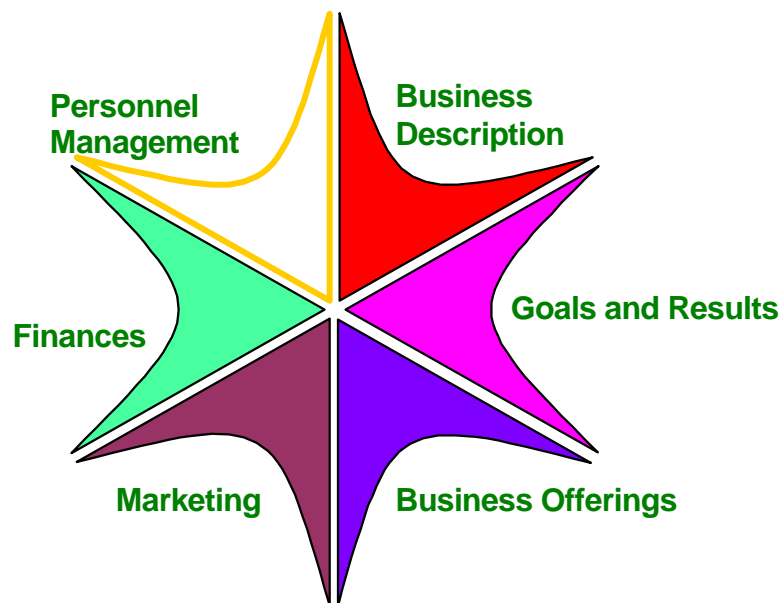


Marketing Management— defining the right path for your company



A CorNu Enterprise Educational Product

BIZBITE CONSULTING GROUP

**Marketing Management—
Defining the right path for your company**

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1412-621 Discovery Street
Victoria, BC V8W 2X2

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Credit Page

The founders of BizBite Consulting Group and developers of CorNu Enterprises dynamic approach to education are

Graeme Robertson and Dr. Shirley Chapman

The following people contributed to this document:

Content Specialist

J. Graeme Robertson

Graeme Robertson is a seasoned business management professional with over 30 years of experience. He has held senior positions in retail, wholesale, and distribution operations. Additionally, Mr. Robertson was Regional Manager for a national personnel-consulting firm and he has been actively engaged in business management consulting for over 20 years.

Designer and Developer

Dr. Shirley Chapman

B. Ed. M.Ed. Ph.D.

Dr. Shirley Chapman is a veteran educator with over 30 years of experience. She is an expert in course/program design and development. Her experience covers public schools, colleges, and universities. Shirley is experienced in designing and developing training specifically for delivery via face-to-face, on-line (Internet), and manuals for organizations, colleges, and businesses. She is responsible for the page layout and format as well as the graphics in any materials that she designs.

How is this module organized?

Within each of the seven subheadings, you will see the following organization pattern.

Introduction	Uses
How to use this section (Module content)	Summary
	Celebrate

Celebrate!

It is important that you recognize your achievements and celebrate each small step. Phone some friends and celebrate it. We will offer you opportunities to celebrate at the end of each part of the module. Have fun with them. We had fun creating them for you.

Suggestions on how to use this module

This module is organized so that you decide:

- ❖ In what order you want to access the various titles
- ❖ What you want to ignore
- ❖ How many times you want to revisit the material

Just return to the Table of Contents and click on what you want to read or review again.

The six-pointed star

We have depicted business and a business plan as a six-pointed star. Each part of the star represents a major aspect of your business and an important element of a business plan. Together, they form a complete view of your business and your business plan.

We have carried this star throughout all the BizBite Consulting Group products and all the modules.

As each new section is begun or completed, the appropriate part of the star is colored and the rest of the star is colorless. This may help you to see how a specific topic relates to the whole business and to remind you that it is part of the whole.



Marketing Management— Defining the right path for your company



Glossary

Each term that is used in this section is defined in the Glossary. You will notice that the first time it is used it is coloured **green in *Bold Italics***.

Just click on the Glossary in the Bookmarks or Thumbnails to find the definition. Alternatively, print the Glossary.

General overview of marketing management

In **Marketing Management**, we will discuss the analysis, planning, and decision making that a marketing manager must carry out to implement a marketing plan and a marketing strategy for a company.

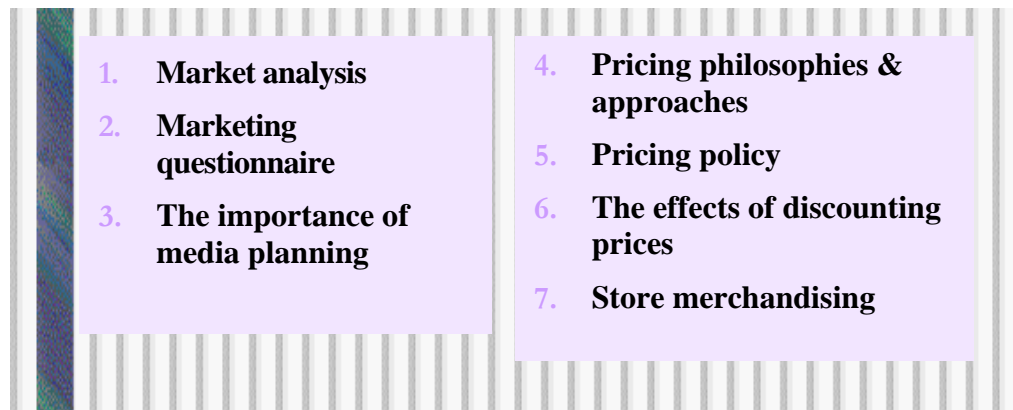
The marketing manager should make decisions based on the market research that was prepared for the company's *business plan*.

Based on this research, the marketing manager will:

- ❖ Complete a thorough market analysis
- ❖ Analyzes the company's physical, financial and people resources
- ❖ Develop a marketing strategy that responds to market conditions and makes the best use of the company's resources

In **Market Management—defining the right path for your company**, we will discuss how the marketing manager makes these decisions.

Marketing Management has seven sections:



Market Analysis

Introduction

Market analysis can be a very detailed process depending on:

- The nature and type of business
- The location of the business and the market it serves
- The nature of the offerings of the business
- The market to be targeted by the business
- The competition in the market
- The resources available to the company

All of these points are the subjects of scrutiny in the process of market analysis. Questions are asked of the data collected, data is analyzed, and conclusions are drawn. These conclusions are used in the formulation of the marketing strategy of the company.



There are three parts to market analysis:

1. Research
2. Analysis
3. Draw conclusions

- Once the market research is finished and you have **analyzed** the research, you should draw some conclusions about your market.
- This information will form part of an overall *marketing strategy*.

How to use this information

Once the market research and analysis is completed, you should decide how the market conditions will affect your business-offering profile by revisiting the information gathered about your



Customers

Competition

Suppliers

If you need assistance in researching the above three topics, we have a complete set of instructions in **The Business Plan**.

Uses for the market analysis

You will make use of the market analysis when you are:



Determining or reassessing your business's *offerings*

Preparing a business plan

Designing a marketing plan

Writing a financial plan—forecasting, planning, and budgeting the future course of the business

Writing the short-term goals and outcomes of the business for the next 12–18 months

Carrying out a market analysis

The marketplace is constantly changing and a business must be constantly adapting to the changes or it will not remain in business for long. Researching the marketplace is important because it will indicate how developing or future changes in the market may affect any *market segments* within your business, or your business as a whole.

We use three heading for carrying out market analysis:

- A. Research
- B. Analysis
- C. Draw conclusions

A. Research

Research is divided into three parts:

1. Setting the perspective for your research
2. Locating the information for your research
3. Research questions

1. *Setting the perspective for your research*

Before commencing your research, you need to make some initial decisions. You need to decide how you will answer the research questions. What stance will you take? Your business will determine the stance.

If your business only provides services, then research the following questions from that stance (accounting, childcare, auctioning, golf lessons, or career planning).

If your business provides product and services, then research the following questions of the basis of the products, categories of products, or the product mix (health preparations, gardening supplies, desktop publishing, or waste collection).

If your business has several market segments then you should answer the questions for each of them.

You might want to use these questions to research your kind of business (hardware, coffeehouse, accounting firm, video store, tourism, or multi-level marketing).

2. *Locating the information for your research*

Common sources for market research information are government, industry, and consumer publications.

Local business organizations like the Chamber of Commerce are also good sources.

The following is a list of other research sources that can be helpful. All of these should be available at your local public library.

<p>Canadian Business Directory</p> <p>Business Opportunities Sourcing System: Made In Canada: BOSS</p> <p>Canadian Trade Index</p> <p>Fraser's Canadian Trade Directory</p> <p>Consumer Reports</p> <p>Sources Directory</p>	<p>Scott's Directories</p> <p>Contacts Target Marketing</p> <p>Market Research Handbook</p> <p>Financial Post Canadian Markets</p> <p>Compusearch Market and Social Research Ltd.</p>
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3. Research questions

Kinds of questions that can be used:

Describe the industry trends—local, regional, and national

Where is it going—what are the trends that are influencing the *market* currently?

What new developments have there been in the marketplace recently?

What is no longer being used or done?

Is the market growing, diversifying, niching, or shrinking? If so, at what rate and what is the change?

What are those in the industry saying the future will bring? (Research trade publication at the library)

Are there other questions that apply to your business?

B. Analyze

Analyze your answers using a form that is meaningful to you (points, sentences, charts).

When you are analyzing, you are examining the research material in detail to discover its meaning or essential features.

You are looking for relationships in the market and to your business.

Finally, you are deciding on the value of this information to your business.

This information is important because it will indicate how developing or future changes in the market may affect any of your market segments within your business, or your business as a whole.

Because of the above analysis, there are four possible conclusions that can be drawn that can lead to further research of the market:



- a. Decline of business revenue
- b. Growing market
- c. Shrinking market
- d. An increasingly specialized market

Is there another possible conclusion; if so, record it.

The expansion of each of these possibilities is below. Each of them may require further research.

a. Decline of business revenue

If it is determined that certain products that account for a major portion of business revenue will probably decline in terms of revenue contribution over the next 3–5 years, then you should ask the following questions:

- Why is the product revenue likely to decline?
Either the product becomes obsolete or there remains a niche or specialty market for the product.
- What product or products will be taking its place?
- What associated or accessory products might be affected?
- Does the new product involve new or innovative technology?
- What related products will be necessary to stock in order to support the new product?
- How are consumer preferences changing?
- Is the decline in the product an isolated thing or is it an indication of a larger shift in the market?

b. Growing market

If your research indicates that the market is growing, some questions to ask are:

- How fast is the market growing?
- In what way is it growing?
- Will the demand grow for products of the same type or is the trend towards offering the customer more choices of

Quality performance	Appearance	Price
---------------------	------------	-------
- What will this mean to your business in terms of investment in inventory, trained staff, product support, store space, and marketing expense?

c. Shrinking market

If your research indicates that the market is shrinking some questions to ask are:

- How fast is the market shrinking?
- In what way is it shrinking?
- Will there always be a demand for some of the products?
- If so, which products will likely be retained, and how much investment will they require?
- What will the return on investment be of handling the product? In other words, will it be worth keeping?

d. An increasingly specialized market

If your research indicates that, the market is becoming increasingly specialized in the marketing of the products to the consumer; then asks the following questions:

- What is the rate of specialization?
- What will be the major areas of specialization?
- How big will each specialized market be in your business area?
- Would you be able to sustain your business if you specialized?
- What volume of sales would needed to be generated in the more specialized product assortment to break even and make a profit.
- Would specialization make the business more vulnerable to changes in the market?
- How many other businesses are also specializing in your market?
- If everyone specializes, will that create a market for some businesses to remain generalists?
- In that event, what is that market potential if specialists take a major part of the market?

C. Draw conclusions

Draw conclusions about your market from the above analysis.

Use the conclusions to

- Determine or reassess your business's *offerings*
- Prepare a business plan
- Design a marketing plan
- Write a financial plan—forecasting, planning, and budget the future course of the business.
- Write the short-term goals and outcomes of the business for the next 12–18 months.

You should retain this research, analysis, and conclusions for future use or review. Date the research and file it in a filing cabinet, or on the computer for future use.



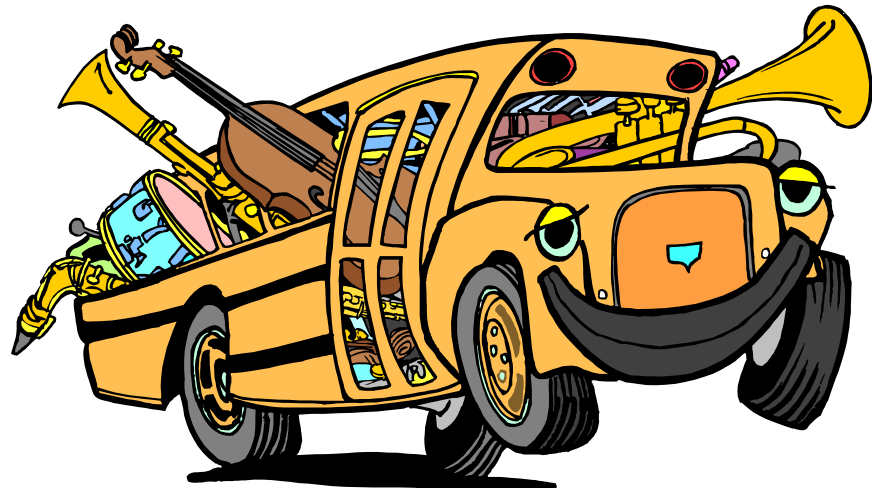
Summary

In market analysis, we have discussed the key components. As well, we have discussed:

- The questions you must ask when conducting a market analysis
- The four kinds of conclusions you may draw from the market analysis
- How you may use the results of your analysis in your business

Celebrate!!

You have completed a step in defining the
right path for your company.
So, take a trip and do something that
relaxes you



Marketing Questionnaire

Introduction

A marketing manager is responsible for presenting the business to the marketplace. It is very important that a business be consistent in the way it presents itself in the marketplace.

Being consistent means making sure that everything the company does to market its products or services is:



The result of well-thought-out analysis of the business

Part of an integrated plan

Conveyed as a message about the company

Created as an impression of the company and its offerings

This consistent approach is sometimes referred to as the *creative platform* of the company.

The marketing approach of many companies, new or well established often lacks consistency and, therefore, is not as cost effective as it could be.

For example, business cards, signs, newspaper Ads, or web pages may all look a little different because they don't flow from a well-thought-out creative platform.

To discover what the creative platform of your company should be requires a detailed internal analysis of the company. This can be a complex process and the analysis should cover:

How the company relates to the marketplace now

How the company needs to relate to the marketplace in the future

The viewpoint and attitudes of key people in the company towards these points is very important and they can be quite different. To be successful, key people in the company have to agree on the basic goals of the company and its presentation to the marketplace.

How to use this information

To assist you in determining whether you have a consistent approach to presenting your business to the marketplace, we have developed a marketing questionnaire. This questionnaire provides you with a methodology for thinking about every aspect of your business as it relates to marketing the company and its offerings.

The questionnaire will help consolidate and focus your thoughts in arriving at the right creative platform for your business.

It is highly recommended that at least 2–3 key people within the company complete it. Ideally, they should come from different aspects or divisions of the company. The participants should not discuss or compare their answers until after the questionnaire is completed.

In addition, when you compare the answers, you may be surprised to see that different people have a different view or opinion about the business.

General information

The marketing questionnaire is really an organizational tool that is designed to focus the thinking of an owner or manager of a business and to take them step by step through every aspect of their business as it relates to marketing.

Sometimes a question may be asked more than once but in a different context. There may even be questions posed that have never been asked about the business before.

An introspective exercise will likely answer many questions in your mind by simply asking the right question.

Some questions won't relate to your business but likely more than 75% of the questions will relate to any business.

Sometimes all that is necessary to make the question relevant is to substitute the appropriate description or term.

For example:	
Here are some of the substitutions you should keep in mind when reading the questions:	
If The Question Refers To	Interpret As
Co-op advertising	Cross promotions with clients
Sales	Revenue
Brands or lines	Services or intellectual property
Product or merchandise	Services or systems
Store	Place of business
Window display area	Foyer or waiting room
In-store display	Finished projects
Having a sale	Discounting services

These types of businesses have used this questionnaire effectively:



There are a number of points to remember before starting.

The questionnaire will be as useful as you make it.

You will get out of it what you put into it.

It is a tool to help you examine critically your business from a marketing perspective.

Take your time and give each question your thoughtful consideration.

After you have finished, it is a good idea to wait a day or two and then review your answers to see if you would change any of your opinions.

You are the expert when it comes to your business.

The marketing questionnaire

The questionnaire is divided into eleven areas. You can decide in what order you want to work through these questions. You may need to return to some of the questions to add to your answers or to modify them.

General information about your business

- Products/services
- Trends/sales patterns
- Market research
- Market share

The competition

- Customers
- Advertising/promotion
- Economic patterns
- Scope for growth
- Summary

A. General information about your business

Legal name of the organization _____

1. Address _____ Phone _____ Fax _____
2. Web address _____ e-mail address _____
3. Other Locations _____ Phone _____
4. In business since _____
5. Please check off the business sector you are in:

Retailer	Dealer
Service Company	Wholesaler
Manufacturing	Distributor
Other, Specify	

6.

7. Who participates in the decision-making group? _____

Question	Yes	No
Do you have an organizational goal?		
Do you have a marketing goal for this year		
Do you have your own distinctive logo and label?		Specify
Do you set sales targets for the whole company?		Maybe

8. How many staff members do you have? Full time _____ Part time _____

9. How many square feet of 'customer interaction' area does your location have?

10. How would you answer the question, "What business are you in?"

11. Do you attempt to have any control over the dress of office personnel?

12. Do you plan to relocate within the next 24 months?

13. Do you act as agents or distributors for any lines, processes, or systems? If so, please provide details.

B. Products/Services

Your products or services are the means you have to make money and realize profits. Take a minute to put down some information about them. This information will help you to decide what special advantages you have to offer your prospective customers. It will separate you from your competition.

Name your product or service below. If there are several, list them. If this is a long list, just name the main categories.

- List the benefits that your product or service offers your customers. Use single words or short phrases.
- Describe the single greatest advantage that your product or service has to offer your customer.
- Do you have exclusive rights to provide services or systems?
Yes ____ No __
- What products, services, or systems offer you the greatest turnover potential?
- What products, services, or systems offer you the greatest profit potential?
- What products, services, or systems do you supply on an exclusive basis?

7. Please identify each of the following months in order of importance to your total revenue volume: No. 1 is the most important revenue month and No. 12 is the least important.

January	May	September
February	June	October
March	July	November
April	August	December

8. What days of the week are most important to you in terms of total weekly revenue?

Monday	Wednesday	Friday	Sunday
Tuesday	Thursday	Saturday	

Please number each day using No. 1 as the most important day and No. 7 as the least important.

9. What are your office hours?
10. How is your staff involved in promoting company business?
11. What services do you offer now that you did not offer 12 months ago?
12. What percentage of your total gross revenue would they represent?
13. Of all the services you offer, what services are you most proud of and why?
14. What recourse do you offer to customers who, for some reason, are dissatisfied with their purchase from your business establishment?
15. What do you think your customers most appreciate about your business and its range of services?
16. Do you think your customers park with ease when coming to your business or do you think parking presents problems for customers?
17. If customers pay for parking, do you offer any form of compensation?
If so, what do you offer?
18. Do you have any after sale or service follow-up procedure?
Please specify.
19. Do you offer any complimentary coffee to customers?
20. Do you have clearly marked washroom facilities for customer use?
21. Do you offer any incentive for prospective customers to leave their names and addresses?

C. Trends/Patterns

Look at your past revenue patterns to see when your revenue peaks and valleys occur. Mark your highs and lows on the calendar below. You don't have to mark each month—just enough to show the annual patterns. You can join them with a line if you prefer. If the pattern has changed recently, indicate the pattern in the last 12 months.

Volume	Jan.	Feb.	March	April	May	June
High sales						
Average sales						
Low sales						

(This example (to the right) is not complete.)

1. Are your current revenues less than, same as or greater than they were this time last year?

2. How would you describe the marketplace for your range of services?

What negative or positive factors do you think you will need to address in future advertising activities?

3. What do you consider your slowest time of the year?

4. What do you consider your busiest time of the year?

D. Market research

Show what you already know by checking off any of the areas below that you've looked into recently:

1. ___ Your prices compared with the competition
2. ___ Your quality compared with the competition
3. ___ Who your customers are
4. ___ What your potential customers are buying from the competition
5. ___ Advertising done by the competition
6. ___ The logos and labels used by the competition to identify themselves
7. ___ Whether or not your number of customers is starting to grow
8. ___ What is being said in the newspapers or trade magazines about your product or service

E. Market share

An important part of your market research tells you what is happening to the size of your potential market. If the diagram below is the **Pie** that you and your competitors are sharing, how much of the Pie are you getting?



1. Is the Pie shrinking, growing, or staying the same?

Shrinking _____	Growing _____	Staying the same _____
-----------------	---------------	------------------------

2. What would you say would be the best way for you to grow?

Getting a larger share of the Pie	Making the whole Pie expand	Starting to go after a new Pie
-----------------------------------	-----------------------------	--------------------------------

3. What is your competitive position?

Leader	Second place	Smaller
--------	--------------	---------

4. Do you plan to expand in the near future? Yes _____ No _____ Maybe _____

5. What are the geographic boundaries of your market area?

6. What is the population of your market area? Number of people _____

7. What is your **main** market?

Residential	Commercial	Industrial
Other—specify _____		

8. List any factors beyond your control that will affect your growth, for example, legislation, permits, and licenses.

F. The competition

Just to be sure you are not surprised by an aggressive competitive move, jot down any moves you think the competition may be about to take.

1. Whom do you consider your major competitor(s)?
2. What makes your business superior to competitors?
3. Whose competitive advertising do you most respect and why?
4. Whose competitive advertising do you least respect and why?

G. Customers

Now look at the source of your income—your customers. The more we know about them, their needs, their suggestions and their lifestyles, the more effectively we can talk their language. We can then highlight benefits that they look for and reach them through channels that they read, listen to, and respect.

To simplify this, describe your typical customer. If your customers come from several different groups, describe your most common, typical customer first. Try to give them a descriptive name.

Typical customer:

Name: _____

Sex: ___ Age: ___ Occupational Group: _____

Income Group: _____ Use of your product or service _____

Anything else important about them: _____

1. Second most typical group of customer:

Name _____

Sex: _ Age: ___ Occupational Group: _____

Income Group: _____ Use of your Product or Service: _____

Anything else important about them: _____

2. Other typical group of customer:

Name: _____

Sex: ___ Age: ___ Occupational Group: _____

Income Group: _____ Use of your Product or Service: _____

Anything else important about them: _____

1. There are changes occurring in some markets. Consumers' needs, interests, products they use, ways they shop, reasons for their choices, are all changing. Do you think your market is in a state of change right now?

Yes _____ No _____ Don't really know _____

2. What percentage of your customers comes because someone recommended you? _____ %
3. How do most of your customers pay?
Cash _____ Cheque____ Credit Card_____ Specify Other_____
4. Please circle the most appropriate word to finish the sentence and rank the words in order of importance your customers would give them.
5. My customers shop here because they want:

Quality	Style	Price
Service	Brand Name	Other—specify

6. My customers want warranties/guarantees. Yes _____ No _____
7. List anything else that we should know about your customers.
8. Circle one of the following words that best describe your drive-by and walk-by traffic.

Very busy	Busy	Unexciting	Slow	Terrible
-----------	------	------------	------	----------

9. **Demographically**, how would you describe your average customer?

Married	Single	Upper income	Residing in a house
With children	Without children	Middle income	In an apartment
Renting		Lower income	In a townhouse
Owning	Other factors	Other factors	In a duplex

10. How many times per year are you likely to see a regular customer?
11. Do you keep a list of all customers? If so, do you also keep a record of what they have purchased from you as well as the applicable date(s)?
12. How many visits is a customer likely to make before making a purchase?
13. Are the majority of your customers male or female?
14. What is the average age range of your customers?
15. What percentage of your total annual revenue is due to referral?

H. Advertising/promotion

1. Before we press ahead with new marketing, we will look at what you have been doing in your advertising. Please check any advertising media you have used or are using.

Brochures	Television	Direct Mail
Premises' Signs	Technical/Trade Journals	Electronic Signs
In-store Displays	Coupons	Billboards
Radio	Internet	Magazines
Yellow Pages	TV Guides	Other—specify

2. On the above list, what works best for you?
3. Write down any advertising media that you would like to discuss using but have not used.
4. What do you recall spending on advertising?

This year	Last year	Three years ago	Four years ago	Five years ago
-----------	-----------	-----------------	----------------	----------------

5. Do any of your suppliers offer to share in your advertising costs?
Yes _____ No _____ Don't know _____
6. Do you currently have any media contacts or loyalties you should take into consideration? Yes ___ No ___ If yes, please list the organizations:
7. In a sentence or two, what do you think is the **current image** of your business?
8. What image would you like 12 months from now?
9. Are you happy with your current graphics or logo design, or do you think it should be updated or revised?
10. Which advertising media do you feel is most important to you?
11. What method of advertising has been your most successful to date?
12. What has been your least successful advertising to date?
13. What makes your business different from other businesses offering the same or similar services?
14. How often do you change your foyer or waiting-room display?
15. Who is responsible for your foyer or waiting-room display?

16. Is the cost of your foyer or waiting room display currently included in your annual advertising budget or do you consider this a separate expense? (For example, charged to sales or administration.)
17. Do you have photographs of your various projects that could be utilized in future promotional material?
18. Do you consider your *point-of-sale areas* to be satisfactory or would it be worthwhile to make significant changes? (For example, traffic flow patterns, creating new product sections, creating, customer sit-down or comfort areas.)
19. Do you have co-op advertising support and, if so, on what financial basis?
20. Do you create any of your own customer take-home materials such as brochures, etc.?
If so, please include samples.
21. Do any of your suppliers provide you with promotional material?
If so, please provide samples.
22. Do you now, or have you at any time in the past, participated in any community program or activity designed to enhance your overall image within the community?
If so, please provide details.
23. How often do you discount your services?
24. What portion of your total advertising budget is made up of co-op funds?
If so, what times of the year do you receive such funds?
In addition, what is the basis for the co-op participation?
25. What percentage of your gross revenue does your advertising budget represent?
26. What is the average customer purchase amount?
27. What do you think your advertising should do in the next 12 months that it has not done to date?
28. Do you currently have a press kit?
29. Would you be receptive to appearing on radio and TV programs with a view to being a spokesperson for your industry?
30. Do you currently have any organized program for editorial mention anywhere in your immediate retail market area?
If so, give details.

31. Have you ever been on radio or TV promoting your business and/or your industry?

If so, please provide details.

32. Do you have any formalized corporate colours now?

If so, what are they?

33. What is the logic behind your present corporate colours?

34. What is the single most important reason for a customer to deal with your company rather than with a competitor?

35. Do you offer any handout reference material to customers concerning any of your services?

36. Are you satisfied with your exterior signage or do you think there is room for improvement? Yes _____ No _____

If you answered **yes**, what improvements do you think would be appropriate?

37. Have you ever participated in a regional direct mail program?

Is so, when, and with what results?

38. What has your advertising strategy been to date?

For example, price and item; image development; reminder advertising; short term, event advertising; soft sell; hard sell; humorous; or straightforward.

39. How important to you is Yellow Page advertising to your total annual revenue volume?

40. How much of your total annual advertising budget, as an approximate percentage, do you spend on:

Yellow Pages	Regional Newspapers
Signage	Other—specify

41. Have you ever been involved with *piggyback* advertising programs where you participate with a non-competitive advertiser for mutual benefit and cost savings?

If so, when, with whom, and with what results?

42. Would you be receptive to joint advertising or piggyback advertising with a non-competitive advertiser?

43. Have you ever written a regular newspaper article relating to your particular services? If so, when? Provide a sample if possible.

44. What do you think is your greatest reason for success to date?

45. What do you think is the single most important negative influence on your business to date?
46. Have you ever participated in a radio remote at one of your projects?
If so, when, with whom, and with what results?
47. What regional newspaper do you think reaches the greatest number of your active and potential customers?
48. What regional magazine do you think reaches the greatest number of your active and potential customers?
49. How often do you review your advertising and promotional plan?
50. Do you think either that you should be advertising the same amount each month of the year or that you should be advertising only at designated prime periods of the year?
51. Is any portion of your advertising budget currently allocated towards any form of sustaining image development?
If so, what?
52. What theme or creative platform have you used in the past to promote your business?

For example central advertising themes like—*finger licking good*; let your fingers do the walking; etc.
53. Is any portion of your total advertising budget earmarked for use in a joint form with other businesses or with any association?

If so, please outline the degree of financial or physical involvement.
54. Do you ever offer any form of customer incentives?

If so, please provide details.
55. Apart from price or discounts, what other forms of customer incentive or promotional activity have you done?

When was it done and with what results?
56. If given a *creative platform* or central theme from which all of your advertising in the future is based, what do you think it should try to say?
57. Have you ever purchased outdoor advertising such as bus boards, billboards, or bus shelters?

If so, when, and with what results?
58. What are your current outstanding media obligations?

List all outstanding contracts, rates, expiry dates, etc.

59. Have you ever created or offered a self-liquidating advertising vehicle such as T-shirts, baseball caps, etc. If so, what, when, and with what results?
60. How important is the Christmas selling season to you?
61. Do you think your business name is good or bad? Why?
62. Do you do any direct mail programs to potential large order or commercial customers such as condominium builders, commercial designers, display suites, home arrangers, etc.?
63. What do you think your advertising should sell the most?

In general terms:	In specific terms:
-------------------	--------------------
64. Would you be receptive to providing services in exchange for on-air mentions or print media space, providing the received media value was equal or greater than the regular value of the services provided?
65. Do you have or have you ever had in the past, a jingle for use in your advertising?
66. Have you placed any advertising that will be heard or seen in the next few months? If so, where and when?
67. Have you ever conducted a seminar or work session for customers concerning any aspect of your company's services?
68. Are you proud of your business card, logo and stationery design or do you think there is room for improvement?
69. Have you ever sponsored a contest for customers and, if so, when and with what results?
70. Have you ever created a regular mailing piece designed to stay in touch with customers or prospective customers?
 If so, when, and what?
71. When was the last time you did a postal walk in your area?
72. Is your business exterior attractive or do you think it is in need of restoration?
73. What will your advertising budget be in the next 12 months?
74. Do you offer any staff incentive programs throughout the year?
 If so, what results and with what results?

I. Economic patterns

In order to chart some marketing goals and projections, it is important to be aware of your overall economic patterns.

Record the figures below and if they are not readily available, fill in your best estimate.

1. What is your fiscal year? From _____ to _____
2. Gross sales to date this year: \$ _____
3. Projected gross sales to year end: \$ _____
4. Gross sales last year end: \$ _____

J. Scope for growth

Now before closing, it is worthwhile to document the directions that you can grow. This helps to determine the areas where growth is possible.

1. How close are you to capacity with your current staff, equipment, and premises? _____%
2. Specifically, how close are you to the maximum amount of time and effort that can be devoted to generating new business? _____%
3. As far as financial flexibility is concerned, what dollar figure is available to you for growth? _____%

This questionnaire was completed by:

Name: _____ Title: _____

Business name: _____

Address: _____

City: _____ Postal code: _____

Telephone: _____

Analyze and draw conclusions

Now you have some valuable information with which to work. Take some time to analyze the answers.

When you are analyzing, you are examining the research material in detail to discover its meaning or essential features.

You are looking for relationships in the market and to your business.

Finally, you are deciding on the value of this information to your business.

Analyze each section separately. Using point form, write one or several concluding statements for each section.

If more than one person completed the questionnaire, check for similar answers and if they are different, can you explain why there is a difference. What did you learn about your business and your staff's perceptions of the business?

Some factors that could influence questionnaire answers are:

Length of time in company

Position held within the company

Knowledge or awareness of the subject area in the questionnaire

Previous and current input into decisions affecting the subject area in the questionnaire

What meaning can you draw from the similarities and differences in the questionnaires?

Analyze and draw some conclusions about this questionnaire's information and a previous marketing analysis.

Think about how you can use this information about your business to further it.

What messages is your business conveying to the marketplace? Are the messages consistent throughout company? What will you change or modify?



What will you emphasize what you are already doing? What will you add? How will you change or modify the messages?

What impressions are you sending to the marketplace? What will you change or modify? What will you continue to emphasize? What will you add? How will you add them to your business?

What is the creative platform of your business? Are you satisfied with it? What will you continue to do? What will you add? What will you modify? What will you change? How?

What did you learn from this experience? When will you carry out this process again? Who will be involved next time that you did not involve this time?

Summary

It very useful for a business manager to use this detailed marketing questionnaire periodically as a way of:

Examining every aspect of the business from a marketing perspective

Focusing key people on the way marketing has affected different aspects of the business

Identify changing attitudes of key people in the company towards the marketing of the company

Comparing the results of questionnaires from one period to another, identifying the changes and determining the reason for the change can be one of the most important results of doing the questionnaire.

Celebrate!!

Take another break

Relax



The Importance of Media Planning

Introduction

One important function of the marketing manager is media planning. The media events of a business shouldn't be prepared 'on the spur of the moment.' Rather, they should be an integrated part of the overall marketing activity of the business.

In addition, all of the marketing activity of a business needs to reflect the creative platform of the company.

To do that effectively, marketing activities need planning and coordinating. Doing so creates synergy between the marketing activities of the company.

Synergy means that by synchronizing activities more energy is created than if the activities were completed separately. By coordinating the marketing activities, the company will have a marketing program that is:

- ❖ More effective
- ❖ Economical
- ❖ More easily adjusted or adapted to market conditions
- ❖ Adaptable to the growing needs of the company

A good media plan is the result of the effective coordination of the company marketing activities.

In this section, we will discuss how a typical media plan is developed and implemented.



Probably, in your marketing research you have:

Completed a detailed market analysis

*Analyzed your customers and clients

*Analyzed your competition

*Analyzed your offerings

*Determined how you will differentiate your business and its offerings in the market

Decided on your company's creative platform

Prepare a comprehensive marketing plan

The media plan is a major part of the marketing activity of the business. The media plan is largely responsible for the image your customers have of your business and its offerings.

In this module, we will discuss what goes into preparing a media plan. What's more, we will discuss various forms of advertising and promotion and we will discuss how they are coordinated to form your Media plan.

How to use this information

As each media type is discussed, think about the media you presently use. Do you carefully consider how the media you choose is used and whether you are getting a good result for the money, you spend?

Consider how the media you use could be used more effectively. As well, consider how much more effective your advertising might be if Ads in different media were better timed to create a synergistic effect.

Finally, after you have studied this material, prepare a 12-month media calendar for your business. Prepare a budget by the month and for the year based on your 12-month media plan.

A media plan

What is a media plan?

A media plan is a detailed plan of all the outside advertising and promotional activities of the business for a defined period.

Usually the period is 12 months but it can be for longer periods. Sometimes the time is 18–24 months because of product sales cycles.

Planning for the next media plan should begin 3–6 months before the end of the existing plan in order to maintain continuity to advertising and promotional activity.

Media planning will ensure the most efficient use of your advertising dollar and allow you to accurately forecast and budget your advertising expenditures.

A comprehensive marketing plan includes every aspect of how the business will market itself and its offerings both internally and externally.

Some internal aspects of the plan would include visual presentation such as:	Some external aspects of the plan would include details on:
Signage Store display and layout Style of merchandising Use of corporate colours	Lines of distribution Methods of distribution Pricing policy and structure A detailed and budgeted media plan

Typical components of a media plan

Typical components of any media plan are:



A book could be written about each of these media forms. They are all effective when suitably used in the context of a well-designed media plan. We will not do an exhaustive examination of each of these media forms. However, let's discuss each of media form briefly and how your business might use them.

Newspaper

Almost every business uses newspaper advertising to some extent. Newspapers are a broadcast form of advertising that are unselective and will get your message to a large geographic area.

Newspapers tend to stay around the home for a day or two before customers throw them a way so they likely will see your Ad 1–2 times.

There are many different types of newspapers.

There are national, regional, and community newspapers.

There are newspapers directed at specialized markets.

There are newspapers that may publish daily, twice daily, bi-weekly, weekly, monthly, or even quarterly.

Nevertheless, they almost all have one thing in common. **They all want your advertising dollar.**

You have to be very careful in your selection of a newspaper for your advertising.

Before placing an Ad, ask these questions:

1. What is the total area of distribution?
2. Does the area of distribution provide coverage of your market area?
3. Does the newspaper cover a much larger area than your market area and would you be paying for that?
4. Does the newspaper not provide adequate coverage for your market area?
How would you support the Ads with other media forms?
5. Who are the readers of the newspaper?
Do your customers read the newspaper?
6. What seems to be the focus of the newspaper?
Would you describe it as having a national news focus or a community news focus?
7. Does the newspaper have a good image and reputation in the community?
8. What is the frequency of publication?
9. What Ad design and layout services does the newspaper provide?

10. What are the physical requirements of the newspaper for Ad copy?
Are colour Ads available and at what additional charge?
11. Will the newspaper provide some editorial promotion of local businesses?
Will the newspaper handle the preparation and insertion of flyers in the newspaper?
Will the Newspaper guarantee positioning and placement of your Ad.
What are the advertising rates? What contract incentives are available?

All media will claim to be able to reach your customers and they will support this with any number of demographic surveys, circulation studies, or viewer impression surveys. Unfortunately, this does not necessarily mean that they will get results. Before placing an Ad or committing to an Ad campaign, you should:

Ask many of your customers, what they think of the newspaper and if they read it regularly.

Ask what they like about the newspaper and what they dislike about it.

Ask other businesses in your market, what they think of the newspaper and if they get results from their advertising in it.

Examine a number of issues of the newspaper over some time to see whether your competition uses it for their advertising. If they don't use it, why they don't they? What alternative advertising does your competition use?

Determining the type of Ad to use

The type of Ad that you place depends on the audience you are trying to reach, the message you are trying to convey, and the size of your advertising budget. Each of these factors is equally important to the success of your Ad campaign.

The type of Ad campaign may depend on whether it:

- Is a new offering being introduced to the market?
- Has a significant improvement been made to an existing offering?
- Is there some singular competitive advantage that your company must convey quickly to the market?
- Do both the customers and competitors look forward to the Ad campaign as a seasonal event?
- Is your company embarking on a new pricing strategy?
- Are the Ads only a series of weekly 'price and item' Ads?

If your company is strong financially, you might be able to afford to present new products, improvements in products or changes in marketing strategy by first establishing an image-building advertising campaign.

For example:

- A new or improved product may be advertised heavily in newspapers and other media without emphasis on price.
- Rather, the Ads might focus on things like quality, performance, durability, style, or convenience.
- The point is to establish firmly the image of **value** in the mind of the customer.
- Then weeks or months later when the offering is advertised at a special price customer will perceive that they will be getting a bargain.
- Large, well-financed companies do this all of the time and it is a very effective strategy.
- However, an advertising campaign such as this can be very expensive and certainly not practical for many small companies.

A smaller company needs to be particularly creative in its advertising. It needs to get the most *bangs for the buck* and takes a more targeted approach to advertising.

You need to consider:

A full page Ad in a major metropolitan daily newspaper could easily cost between \$5,000 and \$10,000.

An Ad in this newspaper would certainly reach some of your customers but you are also paying for the many thousands of other readers that are not in your market area or have no interest in your offerings.

A major national company might think nothing of placing a series of full page Ads like this but many small businesses would spend the advertising budget for a year on one or two of these Ads.

1. Don't allow your personal bias to influence your choice of a newspaper or any other media for that matter. The media choice that will reach your customers may not be the media that you personally would like.

For example:

You may prefer to read a national newspaper that has a focus more on national and international news and issues.

Your market research and analysis has revealed that the customers in your target market tend to read a local community newspaper that focuses on community issues and events.

2. Having your Ad in the right position in the newspaper can make a big difference in the impact of your Ad.

Newspapers will want to charge you extra to guarantee to place your Ad in a specific location.

However, the newspaper salesperson will usually accommodate your request for positioning in an area of the newspaper without an extra charge particularly if you are a regular advertiser.

For example:

If your business were selling building materials, decorating products, furniture, or appliances, it would be a good idea to have your Ad located in the Home Living section of the newspaper rather than the business section.

If your business is selling financial, legal, accounting or consulting services your Ad might be better positioned in the Business section of the newspaper.

3. Sometimes in small community newspapers, a *masthead Ad* is relatively inexpensive if contracted for at least a six-month period.

A masthead Ad is a box in the top left or right corner of the title page of a newspaper section.

It is a great way to have continually your image in front of the customer and to be used to direct customers to your feature Ad in the newspaper.

4. Consistency in the design and look of all of your Ads will make your Ads stand out and be instantly recognizable and associated with your company.

Many small community newspapers provide inexpensive Ad layout and design assistance for small businesses.

For example:

The Ads of smart advertisers have a consistency in their look.

Think of some of the biggest advertisers in your market.

At a glance, you know it is their Ad before you even notice the content of the Ad.

The design, the way it is laid out, the style and colour of the border, the style, and sizes of printing, all of these factors are similar in each Ad.

5. Incorporating a human or animal figure in your Ads has proven a good way to attract your customer's attention.

For example:

If there were several Ads for property services such as plumbing, carpet cleaning, landscaping, etc., and one of the Ads had an image of a worker or tradesperson, which one do you think you would notice first? It doesn't have to be a photograph. A cartoon or caricature is equally effective.

6. Using smaller sized Ads but higher frequency is often a better way to raise customer awareness of your company and it will make your advertising dollar go farther.

For example:

The size of the Ad is not always important

What counts is how often your customers will see the Ad.

7. For many small businesses, smaller Ads allow more advertising to be bought. Then, well-designed, properly positioned Ads mean more recognition of your company by your customers.
8. It is sometimes a very good idea to include helpful tips in your Ads along with the advertising of products or services. In doing this, you create an image of being more than a peddler.

For example:

A garage might include a space on the Ad for helpful tips. The Ad this week may be advertising a *lube 'n oil* special and in the Car Care Tip space there would be information on the recommended frequency of changing oil.

A financial services company might have a regular space in their Ad devoted to helpful information about RRSP's, IRA's, or perhaps Estate Planning.

If you were planning an advertising campaign that covers areas outside your local market area, it is highly recommended that you use the CARD (Canadian Advertising Rates & Data) catalogue.

CARD is a McLean Hunter publication and should be available at any public library. Similar publications should be available in other countries at public libraries.

The CARD catalogue provides complete contact and specification information for all your media components. It even includes information on outdoor advertising such as billboards, bus benches, truck advertising, etc. It also has a complete listing of advertising agencies.

For further information on all the services CARD provides, visit their web site at www.cardmedia.com.

Flyers

Flyers are newsprint pages, which are completely devoted to the advertising of a company. They may be in black and white or colour but nowadays they are usually in colour.

There are generally two types of flyers:

1. Inserts
2. Run of Paper (ROP)

Inserts are produced separately from the newspaper.

You will find many printing companies in your area specializing in flyer production and often at much cheaper rates than a newspaper would charge.

Many of them will also provide graphic design and Ad layout services. The flyers are then inserted in a newspaper (as the name implies) or distributed to homes via private distribution companies.

You will incur an additional charge to have inserts put into the newspapers but inserts do also have the advantage of target distribution to areas not serviced by the newspaper.

ROP (Run of Paper) flyers are simply flyers that are produced in the regular production of the newspaper as part of the paper.

Some newspapers will periodically have specials on ROP flyers to compete with private producers.

They may also sometimes offer contract rates to regular advertisers that make the cost more competitive.

An advantage of ROP flyers is they may have other news on back pages and therefore tend to stay with the paper rather than thrown out as *junk advertising* by some customers.

Therefore, like the rest of the newspaper, there is a greater opportunity of your Ad staying in the home and seen several times before being thrown away.

Handbills and coupons

Handbills and coupons are letter size or smaller sheets of paper that are often printed on both sides.

Advertising distribution companies will combine a number of small-size handbills in booklets of coupons.

This does reduce the distribution costs of your handbill but there is a danger you will get lost among all of the other advertisers included in the booklet.

Often, letter-size handbills are inserted into newspapers like flyers but this is often too costly for small businesses. More often, target handbills to residential areas and delivered privately by distribution companies.

Handbills are truly a *shotgun* approach to getting your message across. It is typical for a business to get a 1/2% return on the number of flyers distributed.

If 5,000 flyers were distributed, 25 customers might respond to the Ad. Of those 25, all of them would not necessarily buy.

Targeting only those potential customers that would be interested in your offerings can significantly increase the success ratio of handbills.

Lists of target market groups are available from companies specializing in compiling such lists.

A selected list like this is sometimes referred to as a *massaged* list of customers. Using a massaged list of customers can frequently increase response to a handbill mailing from 1/2% to 5% or more.

Depending on the offerings you are marketing, it may well be worth the cost of a massaged list, which can be several thousand dollars.

<i>Example:</i>	
A men's clothing store specializing in <i>high-end</i> products such as sport jackets that would retail for \$2,000 or more might very well pay for a 'massaged' list of customers. This list might include people in higher earning professions such as:	
Doctors	CEO's and presidents of companies
Lawyers	Senior executives
Dentists	Some high-earning sales fields
Stockbrokers	

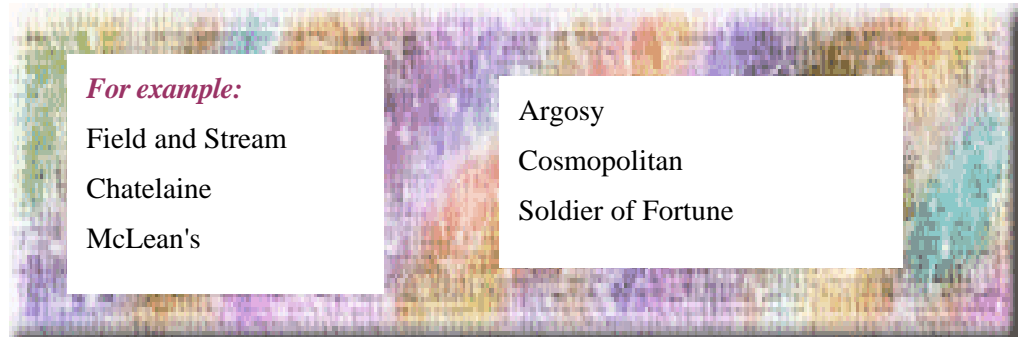
In this example, if a massaged list of 1,000 was used, suppose that only 50 responded and of those 50 people, 25 bought a \$2,000 jacket.

The store could possibly have generated \$50,000 in sales for an expenditure of less than 10% of the selling price including the production cost of a high-quality mailing piece.

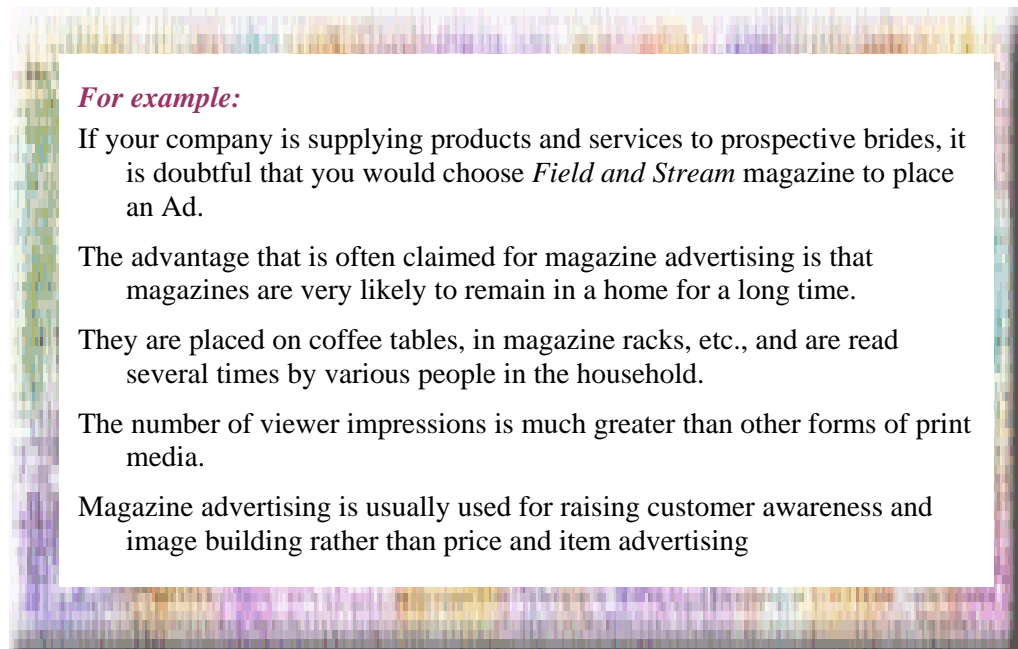
Magazine advertising

Magazine advertising is generally a much-targeted form of advertising. It is also usually much more expensive than newspapers, flyers, or handbills.

Magazines have specific readerships.

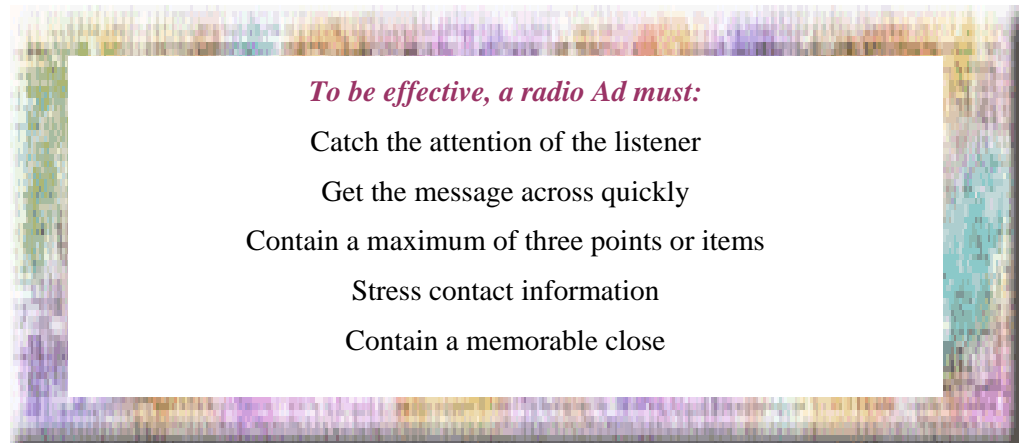


All of these magazines have a specific group of readers. While there will be some products and services that you will see advertised in almost any magazine, most companies will select a magazine that is likely to have readers that are receptive to its offerings.



Radio

Radio can be a very effective medium but mainly in support of other elements of the media plan. Today many people are listening to radio while they are doing something else. Listeners are driving, working in the home, or working at the office. Therefore, their attention is divided.



To accomplish this, radio Ads use sound effects, special voice effects, and theme music that is identified with the business. The reason for only including three points or items in an Ad is that it has been proven that any more than that and the listener will not remember it. As most radio Ads are either 30 sec. or 60 sec. in length, it can be a challenge to design an effective radio Ad.

Thus, don't try to say too much.

Use radio to enhance the effect of your other advertising by announcing the *special event* you are holding on the weekend or the super special price on a particular offering at the event.

Production costs per radio Ad are usually quite reasonable when spread over a radio campaign of several weeks. Radio stations are highly competitive in most markets and frequently will include normal production costs in the cost of the Ad for a campaign of a few weeks' duration.

Before making decisions about radio Ads, you need to think about the following ideas:

1. Determine who your listeners are and when they are likely to be listening.

If your target audience is construction workers then you may want your Ads to run from 5:30 to 7:30 a.m. and from 4:30 to 6:30 p.m. when they are driving to and from work.

2. Radio Ads must have a high frequency to be effective. Run clusters of Ads to maximize the chance of your target audience hearing the Ad.

Therefore, with the construction workers, at least 3–4 radio Ads in each two-hour time interval would be effective.

3. If you use radio advertising in support of a special event, then increase their frequency as the date of the event approaches.

Consequently, with the construction workers, some additional radio Ads would run during noon hour lunch breaks, mid morning, and mid afternoon coffee breaks.

Gain additional impact by broadcasting a *radio remote broadcast* from your business location. Some customers will stop by your business to see the additional activity and see the radio personality in action.

4. Placing one or two radio spots a week is a waste of money and will have little effect.

Even placing a radio spot each day will have little effect. The radio salesperson will be happy to sell you these spots and even convince you that they will be effective.

However, in doing this they are really just filling in the available time slots left from other more coordinated radio campaigns.

5. The only time that lower Ad frequency may be considered is:

If your Ad is a regular feature sponsor of the major news broadcasts of the day

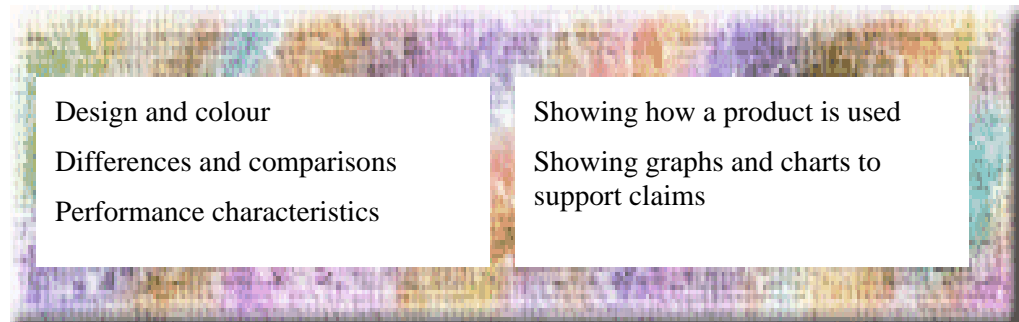
If your Ads are a feature sponsor of a radio show hosted by a well-listened-to radio personality in your market.

In both these cases, you will be paying a substantial premium for securing this advertising time for your Ads.

Television

Television is a powerful advertising medium that is equally effective for image-building advertising and price and item advertising.

It is particular effective for illustrating features and benefits of offerings like:



Being able to show people's expression and their reactions is also a powerful way of enhancing credibility of your offering.

However, television isn't for everyone. It may be too expensive, relative to other media, in most markets for many small businesses.

It also may not be the right medium to reach the target market for your offering.

Production costs for television Ads are also much higher in relation to production costs in other media.

Run television Ads (like radio Ads) in clusters to get the most effect.

They are a powerful way of building company image and that is fine if your company has the financial resources to support a television image building campaign.

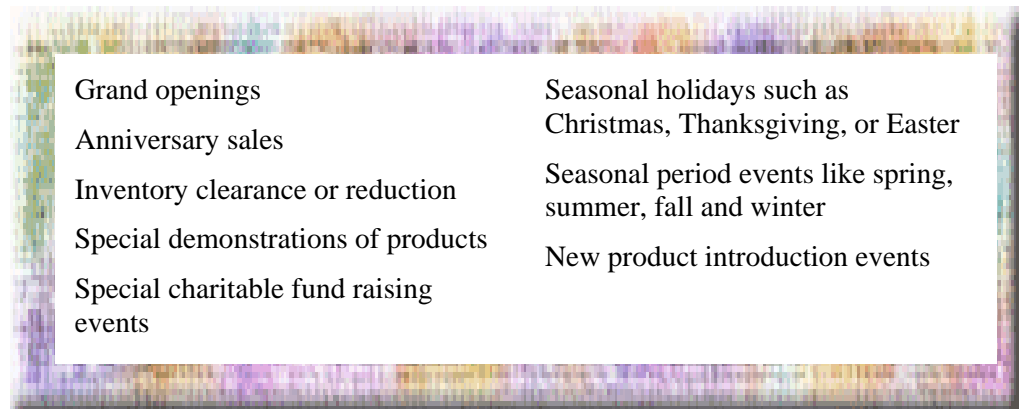
On the other hand, for most small businesses, buying television advertising in conjugation with other media advertising for a specific event.

As with radio, beware of television Ad salespersons offering Ads at times that will be unlikely seen by your customers.

Television Ads may be cheap for 3 a.m. but are a waste of money if your target audience is people who must get up in the morning at 6 a.m.

Planned promotional events

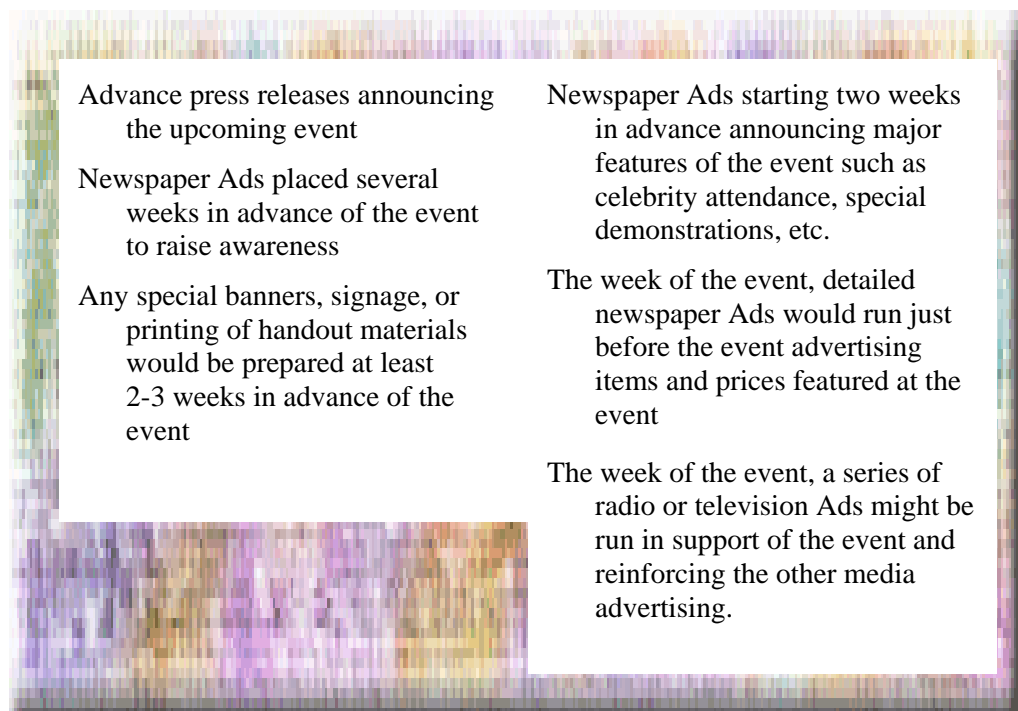
Planned promotional events are a good way of stimulating customer interest. Some typical examples of special promotional events are:



The list is endless and only subject to your imagination. Nevertheless, all of these events have something in common.

They require detailed planning, preparation, and media coordination to be effective.

Some elements of media planning for a typical event are:



Of course, details will be different for every business and will vary for every event.

It takes quite an effort to put on a promotional event.

Too often, a business will not do the best job of planning and executing an event and then wonder why customers did not flock to the door.

If possible, you should delegate a person or a team of people in your business to coordinate all of the necessary details to make the event successful.

If this is not possible, and the budget permits, hire a special event coordinator to do it for you. You may find that it is money well spent.

Special promotional activity

Special promotional activity covers literally anything and everything that falls outside of regular media activity.

<i>Some examples are:</i>	<i>Other examples involving more expense are:</i>
Press releases	Sponsorship of sports teams
Free publicity in editorials or business columns	Sponsorship of cultural events
Free publicity in connection with and support of community events	Production of brochures, data sheets, product manuals, and other company literature
Free publicity obtained by volunteering the use of the business to support a charitable purpose	Goodwill giveaway items for general use or for special customers such as pens, memo cubes, key chains, T-shirts, or jackets
	Telemarketing

All of these examples of special promotional activity can be effective.

However, they all should be part of a coordinated media plan.

Many businesses do some or all of the items mentioned above in an uncoordinated way and they lose much of the desired effect.

Media planning

In media planning, mathematics is different from you learned in school.



This is to illustrate that when you use more than one media type in an Ad campaign it has a multiplying effect. On the other hand, the effect you get is usually greater than if you only used one of the media types.

For example:
 You might implement a newspaper Ad campaign two weeks before a special event.
 In the last week before the event, you would run radio Ads with increasing frequency as you approach the date of the event.
 A customer seeing the newspaper Ad will have the impression of that message about your event reinforced by the radio Ad message.
 It makes the message more memorable. Combining the use of the media has a synergistic effect.

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 A customer seeing the newspaper Ad will have the impression of that message about your event reinforced by the radio Ad message.
 It makes the message more memorable. Combining the use of the media has a synergistic effect.

We cannot stress too much the importance of planning and coordinating all your media activities. At the beginning of this section, we talked about preparing 12-month and even 18–24 month media plans.

How to prepare a 12-month media plan

The chart shown below shows a simple way to organize your thoughts to plan a 12-month media campaign. For longer campaigns, you would just add additional sheets to cover the extended time.

Across the top of the chart, are columns titled with the particular type of media event.

Down the side of the chart, are the names of the month for each planned activity.

In each box, you will note the name of the event or advertising activity and the dates that it will run.

The advantage of creating a visual representation of your media activity is that you can get a visual sense of coordinating and integrating your use of various media in a given period. You can also readily identify conflicts.

In the illustrated chart, we have shown how a few months of planning might look on the chart. You should note particularly how:

- ❖ A press release or charitable event participation is timed to precede the start of a business promotion.
- ❖ The initiation of the radio or TV Ads overlaps at the appropriate time with the print media used.

After the media plan chart is completed, a budget is prepared. Each month is listed and the media activity listed, priced, and extended to arrive at a total for the month and, ultimately, for the year.

Another advantage of this media planning process is the ability to make changes without harming the overall plan.

Business conditions could change after a few months.

With a plan (such as we have illustrated to the right), you can visualize where changes are made while keeping essential elements of the plan and maintaining continuity.

	Newspaper Ads	Flyers	Handbills	Magazines	Radio	TV	Promotional Event	Other
Jan.								
Feb.								
Mar.								
April								
May								

Summary

In **The Importance of Media planning**, we have discussed how the media plan is the expression of the marketing strategy of a company.

You have learned something about the various media forms. In addition, you have learned how important it is to coordinate the use of the various media forms in order to obtain the best return for your advertising dollar.



Paying close attention to your media plan will certainly save on advertising costs and it will pay big dividends in the results achieved.

Celebrate!!

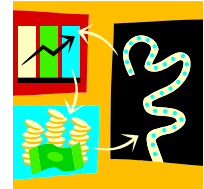
**That was a long one
So, relax and let go
before
starting the next one**



Pricing Philosophies & Approaches

Introduction

The pricing philosophy and approach of a company is closely linked to the creative platform of a company. As much as the creative platform of a company is the basic expression of how the company sees itself and wants to express and position itself in the market, the pricing philosophy is a key component of that expression.



There are numerous pricing philosophies and approaches that a company can choose. Many pricing philosophies are closely linked to the merchandising of a store and the style of doing business.

The term **merchandising** refers to the type of products that are offered and the way in which those products are displayed and advertised in the store.

In **Pricing Philosophies and Approaches**, we will discuss a number of common pricing philosophies and link them to several common business styles and merchandising approaches.

Visual presentation and display techniques are another important consideration and their relationship to the pricing philosophy and merchandising.

There are so many variations and combinations that this section will not address them all.

How to use this information

As you study this material, think about:

What is the business style of your business?

Do you have a pricing philosophy and, if so, what is it?

Why did you choose the business style and pricing philosophy for your business?

Does your business style and pricing philosophy suit your market? If not how will you, change it?

Common business styles

There are many business styles, but here are eight common ones:

1. High-quality, high-end (high-priced) products, and broad selection
2. High-quality, high-end (high-priced) products, limited or select selection
3. Brand name products, full range of quality, price, and selection
4. Brand name products, limited range of quality, price, and selection
5. Medium-quality, medium-priced products, and broad selection
6. Medium-quality, medium-priced products, and limited selection
7. Low-end quality, low-priced products, and broad selection
8. Low-end quality, low-priced products, and limited selection

The company and the sales and marketing manager will choose an approach—a style of doing business that, in their view, positions the company most favourably in the market versus their competitors.

They will make this decision based on the extensive market research completed in the preparation of the company's business plan.

Business style is more than the quality of the products and their price. It can relate to other factors as well.

For example:

- Location of the business
- The way customers access the business
- The way in which customers are served (or not served)
- The range of services provided (or not provided)
- The appearance and deportment of staff

You can see how complex the variations can become when you apply these few options to the business styles we listed.

Common Pricing Philosophies

There are as many variations in pricing philosophies, as there are business styles and approaches to the market. Proclaiming pricing philosophies in the advertising of the company can be an important part of establishing the image of the business in the mind of the customer.



At times, many businesses combine these philosophies but let us briefly examine each philosophy.

1. Competitive prices everyday

The competitive prices everyday philosophy tells consumers that they will be offered products at a competitive price, or similar to the price at other businesses.

It doesn't mean that the products are any better than those obtained elsewhere are.

A business taking this approach is telling customers that they are charging a fair price.

2. *Everyday low price*

The everyday low price philosophy states that the consumer are offered products at a price that is usually lower than the price offered by other businesses having the same product.

Whether this is consistently the case may be another matter.

However, if the company does not live up to its stated philosophy, it will not be long before its well known in the marketplace.

Once images are established, they can be hard to change.

3. *Regular on-sale strategy*

With the regular on-sale strategy philosophy, the consumers are told that most days throughout the year products are sold at competitive prices.

However, at regular intervals, there are lower or discount prices on merchandise. Some of the reasons for the lower prices may be:

- ❖ The products are seasonal such as snow shovels, garden products, or summer fashions
- ❖ To clear out remaining seasonal products before the next season
- ❖ To clear out damaged merchandise

Sales of this nature are very predictable and, consequently, some consumers will wait for the sale and never buy at the regular price.

For that reason, it is important to control the timing and length of these sales in order to obtain the desired result but maintain an overall *gross margin*.

4. *Discount/clearance prices everyday*

The discount/clearance prices everyday pricing philosophy tells the consumer that the lowest prices are available everyday on products sold at the business.

A business taking this approach must sell large volumes of merchandise to compensate for the low gross margins on the goods sold.

However, some businesses may be acquiring low-quality goods or perhaps low-priced inventory from bankruptcy sales, thus may enjoy normal gross margins even at the apparently low prices.

This pricing philosophy attracts the *bargain hunter* rather than a loyal customer who responds to quality and service.

There are very good reasons for a business to discount merchandise periodically, but think out the effect that discounting price will have on the business before you do it.

We will discuss the effects of discounting in more detail in *Pricing Policy*.

Combinations and variations

With the eight business styles (discussed above) and four common pricing philosophies, there are a huge number of combinations and variations. There are far too many to cover here. However, by way of illustration, here are several examples that relates to you.

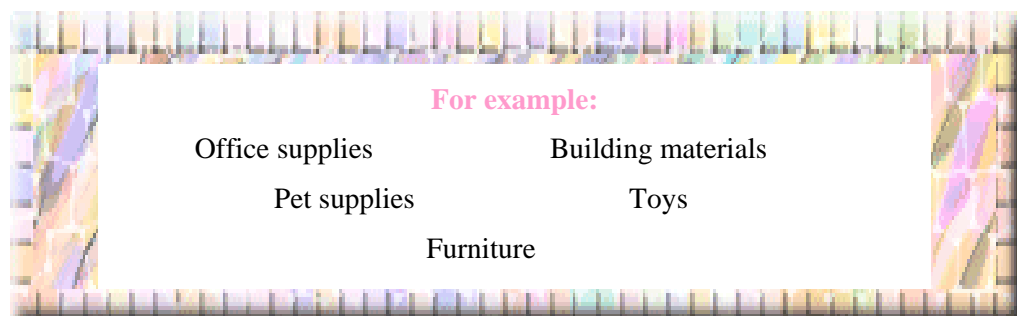
In every marketplace, there are independent and chain stores that combine:

Business style	Medium-quality, medium-priced products, broad selection Low-end quality, low-priced products, broad selection
Pricing philosophy	Everyday low price
For example: K-Mart, Zellers, Woolworths, Wal-Mart, Dollar Stores	

1. A number of very large chain stores purport to sell at wholesale prices but require a membership before purchasing. Some combine:

Business style	Brand name products, limited range of quality, price and selection
Pricing philosophy of	Everyday low price
For example: Costco	

2. There are independent and chain stores that specialize in certain product areas.



These kinds of businesses will combine:

Business style	Brand name products, full range of quality, price, selection
With a pricing philosophy of	Competitive prices everyday Regular on-sale strategy
For example, Home Depot, Office Depot, Staples, Toys R Us	

As you can see, the combinations and variations are almost endless.

Summary

We have discussed common pricing philosophies and their link to several common business styles and merchandising approaches.

Examine your business and ask yourself:

How would you describe your business style?

How would you describe your pricing philosophy?

Does your business style and pricing philosophy take advantage of the competitive environment in your market?

What changes would you make to your business style and pricing philosophy to take better advantage of the competitive environment in your market?

Celebrate!!

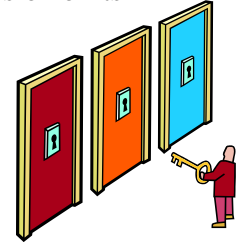


Pricing Policy

Introduction

Pricing policy is a very visible and key part of a company's marketing strategy and a marketing plan. A company's pricing policy is the final expression of its marketing strategy.

In the end, no business transaction takes place unless everything else you do in your marketing plan culminates in a sale. The selling price must be justified, or is the result of the total marketing approach.



Companies adopt their pricing policy for a number of reasons. In this section, we will discuss some of those reasons. We will discuss the key role of suppliers and the effect they have on pricing policy.

How to use this information

This material will assist you in developing a pricing policy for your business. We will be examining the various factors that can influence the development of a pricing policy.

As you move through this material, think of how your market research and analysis, pricing philosophy and business style are influenced by the factors discussed in this section to arrive at **your business pricing policy**.

Key components of a pricing policy

After completing the detailed research and analysis (discussed previously), you will have reached conclusions in regard to:

- ❖ Who your customers are
- ❖ What the needs of your customers are
- ❖ What product suppliers have the best product lines and programs to help you satisfy those needs

As part of your marketing plan, you have to implement a strategy that fits your budget and takes advantage of the support programs offered by your suppliers.

Thirteen key areas to consider when developing a product pricing policy are:



1. Instant Customer Recognition
2. Co-operative advertising programs
3. To handle a name brand or not
4. Product mix
5. Distribution structure
6. Local competition and product abundance
7. Dealer program policy
8. Product quality and selection
9. Pricing structure and policy (of suppliers)
10. Advertising programs and support-nationally and locally
11. Warranty policy and guarantee procedure
12. Shipping policy, freight policy and returns
13. Payment terms

All thirteen of these topics will affect the pricing of your offerings. Take all of them into account so that whatever additional costs are involved, or supplier programs that alter **gross margins (GM)**, your business will be able to maintain and control its profitability.

Let us discuss each of the thirteen topics in some detail.

1. *Instant customer recognition*

Nationally known and well-advertised products will often have instant customer recognition. You could say that the products would sell themselves because the customer already accepts the products and the standard of quality or performance they represent.

Describe the instant customer recognition programs of the various manufacturers of your product lines.

If there is a choice of manufacturers for your product line, which one will you choose? Why will you choose them?

How will their instant customer recognition programs assist you in your business?

How will your customers benefit from these programs?

2. *Co-operative advertising programs*

Large national companies usually have good co-operative advertising programs to support dealer costs of local advertising to tie in with the national advertising programs.

This may sound good to the new business or small existing business, but the negative side of this is that often consumers see products promoted in this way as commodities. Such products are highly price sensitive.

In addition, the *gross margin* (GM) realized on the regular selling price is usually low and is controlled by the manufacturer.

When the manufacturer launches a national promotion, *gross profit margins* may be driven even lower in spite of special promotional, pre-sale offerings from the manufacturer.

Furthermore, the business may feel forced to participate in the promotions whether they want to or not.

There is no exclusivity with this type of product. There may be dozens, if not hundreds, of businesses in your market handling the products.

Describe the various manufacturers' co-operative advertising programs.

If there is a choice of manufacturers for your product line, which one will you choose?

Why will you choose them?

How will the co-operative advertising program assist you in your business?

How will your customers benefit from these programs?

3. To handle a name brand or not

Your business may decide to handle product lines that are not major nationally advertised brands.

These products may have unique features of quality and performance.

They may not be generally available in the business's chosen market area.

The manufacturer may offer some territorial exclusive to its dealers.

A business may not enjoy the same volume of sales handling this type of product line; however, the gross margin on the selling price is usually higher.

There are advantages and disadvantages to handling *name brand* and national advertised products. They are sometimes seen (to coin a business phrase) as *high volume, low gross* products. This means that they tend to attract sales volume, but they yield a low gross margin on selling price.

Handling this type of product can raise the profile of your business and attract customers. In addition, if the products allow the business to generate enough gross margin to offset a substantial portion of the business operating expense—it may be worth sacrificing control over the marketing of the product.



Here are some questions that can help you in your research and decision-making.

1. Do any of the manufacturers offer a territorial exclusive to its dealers?
2. What are the advantages and disadvantages of carrying name brand or nationally advertised products?
3. What are the advantages and disadvantages of carrying non-national advertised products?
4. Which route will your business use? Why have you made this choice?
5. How will your decision benefit your business?
6. How will your decision benefit your customers?

4. Product mix

In many businesses, the product mix is a very important consideration. It is usually not a particular product or product line that results in a business being profitable. Rather, it is the way all of the product lines carried by the business and the product mix complement one another that result in a profitable business.



For example:

The nationally advertised brand name product may have brought the customer in the door. However, by offering the customer a choice of the brand name product and other competitive products with different or specialized features, the sales of all products are enhanced.

Offering products at different price points and complementary or accessory products is often as important or even more important to the profit of a business. These products often yield much higher gross margins compared to the high-profile *brand name* product.

In the case of a tool or a machine, some accessory sales might be:

- | | |
|--|-------------------|
| Attachments | Protective covers |
| Adapters to interface with other tools | Lubricants |
| Replacement parts | Cleaners |

In the case of a clothing item, like a suit, accessory sales might be:

- | | |
|---------------------|----------------|
| Co-ordinated shirts | Belts |
| Ties | Topcoat |
| | Matching socks |

In these two examples, the machine or the suit is sold at a very low gross margin to meet advertised competition. Having a good selection of complementary accessory products and a salesperson who can effectively present these options to the customer is very important. It will often determine whether the business is profitable.

The point of the foregoing discussion is to emphasize how important the product mix is and how important suppliers of complementary or accessory products are to the success of the business. Every business and the market it serves will be different. The product mix is so important to business success that it should be regularly reviewed.



1. What is your product mix? Alternatively, what will your product mix be?
2. List the product mix for each major product or group of products.
3. Why have you made this decision about your product mix or product mixes?
4. How will your decision benefit your business?
5. How will your decision serve your customers?
6. Who will your suppliers be for the various aspects of your product mix?

You may need to review your various suppliers before making your decision concerning the complementary accessory products that you require for your product mix.

5. Distribution structure

Your awareness of the distribution structure of your supplier is important and a business should examine the following questions:



1. What is the chain of distribution from the manufacturer to the dealer for your product mix?
2. Has this changed over recent years and, if so, how has it changed?
3. Will the method of distribution be the same five years from now?
If there is a change in distribution structure, how is it likely to affect your business?

4. What is the growth trend of the product line in the market? Is it expanding or declining?
5. Are there other questions that you need to ask?

Apply these questions to each supplier or kind of supplier.

6. Local competition and product abundance

Before taking on a major product line, it is important to know the degree of the participation in the *market* of the product. Some product lines may be very widely distributed—they are considered a **commodity**.

It may be essential to your business to have such products in order to be seen as a competitive source of supply in your market. In that event, it is important to look for other product lines that will differentiate your business from others in the market.



Commodity—In a general sense, the word means anything that is traded—bought and sold. However, as a business term, it is usually used in reference to raw material products of any kind that may be traded on the stock market such as lumber, metals, beef, cotton, or whatever.

The term is also used in reference to finished goods of any kind that have become common in use, of generally similar quality and so generally available, that the consumer tends to buy them on the basis of price only.

Examples of such items might be toilet paper, nails, packaged water, many food items, or electrical wire. There are some minor differences to distinguish one brand from another, but it can get to the point where the consumer sees little difference between brands. When this occurs, the business world refers to such an item as *becoming a commodity*.

You need to find products that will give the business areas of uniqueness or specialization. These types of products are likely to have the greatest growth potential for the business.

These are some of the questions to ask about all product lines carried by the business.



1. How many businesses are now marketing the products in your market?
Who are they?
Where are they located in relation to your business?
2. What is the possibility of obtaining the rights for the exclusive representation of the product in your market?
If so, for what period time would the exclusive be?
If so, what would be the performance criteria?
3. How complete is the inventory of the products stocked by these competitors?
4. How do these competitors market their product lines?
Are they usually sold at regular prices or are they constantly *on-sale* at some stores?
You want to get a sense of how tough the competition is and how much of your business's resources it may take to compete.
5. Are the product lines featured frequently by *chain stores*, *franchises* or *buying groups* in your market?
6. What specialty products or related products do not appear well represented in the market?
7. What after-sale services are related to the product lines?
How many competitors offer these product-related services?
Who are these competitors and where are they in relation to your business location?
8. Are there other questions that you should ask?

Apply these questions to each supplier or kinds of suppliers.

7. Dealer program policy

Some manufacturers or distributors have structured dealer programs. These programs can require certain minimum standards to qualify as a dealer and be eligible for dealer pricing and the various items in their dealer support program.

Some businesses may find after they have taken on a product line that they cannot afford to adhere to all of the requirements of the dealer program.

Consequently, it is very important to do your homework and be sure that you can sustain the dealer program once you have started. Otherwise, it can result in a very costly mistake.



The minimum standards can include requirements such as:

- ❖ Minimum dollar value of opening inventory order
- ❖ Maintaining annual purchases at or above a certain dollar value
- ❖ A specified basic inventory selection in order to participate in national or regional promotions
- ❖ Mandatory participation in national or regional promotions
- ❖ Maintaining a specified minimum amount of shelf space for the product line
- ❖ Maintaining a certain appearance of the product presentation by requiring use of shelf headers or other *point of sale (POS)* materials supplied by the manufacturer

Although the above are not questions, use them as questions for your research for each of the various suppliers or kinds of suppliers.

8. Product quality and selection

Research the quality of suppliers' products. The range of quality options is also important and the depth of selection within those quality ranges.

Customers today are looking for value. They want to be able to fit the quality of a product to both their pocketbook and the expected usage of the product.

The reputation of a company and its perception in the marketplace will depend on:

1. Do the products have a good track record of performance?

Do they live up to the advertised claims?

How the products are generally rated against other brands offered in the market?

How would the products rate on a scale of 1 to 10 with 10 being the highest quality?

Do customers in the marketplace perceive the products as good value for the money?

Alternatively, do customers see them as *overpriced* or *underpriced* in relation to other brands and performance delivered?

2. How many levels of quality does a supplier offer within a product class?
Will all levels of quality perform adequately?
3. What is the selection offered within each quality level?



For instance:

In decorative products, this might be the variety of colours available in each quality level.

If the product was an automobile tire, it might be the sizes available in a certain level of quality.

4. Do you have other questions that will help you understand product quality and selection?

It takes time to do this research. Good informational sources are:



Industry publications

Other major users in the market

Consumer publications (Consumer Reports)

Friends and neighbours

The Better Business Bureau

Personal use

Use the above questions for the various suppliers or kinds of suppliers.

9. Pricing structure and policy

The pricing structure and policy of a supplier can affect how effectively the business can represent the products in the market. It may also affect how competitive the business will be. There is practically no limit to the variations in pricing structures and policies, even within a particular industry. It remains for the business to determine what is best for their situation and their market.



Some examples of suppliers' variations in pricing structure and policy are:

1. One price for all businesses of a type, no matter how much is purchased.
2. One price for all businesses of a type, but with certain annual volume discount levels

For some businesses, the volume necessary to achieve a volume discount may be unattainable for a variety of reasons and this may put the business in an uncompetitive situation.

If a volume discount is achieved, suppliers may give a rebate in the form of a credit to the customer's account or issue a cheque.

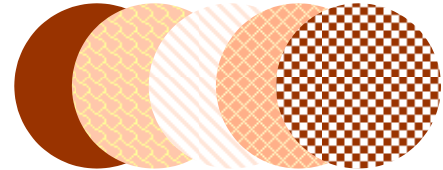
3. Some suppliers may use price tables.

Price tables are a published schedule of price levels for different levels of volume purchased or different classifications of customers.

4. It is common to have a number of levels of pricing, for example 3–6 levels.

A manufacturer (brown) would have at least four levels of pricing—master distributor (tan/yellow), distributor (tan/white), wholesaler (light brown/yellow), and dealer (brown/white).

Within each of these general classifications, each level may have a schedule of prices for such categories as retail, commercial, industrial, and government, as well as special pricing for volume users of a single item.



5. Some suppliers in businesses with seasonal products may offer 'booking programs.'

These are also sometimes called *dating programs*. These programs usually offer substantial discounts on products if an order is 'booked' several months in advance of the shipping date.

The discounts offered on 'booking programs' can be 15%–25% or more, less than the regular cost.

Sometimes, further incentives are given such as allowing a month or two extra to pay. There often is a graduated early payment discount schedule to promote early payment after shipment is made.

Suppliers typically offer these programs to keep their factories producing during slow periods.

The downside to the business taking advantage of a *booking program* is that the minimum quantities required for the 'booking' often amount to several months' supply of products.

This lowers product turnover and can affect profitability.

The foregoing is to illustrate that there are many combinations and variations when it comes to pricing policies. It is important that the business compare the advantages and disadvantages of each supplier's programs as it may relate to the market served and a business's ability to use the program.

Develop a set of questions from the information listed above in the various points. Ask the questions of your suppliers or kinds of suppliers.

10. Advertising programs and support—nationally and locally

Supplier advertising programs assist in the development of consumer awareness. They are very important considerations for the beginning business as well as the existing business. These programs help to establish credibility for the product in the market and they *pre-sell* the product.

This helps to reduce or offset the marketing cost to the business. However, these programs always require a commitment from the business participating in the program.



Here are some things to be aware of and examples of typical conditions of these programs:

1. The cost of national advertising comes out of the cost of the product to the business.

That is why suppliers sometimes impose minimum levels of purchases for their customers or, alternatively, different levels of pricing for different classes of customers.

2. Some suppliers can require mandatory participation in national advertising programs as part of the dealer agreement.

Some small businesses may find that it is financially difficult to maintain participation in these programs.

It may even be that the national promotion pricing is so low that it is literally a *loss leader* intended to bring customers in the door.

3. Many suppliers offer co-operative advertising programs.

These programs are to help a business financially to support and participate in the national advertising programs. Usually, these programs are called 50/50 Co-op Ad programs.

This means that the supplier will match the dollars spent by the business on advertising of the supplier's products up to a specified maximum amount that is usually a percentage of annual purchases.

It is common for suppliers to provide 2%, 3%, or even 6% of annual purchases in Co-op advertising support.

For example:

If purchases of the product annually were \$50,000 and the 50/50 Co-op advertising allowance was 3%, then the supplier would pay \$1,500 of advertising cost if the business spent \$1,500.



Suppliers usually pay this in the form of a credit on an account after receiving proof of the advertising.

4. It is very useful for a business to know in advance, for budget purposes, the advertising or promotional calendar of their supplier.

Some suppliers may not wish to divulge that information for competitive reasons, but some will provide their dealers with an outline of their future advertising activities.

5. The more catalogues, data sheets, brochures, camera-ready Ad materials, etc., that are available from a supplier; the less cost there is to the business in promoting the products.

Most suppliers producing these Ad materials provide a space for a business to stamp the materials with their business identification.

Smaller suppliers of products that are less well known may not provide as much advertising support of all kinds.

The cost then, of raising awareness of the product, must be borne by the business.

You can see from a few examples that advertising programs offered by suppliers can be very important to the success of a business. However, compare these programs carefully with the view to affordability and fitting them to the future needs of your business.

In addition, advertising programs are only part of the total analysis that goes into deciding upon a product supplier.

Use the above ideas for a set of questions that you will ask your various suppliers or kinds of suppliers.

11. Warranty policy and procedure

The degree, which suppliers stand by their products, has an important bearing on the image of the products in the marketplace.

Guarantees of performance and warranties extended by the manufacturer are important selling features. They assure the end user that if the product does not perform as claimed, there is some recourse.

However, it is important to read the fine print when comparing product guarantees or warranties.



Here are a few things to consider when comparing warranty policy and procedures of prospective suppliers:

1. Who is offering the warranty?

Is it the manufacturer, the distributor, or the wholesaler?

2. What does the warranty cover?

Does the warranty cover the replacement cost of the product?

Is the value of the warranty pro-rated over the 'expected life' of the product?

Does the warranty only cover replacement of parts, not labour costs?

3. If the product needs repairing under warranty, is there an authorized warranty service depot in your area?

Either is it the dealer's responsibility to arrange for the repair or is the end user directed to a repair depot?

4. If there is no authorized warranty service depot in the area, who can repair the product and who pays the shipping costs?

In most cases, what is the time involved for a typical warranty service repair?

5. What is the experience of the Better Business Bureau in the area in regard to any consumer complaints about the product performance or the honouring of warranty service?

An example of a use of a warranty:

A business may decide to use a supplier's service and warranty programs in their advertising.

It is the supplier who is telling you that your computer has a 3-year warranty, not the local dealer.

This is one example of the use of supplier service and warranty programs to market a business.



Ask each of your suppliers or kinds of suppliers' questions about:

12. Shipping policy, freight policy, and returns

Shipping and freight policies of suppliers can have a significant effect on the selling price to the end user and the profitability of a company.

Some suppliers have minimum quantity or invoicing requirements.

Some have different shipping policies for different geographic areas.

Some suppliers offer incentives to increase order size and will even prepay the freight costs if the order is over a certain number of units or dollar value.

The reason is that the supplier can take advantage of lower freight rates on larger orders. Accordingly, when assessing suppliers, their shipping and freight policy are important considerations.



Here are some of the key points to look at:

1. Is there a minimum quantity or dollar amount required to place an order?
2. Is there a schedule of freight allowances offered to offset freight costs and encourage larger order size?

Some suppliers will offer, on a regional basis, a percentage discount off the order total if the order is over a certain amount.

3. Does the supplier have a *drop shipment quantity* incentive?

A drop shipment is a term used to describe an order on which the supplier will prepay the entire shipping cost. The criteria vary with the supplier.

A drop shipment may be a certain number of product units, cases, total weight of the order or the dollar value at cost.

4. What is the typical delivery time after placing an order?

5. What is the procedure for returning products?

What approvals are necessary to authorize a return?

What are the conditions?

What proof is required for returning products?

How long does the process take?

What is the restocking charge, if any, and under what circumstances does it apply?

Are there other questions? Ask these questions of your various suppliers and kinds of suppliers.

13. Payment terms

Payment terms can be extremely important to the success of any business.

If payment terms are given to the buyer of the goods, it means that a period is allowed before payment must be made.

If payment terms are *net*, it means that there is no time extended to make payment for the goods and the invoice is due and payable upon presentation of the invoice.

When buying a product if no payment is required for 15, 30, 60, or, even 90 days, there is a real benefit to the business for that period. That is because there is a value to using money for a period.

When borrowing money from the bank, there would be interest due for the period the money was used.



In the case of product payment terms, no interest is usually charged; therefore, there are several advantages to the buyer:

The product may be sold before payment is required.

If the business doesn't have to pay for an order for 15, 30, 60, or 90 days, it can use those funds to invest in other business needs or special terms can materially affect and improve the **cash flow** of the business.

Depending on the cost of borrowing and the time interval allowed before payment, the savings to the business could typically be between 1–3% at cost. When that savings is marked up to reflect the selling price, the business could be saving 50% or more, or 1½–4½% of the cost of the product.

However, if special terms are contingent upon taking several months' supply of the product, it may not be worth it.

Many companies will offer incentives for early payment of invoices. It is common, depending on current interest rates, for companies to offer 1–2% off the amount of the invoice for payment before a specified time. Usually this is 10-15 days after the invoice date.

Being able to take advantage of all early payment discounts can be a major saving to a company.

If a saving of even 1% was realized on purchases every month that amounts to 12% per year.

At selling price, that could be an improvement of as much as 18% in **gross profit margin**.

Even if the funds had to be borrowed from the bank to make the payment, the savings would be significant.

In summary, the key point here is that *time is money*.

If payment terms are used creatively, the business can effectively use supplier's money at no cost and have the business enjoy the savings.

Hence, comparing the payment terms and flexibility of suppliers is an important aspect of assessing prospective suppliers.

You can develop a series of questions from the above information that you can ask your various suppliers or kinds of suppliers.

Summary

Now, you have learned how complex formulating an effective pricing philosophy can be. There is much more to an effective pricing philosophy than *charging what the market will bear* and simply reacting to the pricing of your competitors.

A well-thought-out pricing policy will consistently reflect the market strategy of the company. As well, it will consistently reflect the pricing philosophy and business style of the company.



Celebrate!!

Take some time out



The Effects of Discounting Prices

Introduction

Another important function of a marketing manager is to determine any discounting of prices of the goods and services of a business.

Every business discounts the price of its offerings. Some businesses do it only occasionally and some do it as part of a planned marketing strategy.

Many businesses discount their offerings either as a reaction to competitive activity or to penetrate a new market.

Before doing this they often do not think through what the effect on their business will be of discounting their offerings.

Discounting offerings can be effective but it must be done in a planned and controlled way and with a clear objective in mind.



In **Effects of Discounting Prices**, we will examine some of the effects on the business of discounting prices. We will discuss some of the key factors that a sales and marketing manager must consider before implementing a discount strategy.

How to use this information

Do you consider the effects of discounting prices beforehand? Do you know in advance, what the effects of discounting prices will be on the sales and profits of your company?




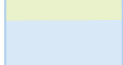

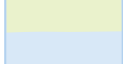
Here, we will examine the effects of discounting prices. There are often very good reasons for discounting prices, but the reasons have to be thought out and the results of the action considered.

As you go through this material, consider how you presently make decisions on discounting prices.

Preparation for discounting prices


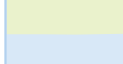
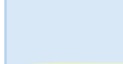
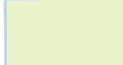
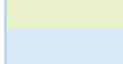
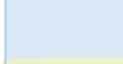
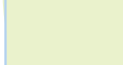
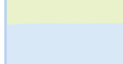
Examine how you currently price the offerings in your business. Look over the past year or so at all the times you have discounted your prices.

First, ask yourself:

-  Were prices reduced in response to seasonal price variations in your industry?
-  Were prices reduced in a planned and organized way as part of an overall marketing strategy?
-  How many times did you discount offerings as a reaction to competitor prices?
-  How many times did competitors reduce their prices in reaction to you discounting your prices?
-  What did you expect to accomplish in the short term each time prices were discounted?
-  What did you expect to accomplish in the long term each time prices were discounted?


Examine each sale event where you discounted your offerings.

Now ask yourself:

-  How much revenue was generated directly from the offerings that were discounted?
-  What was the gross margin generated on these sales?
-  How much revenue was generated from accessory or related products during the discount period?
-  What was the gross margin generated on these offerings?
-  If you combine the sales of the discounted products and the accessory and related products, how do these sales compare to a similar period when offerings were not discounted?
-  How does the overall gross margin during the discounted period compare to the gross margin in a similar period when offerings were not discounted?
-  How many times was total average inventory value turned over before offerings were discounted?
-  How was the rate of inventory turnover affected by discounting offerings in the previous year?

This analysis can be very revealing and whether the answers are positive or negative will guide the sales and marketing manager in making good pricing policy decisions.

Some of the typical reasons why every business periodically reduces prices on its offerings are to:

- 
- Attract customers and thereby stimulate sales activity
 - Meet competitive prices
 - Accelerate the movement of slow-moving inventory, discontinued inventory, and obsolete inventory or damaged inventory
 - Reduce inventory levels to increase inventory turnover ratios
 - Reinvestment of cash realized from clearing out stock into inventory items with a higher turnover rate

Discounting prices

These are all good reasons for discounting prices under the right circumstances. However, a sales and marketing manager needs to be fully aware of the consequences of discounting prices on a regular basis.

The two charts below illustrate what happens when you discount prices.

The first chart tells you that if you reduce your price, you obviously need more business to maintain the same amount of gross sales dollars that you had before you reduced the price.

That is why you need more customers spending the same average gross sale dollars or you would need to increase the amount of the average gross sale to your customers.

The effects of cutting prices

This **chart** shows that if you reduce prices by 10% you would need 11.1% more business to maintain the same gross sales dollar volume if your average gross sales remained the same.

At a 20% discount, you need to acquire 25% more business to maintain the same gross dollars in sales.

To maintain the same total sales volume if you give	
Percentage of discount	You will need this much more business
5 %	5.3%
10%	11.1%
15%	17.6%
20%	25%
25%	33.3%
30%	42.9%
33.3%	50%
50%	100%

This **second chart** illustrates a more startling fact.

It shows that when you discount your prices the impact on profit is even greater.

It illustrates that to maintain the same dollar profit figure, as before discounting prices, you need a large increase in business.

For example:

If you reduce prices by only 10%, you would require 33.3% more business to generate the same gross profit dollars.

At a 20% discount, you would need 100% more business to generate the gross profit dollars.

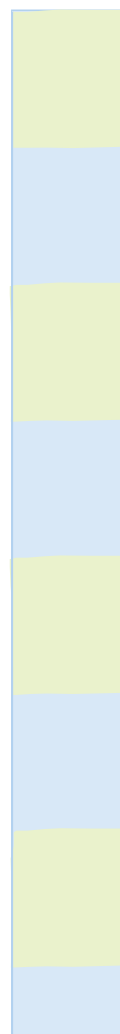
To maintain the same dollar profit if you give	
Percentage of discount	You will need this much more business
5%	14.3%
10%	33.3%
15%	60%
21%	100%
30%	300%
33.3%	500%

Furthermore, additional expenses incurred in handling the extra volume will likely further erode profits. Examples of these expenses are:

- ❖ Extra personnel
- ❖ Additional advertising
- ❖ Higher delivery costs
- ❖ Higher administration costs involving invoicing, credit, or collections.

In addition, profits will likely erode even further by the additional expense incurred in handling the extra volume. These additional expenses could include extra personnel, additional advertising, higher delivery costs, and higher administration costs (invoicing, credit, and collections).

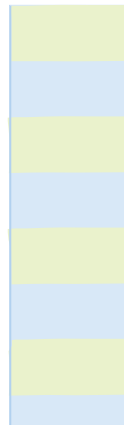
Discounting is an important part of any sales strategy. However, the sales and marketing manager should only do it:



- When accomplishing a specific purpose
- When applied to only certain items or for a limited period
- When given careful consideration to the impact, the discount strategy will have on the company
- Before discounting offerings, the sales and marketing manager should prepare estimates of the *gross sales* and *gross profit margins* of at least three scenarios:
 - (a) The minimum amount of inventory movement that could be expected
 - (b) The median amount of inventory movement that could be expected
 - (c) The maximum amount of inventory movement that could be expected
- Only examine these scenarios from the standpoint of:
 - How much additional operating expense can be attributed to the *gross margin* generated in each scenario?
 - What would the *net profit margin* likely be in each scenario?
 - What impact would the projected movement of inventory in each of the scenarios have on overall inventory turnover?
 - What impact would the projected movement of inventory in each scenario have on the liquidity of the company?
- Alternatively, if *dead stock* or slow-moving stock is reduced, then the company's ability to turn current assets and immediately saleable goods into cash will have improved.

Summary

We discussed the following topics:



The reasons why businesses discount their offerings and what affect discounting can have on the business.

When discounting offerings is an appropriate response to the market.

Ways in which the sales and marketing manager should analyze sale of offerings and the impact on the business of discounting those offerings.

You should relate this discussion to your business: how you presently manage the sale of your offerings, and particularly how and why you discount your offerings.



Celebrate!!

**Relax,
go somewhere different!**



Store Merchandising

Introduction

Store merchandising can be a complex subject and thick books have been devoted to it. Simply put, the term merchandising in this context of **Store Merchandising** means the way in which products (merchandise) are displayed and presented to the customer. The purpose of merchandising is to promote sales in general and promote sales of specific products or product groups.

There is much more to store merchandising than selling good products at a competitive price and loading them onto the store shelves. Industries that sell products consider effective merchandising a science. They know that the way stores are merchandised can have a significant effect on sales and profits.

Store Merchandising is a survey of the topic—we will discuss many of the key elements of it.

How to use this information

Consider this section as *food for thought*. The ideas presented here will with a bit of luck cause you to take a hard look at how your store is presently merchandised. These ideas are intended to raise your awareness of the importance of store merchandising and how it can affect your sales and profits.

A lot of money can be spent on merchandising a store and you have to be careful that what you do:

- ❖ Conforms to the *creative platform* of the company
- ❖ Is cost effective—it generates a return on the investment made
- ❖ Will fit the budget considerations of the company

After you have read this section, you will appreciate how large the subject of merchandising is. Depending on the nature and size of your business, you are advised to seek professional assistance in implementing your ideas.

Store Merchandising is divided into six subheadings:

1. Key elements of store merchandising
2. Store layout
3. Store fixtures
4. Specialty and promotional product placement
5. Arranging products on shelves to promote sales
6. Consumer perceptions of value

Key elements of store merchandising

Experts in merchandising base their decisions on research into:

- ❖ The affects of advertising on consumers
- ❖ How colour affects consumer selection
- ❖ What designs and shapes are most pleasing to the consumer or catching their attention
- ❖ How the human eye absorbs or perceives images of groups of items
- ❖ The affects of lighting on consumer attitudes and preferences
- ❖ How consumers read printed messages such as signage and product information
- ❖ What level does the consumer's eye naturally move onto a shelf for the first time, second time, or third time?
- ❖ Also, businesspeople concerned with store merchandising are concerned with:
 - How customers typically move around or through a store.
 - Do they prefer to move around the store clockwise, or counterclockwise?
 - Alternatively, perhaps, they go down the middle of the store and then go right or left.
- ❖ How should store fixtures be placed to promote or influence the movement of customers through the store?

- ❖ Where promotional products should be placed to the best advantage so that customers would notice them?
- ❖ How should higher-priced, higher-profit margin items be displayed on shelves to promote their sales over lower-priced, lower-profit margin items?
- ❖ How do systems work for arranging products or groups of products on shelves that will best promote the sales of those groups of products?
- ❖ How to use brand recognition most effectively in shelf displays?

Consequently, the knowledge brought to bear in store merchandising can be a very complex mixture of:

Consumer demographics
 Psychology
 Market research
 Advertising
 Architecture and design
 Ergonomics
 Visual presentation techniques using colour and design

How the store merchandiser uses this knowledge in an individual case will vary greatly and will depend on some of the following factors:

The business style of the company
 The pricing philosophy of the company
 The creative platform of the company and the image that the company wishes to present to the market
 The location of the store geographically or within a city
 The economy of the market served
 The market positioning of the store relative to the competition in the market

How all of these factors are considered by the merchandiser, selected, and used in an individual situation is a complex subject. It takes years of training and practical experience to do it effectively on a consistent basis.

Whenever you walk into a store of one of the large chain retailers, you may take for granted the store design and the way it is merchandised. You may not think that design and merchandising has any effect on your purchasing. After all, it isn't it only other people that are influenced by that sort of thing?



Chain retailers maintain full-time store merchandising departments whose sole purpose is to develop and implement store merchandising that will influence your buying decisions.

If you're an independent store in Average Town America, you probably can't afford to have full-time staff devoted entirely to store merchandising.

However, you may want to:

- Hire a marketing consultant or company with expertise in store merchandising
- Acquire assistance from a buying group or franchise if you are affiliated with one
- Sponsor employees for training courses in merchandising available in your area at community educational institutions

All store managers should consider the following ideas:

- Store fixtures
- Store layouts
- Specialty and promotional product placement
- Arranging products on shelves to promote sales
- Consumer perception of value

Store fixtures

Store fixtures are usually a major expense for a new store. Planning the fixtures necessary for a store is a major budget decision and needs to be carefully thought out.

If you are not familiar with store fixtures, it may be wise to obtain assistance from a consultant or a store fixture company representative.

If you are affiliated with a franchise or a buying group, these organizations often will provide store-planning services for a fee.

Depending on the fixtures needed and your budget, you may want to investigate the cost of used fixtures in your market. Most store fixtures are of very durable construction and will last for many years—in other words; used fixtures are a good deal.

In most markets, there are many store fixture manufacturers from which to choose.

You are liable to find that the size of the various fixtures available and the spacing of the modules are quite similar.

One of the reasons for this is that each company wants to purchase their fixtures by both new stores and existing stores that may have bought their original fixtures from another company. Therefore, the fixture companies need their fixtures to *fit in* with the other fixtures in the store.

Choose fixture modules of a size that will be used in more than one area of the store. More than one module can usually be fitted together to make a larger fixture, whereas a larger module cannot be broken up.

Pick standard sizes of fixtures and shelving that will fit with most brands of fixtures in the market.

If some of your merchandise does not display well on standard shelving and gondolas, ask your fixture supplier for suggestions. You may be surprised at the creative solutions that are available.

Be very cautious about accepting free display racks and displays from suppliers. It doesn't take many of these on the floor in your store before your store starts to look cluttered because they usually do not fit in with the fixtures in your store.

Store layout

The term store layout refers to:

- How store fixtures and display gondolas are placed within the store
- The size of the store fixtures and display gondolas in terms of their height, width, and depth of shelves
- How far apart the store fixtures and display gondolas are placed
- Where sales checkout or customer service areas are located
- What areas are set aside for the sale of specialty products?
- What areas are set aside for the sale of promotional or on-sale products?

First, the layout of a store is dictated largely by the shape and size of the store premises. It will be influenced by factors such as:

- Where the mechanical services such as plumbing, electrical services and air-conditioning services are located throughout the store

- The location of the main entrance to the store

- The location of the rear entrance to the store

- The location of fire exits in the store

- The location of the loading dock or delivery entrance to the store

- The location of the stockroom, storage area, or warehouse portion of the store

- The location of the administration offices

- The location of the customer service areas

Electrical power may have to be available for various equipments; for example, display fixtures, service equipment, computers, or cash registers

Display fixtures cannot be placed where they will impede the entrance or exits to the store, key areas of administration or customer service

Place display fixtures in a way that will make it easy for customers to move from one part of the store to another

For example:

If display fixtures are placed at right angles to the entrance or exits of the store they may:

Block the customers' view of the interior of the store

Create a feeling that the store is *walled off* and not easy to move through. From a psychology point of view, it is important to not give the customer any negative impressions

It is usually more effective to place display fixtures perpendicular to the entrance and exits of the store.

It can be quite effective placing them at a 15–20 degree angle to direct the flow of customers towards certain areas of the store.

Either way the customer is *invited* to proceed down an aisle and view the merchandise

Managing customer traffic flow

How you decide to manage customer traffic flow can depend on the type of store and the merchandise stocked.

For example:

If the majority of sales come from various sizes and shapes of equipment that occupies a considerable amount of space, you may wish to display this merchandise:

In a centrally located area of the store with easy access to wide doors exiting the store

With accessory products displayed on display gondolas arranged in a horseshoe across the back and sides of the store

With the customer service island placed in the middle of the equipment display area

With administration and credit department offices at the rear, or on a mezzanine floor overlooking the store

You can see from this one example that there are unlimited variations and we can't deal with them here. However, in this example the idea is to:

- ❖ Show key products to the best advantage
- ❖ Position accessory and related products in close proximity to the main selling area and thereby retain customers near the key products
- ❖ Allow for easy access and a way out from the main selling area to the outside of the store
- ❖ Provide immediate access to customer service from the main selling area
- ❖ Have access to service from management, administration, and credit departments in a private area adjacent to the main selling area. In addition, if these offices are on a mezzanine, it could allow management to view activities in the store.

For example:

Among store merchandisers there are some that favour placing a major, profitable department to *the right* of the store entrance

They would place displays of high-profit merchandise along the aisle leading to the main department

Part of the theory behind this is that the majority of the population is right handed and when they enter, the store turns right.

The other points made in the first example (placing accessory and related products as well as services close to the main selling areas) still apply. However, the key product areas of the store will dictate the store layout.

Specialty and promotional product placement

Strategic placement of specialty and promotional products within the store is important for the following reasons:

- It can create a favourable buying atmosphere and customers can be given the impression that prices are very competitive
- It can *draw* customers along a desired path through the store towards key selling areas
- It can stimulate *add-on* sales to major purchases
- It can promote attitudes of impulse buying
- It can enhance overall profit margins
- It can create a favourable buying atmosphere and customers can be given the impression that prices are very competitive
- It can draw customers along a desired path through the store towards key selling areas
- It can stimulate add-on sales to major purchases
- It can promote attitudes of impulse buying
- It can enhance overall profit margins

Where specialty and promotional products are displayed is as important as what is displayed.

Typical areas for this type of merchandise to be displayed are:

At the *point of sale (POS)*; for example, the sales checkout counter

End units sometimes called end cap displays. End caps are a set of shelves placed at each end of a display gondola at right angles to the sides of the gondola.

Mass displays of merchandise—large stacks of product are placed on the end of display gondolas in place of an end cap or alternatively in a prominent area such as close to the sales checkout area.

A special area is set-aside in some stores for promotional product displays. This may be an area to place the *Clearance Merchandise*.

Clearance Merchandise is stock that is being removed from inventory and so is sold at a reduced price.

In some cases, specialty or promotional products may be specially tagged in the regular shelf areas using brightly coloured sale tags or signage to denote a special group of products on sale.

Of the methods described above, most businesses employ more than one method or all of the methods any given time. It is a good idea to change the methods employed on a regular basis to give the consumer an impression of change and that there are new items of interest to be discovered.

Arranging products on shelves to promote sales

Arrangement of products on shelves does affect how those products sell. Merchandisers choose a method for displaying a product or sometimes a group of products because of some of the following factors:

- Is the product a high profile, nationally advertised product?
- Is it a single product or is it part of a product line product from a particular supplier?
- Is the product or products considered a low-priced, a medium-priced, or a high-priced product compared to other products like it in the market?
- Does the product have distinctive labeling that would lend itself to a mass display or block displaying on shelves?
- The style and colour of the labels on some products are specifically designed so that when several shelves high and a few feet wide are filled with the product, it catches the eye of the customer from a distance. This effect is called *eye impact*.

Depending on the price, quality and advertising exposure of a product a merchandiser may decide to display a product or product line in one of the following ways:



As a rule, if a display gondola is 5–6 feet high, merchandisers will place higher-priced merchandise on a shelf that is at about the 3–4 feet level of the gondola.

Place merchandise between waist and chest height for an average size woman or man.

Place medium-priced merchandise above the 3½–4 feet level and place lower-priced merchandise below the 3-foot level.

This arrangement has proven to promote the sale of the higher-priced merchandise.

This is an example of merchandisers taking the results of research into consumer behaviour and translating it into action at the store level.

A product may not be part of a product line but is well advertised and is only a bit above average in price for a higher-priced product type. A merchandiser may choose to mix it on the shelf with the medium-priced products.

The brand name and advertising exposure may make the product noticeable on the shelf among the medium-priced products. Consumers often will pay *slightly* more for the product because of the image created by the advertising.

The price range of the product doesn't necessarily dictate the placement on the shelf.

The **gross margin (GM)** generated by the product is equally important.

You may have products that are not in a high-priced range and do not generate as much gross margin as products in a lower-priced category.

For example

A product selling for \$20.00 may cost \$15.00; therefore, the GM is \$5.00 or 25%

A product selling for \$17.00 may cost \$11.00; therefore, the GM is \$6.00 or 35%

A product selling for \$14.00 may cost \$8.50; therefore, the GM is \$5.50 or 39%

This situation is a common occurrence. Smart merchandisers don't just load products on shelves. They arrange them to achieve the greatest product movement possible at various price levels and, as a result, generate more profit for the company.

Sometimes merchandisers are *restricted* in the price point of the product because of national advertising by suppliers—they can't deviate from nationally advertised prices.

Consumer perceptions of value

Consumers are generally looking for value. They want to feel that they have bought the right product to satisfy their needs and paid a fair price for the quality of product they have purchased.

The consumer perception of value is influenced by:



Claims made in advertising media

Testimonials and ratings published in industry reporting magazines such as *Consumer Reports*

Apparent *track record* or reputation of the product in the marketplace if it has been available for a long time

Referrals and recommendations from family and friends who have used the product

Merchandisers are very aware that value motivates consumers to buy. Therefore, the product price point is one of the important factors considered when displaying a product for sale. The wrong price point, either too high or too low, can affect sales negatively.

For example:

The company purchased a large quantity of a well-known paint product for \$8.00/gal from a company in another town that was going out of business

The product normally would have cost the company \$12.95/gal and would regularly sell for \$19.95/gal

The company merchandisers decided to build a huge pile of the product on the sales floor and offer the product to consumers at an extraordinary price of \$11.95/gal

At this price the merchandisers felt they would move the product quickly, offer the consumer a super deal, and still make a 33% GM for the company

The display caught the eye of customers, but they didn't buy.

The store manager wondered why the product was not selling and, after some investigation, discovered the customers had to be convinced by the salespeople that the product was not damaged in some way

The customers were not buying the product because they were assuming that because the price was so low, there had to be something wrong with the product

The store manager increased the price of the product by \$5.00/gal to \$16.95/gal and sales dramatically increased

The customers now perceived that this was a good value.

The foregoing scenario is commonly encountered in retail stores. It is a good illustration that store merchandisers must select the right price point along with all the other factors that they need to consider in product merchandising.

Summary

In **Store Merchandising**, we have only touched on a very complex subject. We have discussed a brief overview of:

Key elements of store merchandising:

- Store layout
- Store fixtures
- Specialty and promotional product placement
- Arranging products on shelves to promote sales
- Consumer perceptions of value

By now, you will realize the importance of good merchandising in your business. The intention of these topics is to pique your interest and give you some insight into the subject of store merchandising.

You are encouraged to expand your knowledge of store merchandising through:

- ❖ Research at your local library
- ❖ Publications aimed at your industry
- ❖ Courses at your local college
- ❖ Consulting professionals in store design and merchandising

Summary of Marketing Management– Defining the right path for your company

In **Marketing Management**, you should have gained an appreciation of the scope of the marketing manager's job.

You have learned:

The elements to consider when doing a market analysis

A methodology for conducting an internal analysis of your business from a marketing perspective

What the advantages and disadvantages are of advertising in different types of media

How to create a media plan for your business

To recognize various common business styles and pricing philosophies

What is involved in developing a pricing policy for your company?

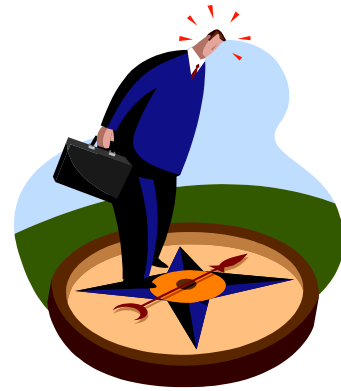
What you need to consider before you discount your prices

In all these areas discussed here, the aim was to learn the elements of knowledge that a marketing manager or the owner of a business needs to do to develop and implement an effective marketing strategy for their company.

Careful research, analysis, planning, and good decision-making result in effective and successful marketing strategies.

Celebrate!!

Seek new directions



Other products & modules for sale

Other modules available on this site deal with other aspects of marketing management. For a complete in depth treatment of this subject, the BizBite Consulting Group product **Sales & Marketing Management** also is available. For detailed information on the content of these products, please go to 'Product' on the menu bar on the web site.

Glossary of Terms

Buying groups—groups comprised of similar businesses that form an association or a company for purchasing on behalf of the group. They may also provide varying degrees of marketing support for the members of the buying group. Some buying groups may also provide distribution services.

Creative platform—the creative platform of a company is defined as the foundation from which flows everything the company does to present itself to the market. This means that (business cards, corporate colours, signage, newspaper Ads) **everything** the company does to present itself must be consistent, connected, and conveys a similar image of the company.

Franchise—an organization that provides varying degrees of business management, marketing support, and buying power to a member business. In return, the member business usually pays a substantial fee to join the franchise organization as well as annual membership dues and, in some cases, even a percentage of the profit.

Gross margin improvement—the degree to which gross margin is improved from one measurement period to another

Gross margin (GM)—the money left to cover the expenses of selling the offerings and operating the business. Same as gross profit margin defined below.

Gross profit margin—the difference between revenue and the cost of goods or services sold.

Gross sales—the total amount charged to all customers/clients during a time period.

Point of sale (POS)—The term is used to describe anything that occurs at the point where goods are displayed or a transaction is made.

The end
The end