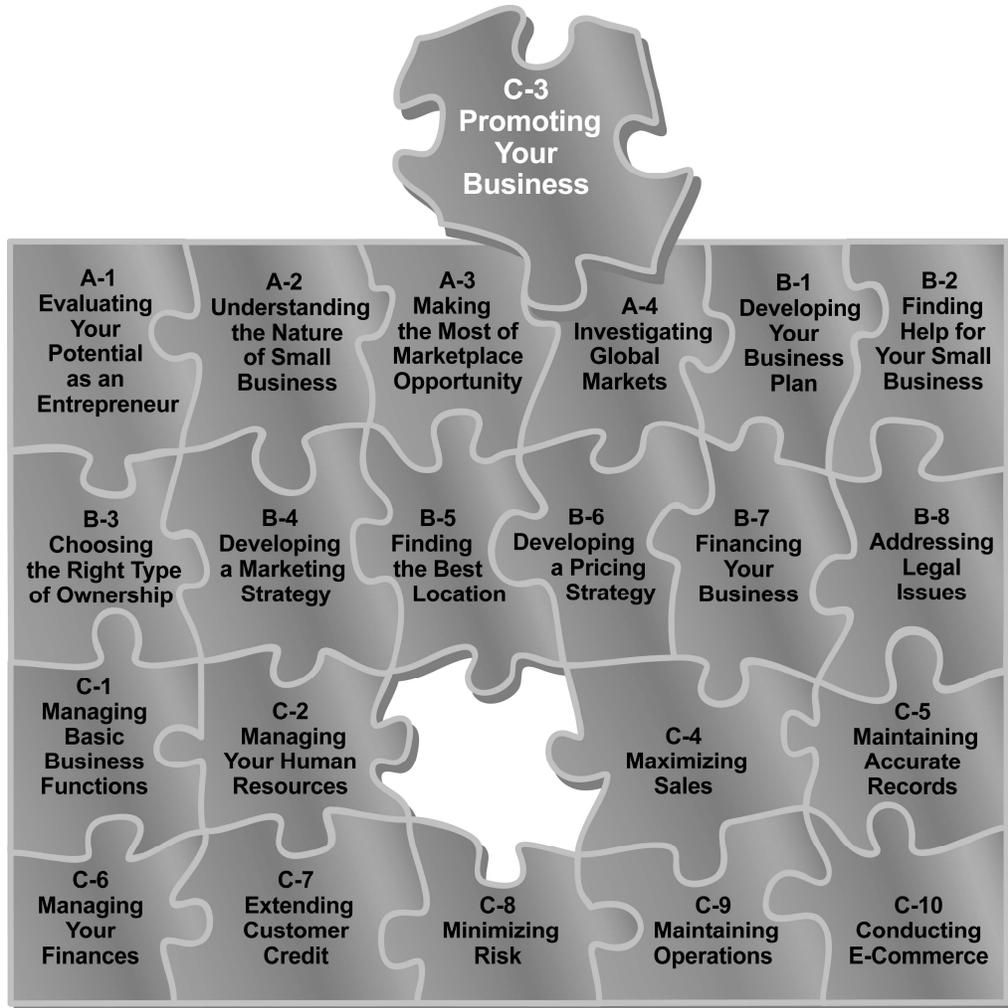
This edition was supported in part by a grant from OSU Extension and in partnership with OSU South Centers – Piketon. We hope that PACE will provide you with the understandings necessary to help you to achieve your entrepreneurship goals.

Ronald L. Jacobs
Director
Center on Education and Training for Employment

Overview

Introduction

A carefully designed promotional strategy is a valuable tool for the entrepreneur. With an understanding of your customer base, you can communicate with them about your goods and services in order to increase sales and project a positive image.



Continued on next page

Overview, Continued

Rationale The right combination of promotional mix, promotional media, and specialized help will ensure that you reach your target market with useful information.

Objectives By the conclusion of this module, you will be able to:

- Define promotions.
- Describe promotional mix including:
 - the factors to consider in determining the mix
 - the four elements of the promotional mix
 - how to select the right mix for your business.
- Identify the media available for promotions and explain:
 - the factors to consider when choosing the media to use
 - how to select the right media for your business
 - the cost factors in choosing promotional media.
- Describe how to stage an effective promotion campaign including:
 - evaluation tools
 - recognition and recall tests
 - single-source data analysis
 - measurement of sales
 - how to decide who will develop your campaign.

Relevant NCSEE standards This module aligns with the following National Contents Standards for Entrepreneurship Education (NCSEE):

- L.22 Describe the elements of the promotional mix.
- L.29 Select sales-promotion options.
- L.28 Obtain publicity.
- L.26 Develop promotional plan for a business.

More information on the NCSEE is available at: http://www.entre-ed.org/Standards_Toolkit.

Continued on next page

Overview, Continued

Topics

The topics in this module are:

Topic	See Page
What Is Promotion?	4
Promotional Mix	5
Promotional Media	13
Planning Your Promotion Campaign	16

Exhibits

The exhibits in this module are:

Exhibit	See Page
Publicity Mechanisms	7-8
Sales Promotion Mechanisms	9-11

Before you begin

After reviewing the above objectives for this module, determine whether you can already meet those objectives and consult your instructor if you can.

What Is Promotion?

Introduction

Promotion is a form of persuasive communication, getting others to do what you want them to do. It informs consumers about a product and then takes the steps necessary to convince them to buy it. Promotion is a vital element in your business strategy for surviving today's competitive marketplace.

Forms of promotion

Promotion takes many forms. A customer may see your item for sale on TV or be given a sample at the local grocery store. He or she may have seen a colorful exhibit in the airport lounge or a sign on a bus whizzing by on the city street. Here are some examples of the forms that promotions might take:

- A record company arranges for its up-and-coming artist to appear on a morning drive radio show to discuss his or her latest album.
 - A local restaurant sponsors a softball team and supplies the t-shirts with the business logo on the back.
 - A soft drink distributor gives its beverage away free to students passing by a booth on campus.
 - Several businesses take advantage of the crowd gathered at a business seminar to promote themselves. A local printer gives away scratch pads bearing their company name, a florist provides the centerpieces in exchange for credit in the program, an office supply store supplies the pens with its company logo for the registration table, and a limousine service offers free rides to the meeting facility from various hotels.
-

Promotions through consumer education

Successful businesses educate their consumer base about what they have to offer. Maximizing your exposure in the marketplace is the purpose of promotions and consumer education is one way to get exposure. Consumer education includes informative seminars, how-to clinics, in-store demonstrations, open houses, and other ways of reaching out to the public.

Note: You can find inexpensive space for consumer education in places like schools, community centers, restaurant dining rooms, etc.

Example: Bausch and Lomb sponsors Eyes on the Road for the InVision Institute, a non-profit organization. A 45-foot van travels across the country with interactive displays promoting eye care.

Promotional Mix

Introduction

In order to get the most return on your investment in promotions, you can select the elements of promotion that promise the best outcome for you in a specific situation. You can assess the possibilities and then choose the various elements of promotion in the right proportions for each particular situation. This is the promotional mix.

Factors to consider

When determining your promotional mix, take these factors into consideration:

- goods or services being promoted
 - nature of the potential consumers
 - general market conditions
 - funds available for promotions
 - ways to determine how effective the promotion will be.
-

Four elements

The four elements of promotional mix are:

- advertising
 - personal selling
 - public relations
 - sales promotion.
-

Advertising

Advertising is a sales message to promote goods and services to a target audience through one or more mass media. The company paying for the advertisement is the sponsor.

Channels – The channels of advertising are the media available – Internet, TV, radio, newspaper, magazines, direct mail, and billboards.

Differences – Advertising is different from free publicity (one type of public relations) because the business pays for the exposure. It differs from personal selling because of the non-personal approach to reach consumers.

Continued on next page

Promotional Mix, Continued

Advertising (continued)

Advantages – Advertising is cost-effective because you can reach a high number of potential customers at a low cost per person.

Disadvantages – Although cost-effective per person, the total dollar cost of advertising can be extremely high. The feedback from advertising is often slow, which makes it difficult to measure its impact on sales. Advertising also has less of a persuasive effect on consumers than personal selling.

Personal selling

Personal selling is the direct effort of a sales person to convince a customer to purchase a product. This campaign is directed toward one person or a small group of consumers through direct communication.

Advantages – Personal selling has a greater impact on potential customers. You receive feedback immediately. This feature facilitates measuring the exact impact quickly and making adjustments to strengthen the effort and respond better to the input from consumers.

Disadvantages – The cost of reaching customers individually is considerably higher per person than through mass marketing.

Public relations

Public relations (PR) is a broad set of communication activities used to create and maintain favorable relations between an organization and the public. You can hire an entire firm to carry out this process of building good will. The fee is usually determined by the amount of time the public relations team spends to accomplish your promotional goals.

Effect of human behavior – Research and analysis have provided knowledge of the motivation behind individual behavior, group dynamics, and psychological and sociological factors that create interest and form public opinion. PR experts strive to promote your business to the public that is your consumer base including:

- customers
 - stockholders
 - government officials
 - community members.
-

Continued on next page

Promotional Mix, Continued

Public relations (continued)

Publicity – Publicity, a major form of PR, is free exposure for a business in the form of newspaper or TV coverage. PR differs from advertising in several ways including:

- Publicity is just informative, but advertising is both informative and persuasive.
- Publicity is more subdued whereas advertising has an immediate impact.
- Publicity releases don't identify sponsors as their sources and advertisements explicitly state them.
- Publicity comes free as part of a news-type story, whereas you pay for the advertising resources of time and space.
- Publicity may appear more objective and is more integrated into the data because the message arrives as part of the body of news. Advertising is separate from the broadcast or printed information so the audience can easily recognize (and choose to ignore) it.
- Publicity is disseminated once whereas advertising can be repeated.
- Publicity may also be controlled by others. If something bad happens, you may be subject to publicity of a negative nature.

Publicity mechanisms – The table below describes the variety of mechanisms through which publicity can be sent.

Mechanism	Description
News release	Single page of copy with fewer than 300 words describing the newsworthy item. It gives the business's name, address, and contact information. <u>Examples:</u> grand opening, new product or service
Feature article	Longer manuscript of up to 3,000 words describing the business in detail. <u>Examples:</u> initiation of a promotion to benefit a local charity or program to employ a disadvantaged group
Captioned photograph	Photograph with a brief description of the content. These are especially effective for showing a new or improved product with highly visible features. <u>Examples:</u> new car model or upgraded cell phone

Continued on next page

Promotional Mix, Continued

**Public relations
(continued)**

Publicity mechanisms – The table below describes the variety of mechanisms through which publicity can be sent.

Mechanism	Description
Press conference	Meeting with media contacts to announce a major event. Media contacts are given written material and photographs to support the presentation. <u>Example</u> : donation to a local college by the business owner
Letters to the editor	Letters sent to newspaper and magazine editors.
Videotape/DVD	Footage of events happening at the business or including the business in some way. <u>Example</u> : employees take part in a local fund raiser

Choosing the publicity mechanism – Base your decision on which publicity mechanism to use on these factors:

- nature of the message
- characteristics of the target audience
- receptivity of media personnel
- importance of the item to the public
- amount of information to be presented.

Dealing with bad publicity – The negative impact of unfavorable publicity can be swift and dramatic. If something unexpected happens, it could destroy your image and set your promotions campaign back months or even years. If something happens, follow these guidelines to lessen the negative impact:

- Act quickly. Expedite news coverage of the event rather than trying to cover it up.
- Make sure that facts are stated correctly.
- Have a single spokesperson to communicate to the public in a way that minimizes the damage and restores their faith in your company. Make sure everybody else know not to talk to media.

Continued on next page

Promotional Mix, Continued

Sales promotion

Sales promotion is any activity that supplements or coordinates advertising and personal selling by enticing the customer with offer added value or purchase incentives.

Examples: coupons, trial periods, free samples, contests

Displays – Displays, or visual merchandising, are an important part of sales promotion. They are most effective when the exhibit is close to the point of sale. Visual merchandising includes attractive window and interior displays and eye-catching exterior signs.

Difference in terms – Don't confuse "sales promotion" with just "promotion." Sales promotion is a whole separate activity, specific to adding value or incentive to making purchases. Promotion is the broad category that includes the specific activities of sales promotion, advertising, personal selling, and PR.

Role of sales promotion – Sales promotion improves the effectiveness of other promotional mix ingredients, especially advertising and personal selling. Design your sales promotion to produce immediate, short-term sales increases.

Example: A national fast food chain offered a free toy with the purchase of dessert. This incentive not only increased dessert sales but also improved total store sales in participating markets. With a different toy offered each week, the chain sustained the sales increase over a prolonged period of time.

Sales promotion mechanisms – The table below describes the variety of mechanisms for implementing sales promotions.

Mechanism	Description
Sampling	Giving away the product to build consumer demand. This is especially effective for new or improved items. The cost can be high, but the return can be significant if the product is a frequently purchased convenience item (soft drink, soap, cleaning product) or often performed service (oil change, lawn mowing). <u>Example</u> : free tasting samples at the supermarket

Continued on next page

Promotional Mix, Continued

Sales promotion (continued)

Sales promotion mechanisms – The table below describes the variety of mechanisms for implementing sales promotions.

Mechanism	Description
Coupons	<p>Certificate entitling the redeemer to specific savings on a product or even a cash refund.</p> <p><u>Note:</u> Most coupons are issued by larger companies because there's no price reduction on the package and the retailer is paid only for accepting them.</p> <p><u>Example:</u> \$1.00-off product coupon</p>
Contests, sweepstakes and games	<p>Participatory activity that offers prizes to customers as a reward for purchasing the item. The goal is to encourage consumption of your product by creating consumer involvement.</p> <p><u>Example:</u> prize hidden under rim of soft drink cup</p>
Premiums	<p>Offer to lower the price of an item or even give it away to encourage the customer to buy the product after trying it first. The cost of this device is low if the consumer is pleased with the product and continues to purchase it over and over.</p> <p><u>Example:</u> buy one, get one free</p>
Demonstrations	<p>Performance of a service or presentation of a product to entice the customer to buy it. Demonstrators go from store to store or have booths at fairs or special events where they demonstrate the item.</p> <p><u>Example:</u> picking up dirt with a newly designed broom on the midway of a local festival</p>

Continued on next page

Promotional Mix, Continued

Sales promotion (continued)

Sales promotion mechanisms – The table below describes the variety of mechanisms for implementing sales promotions.

Displays	<p>Visual enticement that draws potential customers to a business. This device ranges from attractive signage on the exterior or an appealing window exhibit that invites the consumer inside to an attractive display inside that draws the consumer to a particular item.</p> <p>One of a store's most important interior features is the merchandise display. It's most effective when grouped by type, displayed attractively, and kept clean, neat, and well stocked. The four basic types of displays are:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Type</th> <th>Features</th> </tr> </thead> <tbody> <tr> <td>Open</td> <td>Merchandise shown isn't enclosed in a display case (clothing)</td> </tr> <tr> <td>Closed</td> <td>Merchandise is housed inside a display case (jewelry)</td> </tr> <tr> <td>Model</td> <td>Merchandise is shown as it would look in actual use (model kitchen)</td> </tr> <tr> <td>Wall and ledge</td> <td>Items displayed in wall or ledge exhibits aren't usually for sale (spring flowers to announce the coming of spring).</td> </tr> </tbody> </table>	Type	Features	Open	Merchandise shown isn't enclosed in a display case (clothing)	Closed	Merchandise is housed inside a display case (jewelry)	Model	Merchandise is shown as it would look in actual use (model kitchen)	Wall and ledge	Items displayed in wall or ledge exhibits aren't usually for sale (spring flowers to announce the coming of spring).
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Wall and ledge	Items displayed in wall or ledge exhibits aren't usually for sale (spring flowers to announce the coming of spring).										

Selecting the promotional mix

Although you can use all four elements in your promotional mix, you usually need fewer. Choose the specific promotional mix ingredients and how much of each to use based on the factors described below.

Budget – The financial resources that you commit to promotions determines the number and intensity of the promotional elements you select.

If your promotional budget is...	Then consider using...
small	personal selling and public relations.
large	regional or national advertising and promotional mechanisms.

Continued on next page

Promotional Mix, Continued

Selecting the promotional mix (continued)

Objectives – Your promotional objectives also influence the promotional mix that you employ.

If your objective is to...	Then consider using...
create mass awareness of a convenience item	advertising and public relations.
educate consumers about the features of durable items	advertising and personal selling.
produce immediate sales of non-durables	sales promotion.

Policy – The policy you set also impacts your decision on the right promotional mix for your situation. You can either choose to implement the *push policy* or the *pull policy*.

- *Push policy* means that you promote your product only to the next player down the marketing channel.

Example: Since you deal with retailers, promote only to them because they are in the channel just below your own company.

- *Pull policy* means that you promote your product directly to customers with the intention of developing strong consumer demand. You can most effectively achieve this objective by advertising to build and maintain market share. This policy pulls the product down through the marketing channel by creating demand at the consumer level.

Example: Advertise directly to customers and increase their desire to buy your product. They will ask for your product in retail stores and, with increased demand, retailers come back to you for the product.

Summary of promotional mix

Select the ingredients for your promotional mix based on the message that you need to convey and the target audience to which you will send it. Depending on your budget, objectives, and policy, you will develop the best combination of advertising, personal selling, public relations, and sales promotion to meet your business need.

Promotional Media

Introduction

Base your decision of which media to use for promotions on the specific details of your situation. Different media provide different advantages to you depending upon the promotional mix that you have selected.

Factors to consider

When determining your promotional media, take these factors into consideration:

- characteristics of your target audience
- size and type of audience
- promotional costs
- time or space available
- suitability of that medium to consumers.

Example: If you were selling \$25,000 in-ground swimming pools, you wouldn't send sales representatives to talk to people living in apartments. Your target audience would be homeowners.

Developing your message

Your promotional message is key to successful advertising. You can seek help preparing the message from media experts or from an advertising firm that may base its fee on commission (15-20 percent).

Repeating your message

Research indicates that a promotional message has to be repeated at least six times during the decision period in order for the consumer to remember its message. An advertisement placed just once on TV or radio is highly ineffective.

Selecting the right medium

Each promotional medium has unique characteristics and benefits. Carefully consider which one best meets your promotional needs and offers the best return on your investment in promotions.

Internet – The Internet is becoming one of the fastest medias to promote product and services. Target marketing to profiled and pre-screened customers who have purchased before and are willing to be notified by e-mail or some other Internet source can be highly effective.

Continued on next page

Promotional Media, Continued

Selecting the right medium (continued)

Television – TV is a very effective promotional medium. Americans typically watch several hours of TV each day. It allows both visual and audible messages to be projected right into the consumer's home. Rates are based on number of viewers, and you can purchase either short or long commercials, buying time from the station by the minute.

Newspapers – Newspapers provide the flexibility, longevity, and graphic presentation appropriate for many businesses. Retail outlets often run weekly ads in local newspapers. Rates are based on circulation, and Sunday is the best day to advertise in the newspaper because of increased readership.

Radio – Radio reaches a wide array of potential customers but requires repetition in order to be effective. Different stations provide exposure to different types of consumers, so choose your audience carefully. Costs depend on time of day, size of listening audience, and the specific station.

Magazines – Magazines provide a very specific audience since the publication is usually limited to a specific topic or geographical area. However, for more money you can advertise in a nationally distributed magazine with wide appeal. Unlike other media outlets, magazine exposure lasts for longer periods of time and magazines are often read by more than one reader.

Direct mail – Direct mail reaches a specific target market in many forms – catalogs, letters, postcards, coupons, circulars and business cards. The rate of return in national direct mail campaigns averages two to three percent – that is, only 2-3 percent of recipients respond in any way.

Directories – Directories target consumers in a specific geographic area. The most common form of directory is the Yellow Pages. This publication is a long-lasting form of advertisement, with a life expectancy of a year.

Outdoor advertising – Another means of promoting your business is outdoor advertising. The use of space outside on billboards, buses, and taxi cabs is an effective way to attract attention as potential customers pass by, usually a couple times a day on the way to and from work or school.

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Promotional Media, Continued

Planning for media usage

Plan for media usage by deciding which medium to use in a broad sense, and then narrow down your choice according to specific details. Consider the factors below when making your final decision on promotional media.

Demographics – Analyze the demographic characteristics of consumers in your target market. Determine traits like age, income level, family size, and the types of promotion media that have been effective in the past.

Note: Data service firms provide this data for a cost and your local library or Small Business Association branch might provide it for free.

Content – The content of your message may dictate which medium you need to use. Print is more effective in presenting detail than radio, but TV may have a greater impact conveying when an item has visual appeal.

Cost – Cost could be the deciding factor when choosing between media. Obtain the best promotional coverage possible for each dollar you spend. You should assess advertising costs by three criteria:

- Total cost includes all the money required to use a certain medium
- Per-consumer cost is the amount spent on each consumer reached
- Waste is the segment of the audience receiving the message that's not in your target market.

Note: Although there are customers who are in the specific targeted group, one must ask if the majority can afford the product or service.

Cost factors

The table below describes the factors to consider when determining whether a certain medium will be cost effective.

Factor	Description
Reach	Total number of viewers/readers in your audience who will be exposed to the advertisement.
Frequency	How often the medium can be used (daily newspaper vs. annual Yellow Pages).
Message permanence	Number of exposures that one ad generates and how long it remains with the audience.
Persuasive impact	Ability of a medium to stimulate customers to buy.
Lead time	Time required by the medium for placing the ad.

Planning Your Promotional Campaign

Introduction

Putting your promotional campaign into motion requires extensive planning. Once underway, make adjustments based on collected data and continue only the promotional mix and media that are proving effective.

Don't forget the 17 shopping seasons in addition to Christmas (e.g., Easter, President's Day, Valentine's Day). Planning should include the specific shopping climate and how the product mixes in with those shopping times.

Planning activities

Planning for promotions requires you to research and make decisions about:

- promotional mix
 - promotional media
 - whether to seek help from specialists such as:
 - media firms
 - research organizations
 - accountants
 - commercial artists
 - freelance writers.
-

Evaluation tools

Evaluate your plan before, during, and after the promotional campaign. Keep in mind your objectives and make adjustments as needed to stay on course.

Pretests – Test an advertisement or personal selling technique with a *consumer jury*, an group of potential customers who are willing to assess the mechanism's effectiveness. Revise your approach based on their feedback.

Inquiries – In the initial stages of your promotional campaign, you may use several advertisements simultaneously, each with a different coupon. You can record the number of coupons returned from each type and then continue only the most effective ones.

Posttests – Assess the effectiveness of your promotional campaign after it's over with posttests. Your objectives dictate which kind of posttest is appropriate.

Example: If your objective was to increase awareness of the service that you provide, do a posttest that measures how well you've communicated the product to customers.

Continued on next page

Planning Your Promotional Campaign, Continued

Measurement of sales

For campaign sales objectives, measure the change in sales or market share resulting from the promotional effort. Precise measurement is difficult because many factors affecting sales are independent of promotions and not impacted by your carefully designed promotion campaign. These conditions include:

- competition
- government action
- economy
- consumer preferences
- weather.

Key point: Use every tool at your disposal to measure the effect of promotions on sales including data on past and current sales, details of previous promotion campaigns that were successful, and current trends in consumer buying habits.

Who develops the campaign

You have three options for deciding whom to trust with your promotion campaign.

- An individual or small group of individuals within your organization could take on this important project. They would have the usual resources at their disposal, including local media outlets. Media outlets might be helpful with copy writing, artwork, and advice about scheduling.
 - Your company's advertising department could focus their daily efforts on promotions. If you have one, this department would have the expertise and resources to develop your promotion campaign.
 - An advertising agency could work with you to develop the promotion campaign jointly. The degree of your participation would depend on the working relationship agreed upon and your internal resources. Typically the client depends on the agency for copy writing, artwork, technical production, and developing the media plan. The services of an advertising agency can be quite costly and often are only feasible for larger businesses.
-

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Planning Your Promotional Campaign, Continued

Timing

Decide when to run advertisements by considering how often the ad runs and the time of year.

- How often the ad runs determines whether your audience receives the message well or not. You have to balance their awareness of your product with their level of irritation if you run the ad too often.
 - Determine whether to advertise throughout the year or only during certain periods. Advertise when it's most advantageous to ensure brand recognition and balance sales (maintain sales during non-peak periods).
 - Use the various annual shopping seasons to the advantage of the business, planning special sales and promotions to attract customers.
-

PACE

Program for Acquiring Competence in Entrepreneurship

Fourth Edition

Cluster A – Exploring Entrepreneurship

Module A-1 Evaluating Your Potential as an Entrepreneur
Module A-2 Understanding the Nature of Small Business
Module A-3 Making the Most of Marketplace Opportunity
Module A-4 Investigating Global Markets

Cluster B – Planning for Business Success

Module B-1 Developing Your Business Plan
Module B-2 Finding Help for Your Small Business
Module B-3 Choosing the Right Type of Ownership
Module B-4 Developing a Marketing Strategy
Module B-5 Finding the Best Location
Module B-6 Developing a Pricing Strategy
Module B-7 Financing Your Business
Module B-8 Addressing Legal Issues

Cluster C – Business Management for the Entrepreneur

Module C-1 Managing Basic Business Functions
Module C-2 Managing Your Human Resources
Module C-3 Promoting Your Business
Module C-4 Maximizing Sales
Module C-5 Maintaining Accurate Records
Module C-6 Managing Your Finances
Module C-7 Extending Customer Credit
Module C-8 Minimizing Risk
Module C-9 Maintaining Operations
Module C-10 Conducting E-Commerce



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