

10 Money Wasting Marketing Mistakes Made By Small Business And 10 Marketing Principles for Success

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At the end of the day, putting all benefits of autonomy and master of your own destiny rhetoric aside, you like me, are in a small business to make a profit: Income less expenses. Income is a result of sales. Sales is a result of Marketing. To increase Income learn how to get your Marketing right. Simple? Yes. Yet many Small Businesses are neglecting their Marketing until it is too late. Here are 10 of the most common Marketing Mistakes and how you can avoid making them.

Mistake 1 - Lack of planning

Plan – def: a statement of intent - to organize effort and resources to achieve an outcome.

We refer here to a business plan, in written form, comprising an explanation, purpose, method, relevant stats and financial data and most importantly, return on investment. Conducting a business without a formalised plan, is much like trying to drive a car to an unknown destination without a map.

Alarming, CPA Australia estimates that one in three new small businesses in Australia fail in their first year of operation, two out of four by the end of the second year, and three out of four by the fifth year. Just approximately 8% of small businesses succeed beyond five years.

The estimates are that only 3% to 5% of Australian small businesses starting from scratch prepare a business and marketing plan; that is, know that their business is feasible and have a formal plan to steer that business towards success.

Business Failure

A recent study by the University of Technology, Sydney, cites reasons for business failure as:

1. Financial mismanagement, (32%)
 - Lack of business experience
 - Cash Flow Problems
 - Being undercapitalised from the start
 - Excessive drawings
 - Overuse of credit
 - No budgets
 - Inadequate provision for tax payments
2. Bad management, (15%)

3. Poor record keeping, (12%)
4. Sales and marketing problems, (11%)
 - Poor promotion, marketing and advertising causing poor image and insufficient knowledge of competitors
5. Staffing problems, (9%)
6. Failure to seek external advice, (3%)
7. General economic conditions and (12%)
8. Personal factors (6%)

In most cases, it is a combination of several reasons that ultimately causes the failure.

Marketing is Vital

Based on the fact that a Feasibility Study, a SWOT Analysis and Marketing Analysis (covering Product, Price, Place, Promotion) are a part of any good Business Plan, we can attribute approximately 80% of all business failures and almost 100% of lack of business growth, to inadequate Marketing.

Solution 1

Any entrepreneur keen on avoiding failure will:

1. Conduct a feasibility study
2. Analyse the results,
3. Determine strengths and weaknesses (SWOT analysis)
4. Write up a formal business plan. Templates are freely available on the internet, from your bank manager and the CPA. (A good accountant can be a great source of help and advice).

Marketing Principles strongly encourages small business owners (both established and start ups), to complete as much of the business / marketing planning process by themselves as possible. Really understanding your plan is the key to its success. To aid this we offer a cost effective Planning Support Package – to teach owners to fish for themselves instead of serving fish on their plate.

Doing the hard work up front makes it easy in the long run. Too many great concepts fail due to lack of planning and preparation for this most crucial stage not to be done properly. Firstly this approach shows the owner's dedication and commitment to their business; secondly it educates them and prepares them for the road ahead. The planning process dispels any misconceptions the business owner has and it presents the spectrum of different financial possibilities in the tangible form of print on paper making it real for potential third party interests.

No Plan is complete without a Budget and your Budget should allow for what you are going to do in case of an emergency. E.g.: Your competitor runs a big

promotion. Will you have the funds to combat it? Your industry gets some bad publicity. Will you have the funds to defend your company?

Be prepared, there are times and events that may affect how and where you communicate / advertise during the year. Plan for and keep aside a marketing reserve to combat any adverse condition that may occur.

Mistake 2 - I can do it all!

As a business owner, you are your own boss because you have a fantastic product or service and the nous to bring it to the market place. Yes, you have the drive, faith and smarts. Yes, you are a quick learner. However, there are only 24 hours in a day and like it or not burn out is very unpleasant.

A major challenge of being a Small Business Owner is that you also are required to be a:

1. Tax collector.
2. Manager
3. Marketing executive
4. Accountant
5. Legal adviser
6. Business planner
7. Debt collector
8. Market researcher
9. Technology expert
10. Receptionist/secretary
11. Customer relationship manager
12. Product or service development expert

At Marketing Principles we have often seen that in the day to day reality of running a business, doing the books and managing the staff, it is the marketing of a business that suffers the most.

Most business owners are experts at their industry or service but when they often struggle when it comes to getting their message 'out there' to new and potential customers. The average person couldn't walk in off the street and run a business; it takes specialist knowledge and experience. So it is with advertising and marketing.

Few business owners really have the ability to place themselves into the shoes of their customers. Usually an owner is too close to their own business to be truly objective. Too much product knowledge and the wrong opinion about what is best about their product or service, leads business owners to make the mistake of constantly answering questions that no one is asking.

Solution 2

Focus on the areas that excite you the most about your business and get others to help you with the rest.

A business owner can study to become a marketer, a copywriter, or an advertising expert or they can save time and money and engage a professional marketing consultant.

Good marketing is about taking what is common sense and making it interesting. Interview a few consultants and choose who makes the most sense to you. Ask for references and examples of their work before making the final decision. Importantly, get an understanding of how well they understand the key drivers in your business.

If a marketing consultant can't come up with a few innovative ways of promoting your business in your first meeting, they are probably not right for you. Be aware that ideas and strategies are their tools of trade therefore they may be hesitant to give those away for free, but they should be able to at least provide you with some constructive, commonsense and interesting observations on how your business can be improved.

Remember to keep an open mind and congratulate yourself on taking action to avoid the pitfalls of mistake no. 2. (And chances are you will have acted to also avoid mistake no. 3!).

Mistake 3 - Not knowing and understanding your customers

Many businesses spend so much time trying to attract new customers that they forget about the loyal customers who made them successful. Take the time to think about your customers:

Who is your typical customer?

Is your typical customer actually your ideal customer?

What do your customers value about your business?

Do you know how to best satisfy the needs of your customers?

Have you ever asked them if you could be doing more to make them happy?

If you have read Solution no. 1 and Developed a Plan then these questions will have been answered already.

Approximately 80% of a Sales and Marketing Budget is spent on reaching / communicating with customers and prospects. Yet, usually this spend is not analysed or reviewed for its actual effectiveness. You could be wasting your effort and money by “communicating the wrong message in the wrong medium”.

Solution 3

Get to know your customers as much as possible. Create a survey for them to fill out. Ask them what radio stations they listen to and what newspapers or magazines they read. You need to construct a profile of your target market before you can reach them effectively.

One of the simplest and most cost effective ways of learning about your customers is to collect information about them. Marketing Principles has Four Simple Ways to do this:

1. USE A DATABASE

A famous Harvard Business study found that it takes six times as much effort to attract a new customer than it does to keep an existing one. Having a well-maintained database will assist you tremendously in achieving this. Invest in database software that is suitable for your business. Make sure it can integrate with your business framework - for example, with both your retail outlet and your website.

2. INVOLVE YOUR CUSTOMERS

Get permission to communicate with your customers and develop a privacy of information policy. (It is now illegal not to and there are hefty penalties for doing so). Also ask their preferred method of communication, whether by phone, fax, email or face to face.

3. DEVELOP A COMMUNICATION STRATEGY

Treat the information you gather like gold and mine it regularly, to keep in touch with your customers. Are your customers unhappy for some reason? Is your competitor giving them better service or a better product? Maintaining contact will allow you to know the questions to these answers and it will show each customer that you are interested in keeping their business. Learn what works and continue to improve it.

4. ADD VALUE

Your communications need to add value to your customers and prospects. To make it relevant, provide rewards such as special offers and competitions and you will soon form a relationship with your customers that will lead to loyalty and higher sales.

Mistake 4 - Lack of Branding

Many Small Businesses have a poor company image or worse, don't have one at all. Do you as a consumer buy goods from people that don't appear professional? No - so don't expect your prospects to buy from you unless you provide them with the confidence to do so.

When you handle Mistake #3 you will know that today's customers aren't just buying what you sell; they're buying who you are. In any business, big or small, people buy from people - they buy your personality, so your brand also has to be a reflection of who you are.

Often the look and feel of the promotional material produced by small business doesn't match the type of product or service they sell. Their business and / or product name is not reinforced or leveraged within communications to their target market.

The perception your customers have about your business is directly related to your profitability. A famous survey of 25 leading brands in the USA from 1923 illustrates the point perfectly. After 72 years, in 1995:

- 20 of those brands were still in first place in their category
- 4 were in second
- 1 was in fifth

Most small business owners think of branding as unaffordable and only for Big Business. In fact the opposite is true. Branding is more important for Small Business, as by definition Small Business is more competitive therefore the need to be noticed and to differentiate is greater.

Branding Pop Quiz

Q. How many major Telephone companies are there in Australia?

A. Five - Telstra, Optus, Virgin, Vodafone, 3

Q. Which companies dominate the Australian Canned Foods?

A. 3 - Heinz, Edgell, SPC

Q. Which brands own the majority of the Soft Drink Market? A. 3 - Coke, Schweppes, Pepsi

Q. Which 2 companies dominate Australian Confectionary?

A. Mars and Cadbury

Q. How many Breweries are there?

A. 2 - CUB and Lion Nathan

Q. How many major banks are there?

A. 4 - Commonwealth, ANZ, NAB, Westpac.

Q. What do all these companies have in common?

A. Well established brands that differentiate them and drive their campaigns.

On the other hand*:

- How many Mortgage Brokers are there in your city?
- How many Accountants are there in your suburb?
- How many Interior Designers are within a 5km radius of your home or business?
- How many Real Estate Agencies in 2km radius of your house?

That's a lot of competition!

To be memorable and to stand out from the crowd it is essential for a small business to invest in its success by utilising branding and positioning.

Solution 4

SBE's deserve to have the same access to branding savvy that large corporations have. The goal of branding is to become the name people think of immediately when they need what you sell.

Branding is how to create relationships and build trust between the brand and the consumer. Brands offer reassurance through customer recognition, familiarity and a promise of reliability.

Once your brand is established and consistent, all customer communications increase in potency and results.

However communication alone does not create positive brand feelings. Positive customer feelings come from the total 'Brand Experience'. Create a Brand Experience for your company and stick to it. Congruency will provide the necessary confidence to your existing and new customers to choose your product or service.

Brand proposition must be extended through your entire business. Every interaction between your business and the customer must be carefully managed.

Pay more attention to your Brand Image. From your positioning statement, logo, business cards, and stationary through to the way goods are displayed in a store. From the look and performance of your website, to the way the phone is answered - all portray either a positive or a negative image for your business.

Mistake 5 - Not knowing whether your advertising is working

Reaching your target audience is on average going to take about 80% of your total Sales and Marketing Budget, so to not know how well or poorly this investment is working is a recipe for disaster.

In many cases business owners have no idea how to track results and then adjust their advertising efforts to be more productive. They advertise in the local paper or on the radio, distribute brochures and then hope this works.

A business may use an ad strategy that is working well, but never bother to test a change to see if it could work even better.

Often, businesses don't advertise at all for the fear that they will waste money on poor results. Instead, they put on more sales people when a well constructed and measured ad campaign would cost them less and make them more.

Marketing Principles believes that a good campaign should not only pay for itself, but bring in a profit over and above the cost of the goods sold through the campaign.

Solution 5

Key your ads and communication pieces. This means to put something in each ad that will alert you to the fact that the customer is doing business with you because of your ad.

The most common response mechanism is a coupon. A coupon can offer a free sample, discounted services, a gift with purchase, etc. If the customer redeems the coupon it is a sign that the communication is working.

No coupons redeemed can mean that:

- The ad is in the wrong place / you have not reached your target audience, or
- The coupon offer is not what customers are looking for or
- The creative execution was very poor and was not noticed by the intended recipient.

Adjust your strategy and trial it again until you get the results you are happy with.

Until you have a good understanding, through testing, of what works and what doesn't in your business, stick to advertising via one or two channels only so that you can properly track your responses. (More about this is Mistake #6).

Rather than sending out an offer to all of your customers, first test it on 10% of them, measure the response and then adjust it to seek improvement. This way

you will save money and generate higher sales by learning what works in your business and what doesn't. Once you understand what works for 10% of your prospects, multiply your efforts 100% and watch the results.

Mistake 6 - Trying to reach more people than the budget will allow

Many small businesses adopt a shotgun approach to communication and end up wasting hard earned dollars. They create ads instead of campaigns. It is foolish to believe that a single ad can ever tell the entire story.

Marketing Principles has seen many campaigns diluted by attempting to reach more than one segment at a time. A campaign that successfully reaches doctors will need to be tailored differently to get the attention of accountants or lawyers.

Placing the same ad in a local weekly newspaper as in a daily newspaper is also a mistake. So is randomly advertising in a popular magazine without considering the distribution and reader base.

Solution 6

The most effective, persuasive and memorable ads are those that are like a rhinoceros: They make a single point, powerfully. An advertiser with 7 different things to say should commit to a campaign of at least 7 different ads, repeating each ad enough times (in "ad-speak" this is called Frequency) to stick in the prospect's mind.

For a media mix to be effective, each element in the mix must have enough repetition to establish retention in the mind of the prospect. Too often, however, the result of a media mix is too much reach and not enough frequency. Will you reach 100 percent of the people and persuade those 10 percent of the way? Or will you reach 10 percent of the people and persuade those 100 percent of the way? The cost is the same but the returns are vastly different.

Review Solution 3 - where are your customers? Do they watch TV or listen to the radio. Which stations and at what times? Do they read or toss Junk Mail? What periodical or papers do they subscribe to or read regularly. In a waiting room do they choose a women's or gardening magazine.

Place your business well ahead of your competitors by narrowing your focus and mastering your chosen form of communication.

Mistake 7 - Selling features not benefits

You've done your plan (Solution #1), you know who your customer is (Solution #3), a brand has been defined (Solution #4) and a coupon created (Solution 5). You are ready to go – now is the time to play it smart and really get your ads right.

So many ads just talk about what a product has, not what benefit it delivers. People do not buy a product for the features it has. People buy mousetraps not because they like mousetraps but because they want an absence of mice. You buy a shovel because you need a hole in the ground. Marketing Principles wants you to stop digging your own ad holes filled with features and start selling benefits.

Solution 7

Every product and service you offer has a real benefit to the customer (usually a practical benefit and an emotional benefit).

Are you showing these benefits in your ads? If the answer is no, then you are not exploiting the core needs that your product or service satisfies and you are not giving your communication effort the best chance of generating leads, responses and sales.

Many businesses resort to using scare tactics and a negative tone in their advertisement. Research has proven time and time again this doesn't work and turns off your prospects. (Refer to Mistake #5).

Many ads over-promise and under-deliver by making unsubstantiated claims. Advertisers often claim to have what the customer wants, such as "highest quality at the lowest price" but fail to offer any evidence. An unsubstantiated claim is nothing more than a cliché the prospect is tired of hearing. You must prove what you say in every ad. Do your ads give the prospect new information? Do they provide a new perspective? If not, prepare to be disappointed with the results.

The ideal business delivers a WOW factor to its customers and communicates that well in its advertising. A WOW factor is exceeding your customers' expectations and delivering value beyond what is normally expected from a business such as yours. This differentiates yourself in a campaignable way from the competition. Happy customers talk to others and generate referrals - Word of Mouth is the best and cheapest advertising you can ever hope for.

Mistake 8 – Too much hype, not enough call to action.

Our society is suffering from time-poverty, so we're looking for businesses we can trust. Does your advertising convince your customers they can trust you? Today's customers have had a lifetime of experience sifting the truth from a world of hype and empty promises.

Marketing Principles see too many ads that fail to clearly communicate the Offer and Price? To be effective, your advertising must be truthful and direct the customer to an action.

For further success, where it is possible, provide peace of mind through a Guarantee, but not just a glib promise but an authentic, heartfelt promise of service.

Solution 8

Here's an example of a business that gets it. They changed their headline from: "We guarantee the quality of the diamonds we sell"

to:

"If the Gemmological Institute of America doesn't confirm our diamond's colour, clarity and carat weight to be at least as good as we promised you, we'll buy back that diamond for the price you paid, reimburse you for the cost of grading, and pay you an additional five thousand dollars. If other jewellers aren't willing to match this offer, you've got to wonder why."

One strategy is to increase the urgency of your offer. If a limited quantity is available, name the exact number. Specifics are more persuasive than generalities. If your offer has a time limit, say so. "Offer ends soon" will be perceived only as shallow hype. The fine art of hype has been perfected and refined. Consequently, we've developed immunity to "ad -speak," the language of hype.

Today's savvy consumers see through hype and they ignore it in greater numbers every day. Be specific. Be accurate. Tell the truth. It is far more effective and believable to say, "Offer ends Saturday the 17th at 5.30 p.m." But you must stick to that or risk losing all credibility, like the store that has been closing down for five years now – you can be sure that the locals steer clear of that place.

Here is an advertisement from an Air Conditioning and Heating Company that hits the nail on the head:

"We install the same units and charge the same prices as everyone else. The difference is that we're actually going to show up when we said we would. Always on time, or you don't pay a dime. Seriously. If we aren't there within the exact hour we told you we were coming, you pay nothing. Whatever you need is FREE. No charge. Sorry we were late. We are really sorry. One Hour Heat and Air understands that time is money. Your time. Our money."

Mistake 9 - Bland (or too clever) creative that is easy to ignore or does not convey the right message.

Slick, clever, funny and over creative advertisements are a poor substitute for informative, believable, memorable and persuasive communications.

Many Small Businesses mistakenly think that they can save money by doing their own ads or websites, but in reality only produce badly written copy with poor design that ultimately costs more money in lost sales.

These kind of communications are unappealing, often hard to read or mistakenly place emphasis on the wrong areas. Many businesses try to squeeze in too much information without having enough “white space” and they include images that do not suit the content or their brand.

Solution 9

Look at solutions 1-8! If you are implementing the Marketing Principles Solutions then you are on the right track – stay on it.

A good marketing consultant will have a network of suitable designers and copywriters and will be able to manage and oversee the entire process to ensure you get the most bang for your buck (see how clever wording can be a bit cheesy!).

Mistake 10 – Failing to utilise the Power of Networking and Strategic Business Alliances.

As the saying goes, there is strength in numbers. Everyone has a bad time now and then. If you are on your own, it becomes all too easy to become despondent and lack lustre about your business. You may have the best advertising in the world, but without a positive attitude it all goes to waste. Everyone knows the experience of walking into a store, ready to buy the fantastic product you have read about, only to walk out again empty handed because of poor service or a negative vibe. Don't let it happen to your business.

Solution 10

Join groups, which are relevant to your business, such as the local Chambers of Commerce, clubs or professional associations. When you demonstrate that you are proud to be part of the community, then the locals will respond in kind by spending their hard earned dollars in your store.

Attend business network breakfasts or lunches that have engaging speakers. These events may not be your 'cup of tea' but just one a month can do the trick of keeping you thinking and interested in your business. You learn from what others around you are doing.

There are many professional networking groups that are local to your area. BNI - Business Networks International, for example, is a business and professional networking organization that allows only one person from each profession to join any chapter, providing members with exclusivity and the opportunity to be a great source of referrals, general business education and valuable strategic business partnerships.

The new trend of online social networking may be a good solution. If you are looking to build a friendly relationship with your cliental then Facebook could be great for you. If Facebook isn't your style look at LinkedIn, this social networking tool is professional and ideal for even the most introverted amongst us.

Strategically sponsoring local charities, groups, clubs or schools with your goods or services can increase staff morale and inspire customer loyalty. The media may even pick up the story and get you free editorial.