



## FFA Marketing Plans – A Primer



According to the American Marketing Association (AMA), marketing is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings (products and services) that have value for customers, clients, partners, and society at large.

**This primer will help better describe and define those processes.**

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## **Glossary**

**Marketing Plans – A Primer**

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# 1

## Know your Product - Service

Products are goods that satisfy the needs of the consumer. A product is a tangible. Examples of products: a truck, a farm implement, a food product, garden plants.

A service can be a task, a repair, an activity, or an idea performed or developed to meet the needs of the buyer. It is intangible and cannot be handled or viewed before purchased. Examples of services: lawn care, shipping/delivery services, pet-sitting.

Whether it's a tangible or intangible good, know your product, the competition, and the customer. To be successful, do the homework and study all aspects of your product's process. How does your product compare against the competition? Know not only your product, but also every company and their product(s) that attract the same customer base. Know your customer and their locations and buying habits. This information must be documented and analyzed before you hit the market.

### 1. Features and Benefits.

It's important to thoroughly understand your product/service.

- Why does your product exist?
- Why do consumers purchase it?
- How do consumers use it?
- How does it compare to the competition's product?
- How much does it cost to produce?
- What education and knowledge is required to perform your service?
- How much can you sell it for?

### 2. Unique Selling Proposition (USP)

The unique selling proposition is what you as a marketer identify as a unique characteristic of your product/service. This characteristic sets you apart from other products/services in your market. This unique characteristic is also the basis used in promoting and advertising your product.

### 3. Can your product/service be easily copied?

Products or services that can be easily copied or duplicated may not have a unique selling point by themselves. These products do not normally have a long life cycle or large profit margin. In this case, you will need to find a way to make your product or service more attractive to buyers through other means, for example, a lower price, free delivery, longer warranties, etc. To make an impact, find that unique sell proposition and use it to create a benefit for your customer.

### 4. Cost to produce your product

Know exactly how much your product costs to produce. Identify all elements involved in the development of your product.

Include the investment to design and develop your product. Remember, your time is an expense. This research and development (R&D) should also be an expense in your accounting ledger Determine your cost per hour. Did you build a prototype? What did that prototype cost to manufacture and test? Track these costs.

Is your product packaged? What is the best way to package your product? Each element of that packaging needs to be accounted for. How is your product distributed? Are you placing multiple products in a carton? Let's say you place 12 (twelve) items in a carton. There's a cost for that master carton, and a price per each individual package. If it ships to a store, what does that cost?

### Examples of Expenses

Research and Development	Manufacturing
Consultants	Product Costs
Prototype Development	Packaging
Office Space / Rent	Distribution
Employees (Salary/Benefits)	Inventory Expenses
Travel Expenses	Sales Expenses (Bonuses, discounts, etc.)
Insurance	
Office Supplies	
Manufacturing Supplies	
Equipment (Assets)	
Office equipment (Assets)	
Research Costs	
Advertising Expenses	

### **In no particular order, five top brands of accounting software include\*:**

**1) QuickBooks** - a trusted named in software, QuickBooks accepts credit card payments and imports spreadsheet files, and also allows multiple users to access and update the system simultaneously.

**2) Peachtree Complete** - a top name in the industry, Peachtree provides a flexible integration that allows users to import data from other accounting programs. Most versions of Peachtree offer as many as 75 different templates for billing, payroll, and A/R.

**3) DacEasy** - for a small business in need of the basics, DacEasy is a good option. There's nothing too fancy, just straightforward options for billing and inventory and other functions.

**4) NetSuite** - if you handle sales over the Internet, NetSuite offers options for ecommerce most will find invaluable. That the program breaks down functionality according to the different roles in your office is a plus.

**5) MYOB Business Essentials** - you can import bank statements, customize forms, and navigate your accounts with ease.

When you are ready for an accounting solution for your business, talk with a professional consultant about these or other programs.

\* Article Source: <http://EzineArticles.com/32484>

## A Product's Life Cycle

Everything in this world has a life cycle, even products. When we look at a **product life cycle**, we see: an introduction to the market; market growth; stabilization or maturity of the product; and a decline in the product due do to new technologies or better substitutes in the market.

When you compare your product to your competitor's, look at what they are currently using. Does your product replace their current product or does it give them an alternate choice in products? Do you have the competitive edge?

Also look at the usage of your product and the market in which it resides.

- a. Is your product a once-in-a-lifetime purchase?
- b. Is it a novelty item?
- c. Do you use it daily?
- d. Is it a consumable item that is replaced often; soap, a food item, or a paper product?
- e. Is it a service that is required on a regular basis such as lawn care or household repairs?
- f. Know your product and your consumer's usage of that product.

## SWOT Analysis

So, what does SWOT stand for?

**S** = Strengths - internal

**W** = Weaknesses - internal

**O** = Opportunities - external

**T** = Threats - external

A company must always look inward to evaluate their strengths and weakness. Then look externally for growth opportunities, and threats that may affect their business. When doing an analysis, you are comparing your business or product to that of your competitors'. To perform a proper SWOT Analysis, you must identify your competitors and businesses that offer similar products or services. It's very important that you know:

- Your product and it's features and benefits
- Your business
- Who your competitors are, along with their features and benefits
- What are the competitive products in your target market area

## How to write a SWOT Analysis

**Strengths:** Make a list of your business and product strengths. Remember, your strengths are internal aspects of your business and product that give you a competitive advantage. What do you do or what does your product offer that your competitors may not?

- A good reputation in your market or community
- Resources that may not be available to your competition
- A skilled and knowledgeable workforce
- A cost advantage
- A good distribution network

**Weakness:** Make a list of your internal weaknesses. These can be disadvantages your may have that your competition may not. What areas give your competition an advantage in the market?

- Your product is unknown in comparison to your competition. Your brand name is weak.
- Maybe your staff is not as skilled as your competition
- Have your customers had problems with your product or service?
- Your distribution channels are not fully developed
- You do not have sufficient resources and capital (money) to invest in your business

**Opportunities:** These are external circumstances, events, or consumer needs that create opportunities for your business to expand and grow.

A customer need that your competitors do not fulfill

- A mechanical or technical improvement
- Your cost and process to manufacture your product is more efficient and less to build
- Partnerships
- Seasonal opportunities

**Threats:** Now make a list of external threats that may affect or harm your product's future. A change in the external environment can create unfavorable results for your business.

New products on the market may make your product or service obsolete

- Raw material costs may rise
- Parts may not be readily available and delay the manufacturing of your product
- A workers strike may delay delivery and distribution services
- Economy

Performing a SWOT Analysis is essential to understanding the future and success of your product, your business and how you will compare to your competitors in the eyes of the consumer.

**NOTE:** Whenever you perform an analysis, research, or gather data, it is essential you gather the most recent data available. Note the dates of all surveys and data you gather. Changes in business, cost structures, and environmental conditions can happen at any time.



*Lets look at a basic company SWOT analysis sample...*

# Erica's Green Garden



Erica's Green Garden is a start up business. The business provides garden fresh salad greens to local markets and produce stores, right from the their farm store. EGG prides itself on high-quality organic field salad greens. EGG grows a variety of greens including: Arugula, Bibb lettuce, Cress, Dandelion Greens, Red Lettuce varieties, Green Leaf varieties, Spinach, and Chicories.

## **SWOT Analysis**

This SWOT Analysis identifies the key strengths and weaknesses within "Erica's Green Garden". It also points out the opportunities and threats faced by this business.

### **Strengths**

Flexibility in meeting the needs of customers: restaurants, produce stores, markets, and local consumers.

High-quality organic produce exceeding competitors' offerings of price, quality, and service.

Operations very efficient and overhead is low giving the company a higher than average profit margin.

### **Weaknesses**

Erica's Green Garden lacks brand recognition compared to other competitive brands.

EGG has limited marketing budgets

Production and acreage space is limited for long-term expansion.

### **Opportunities**

EEG has great opportunity to expand name recognition within the market.

There is opportunity to establish long-term contracts with current and future retailers.

Current production has capacity to expand sales with limited expenses.

### **Threats**

Larger growers having greater capacity and service available to same customer base.

A health alert that questions the safety of vegetables.

Unpredictable weather, which can affect production and may cause lower yields.

## ***Now lets look at some popular brands and their SWOT analysis...***

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To understand how a SWOT Analysis works, lets look at some major companies and their published SWOT Analysis. These SWOT Analysis profiles are actual evaluations from the companies listed. Very detailed, these analyses are publicly listed for educational purposes. Please note that smaller companies will be detailed as well but in a scale to match each specific companies analysis.

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# **McDonalds Corporation**

## **SWOT ANALYSIS**

### **Strengths**

- McDonalds has built up huge brand equity. It is the No. 1 fast-food company by sales, with more than 31,000 restaurants serving burgers and fries in almost 120 countries. Sales, 2007 (11,4009 million), 5.6% sales growth[1].
- Good innovation and product development. It continually innovates to retain customers in the business.
- The McDonalds brand offers consumers choice, reasonable value and great service
- Large amounts of investment have gone into supporting its franchise network, 75% of stores are franchises[2].
- Loyal staff and strong management team.

### **Weaknesses**

- Core product line out of line with the trend towards healthier lifestyles for adults and children. Product line heavily focused towards hot food and burgers[3].

- Seasonal
- Quality issues across the franchise network.

## Opportunities

- Joint ventures with retailers (e.g. supermarkets).
- Consolidation of retailers likely, so better locations for franchisees.
- Respond to social changes - by innovation within healthier lifestyle foods. Its move into hot baguettes and healthier snacks (fruit) has supported its new positioning.
- Use of Customer Relationship Management, database marketing to more accurately market to its consumer target groups. It could identify likely customers (based on modeling and profiles of shoppers) and prevent brand switching[4].
- Strengthen its value proposition and offering, to encourage customers who visit coffee shops into McDonalds.
- The new “formats”, McCafe, having Wifi Internet links should help in attracting segments. Also installing children’s play-parks and its focus on educating consumers about health, fitness.
- Continued focus on corporate social responsibility, reducing the impact on the environment and community linkages.
- International expansion into emerging markets of China and India.

## Threats

- Social changes - Government, consumer groups encouraging balanced meals, 5 a day fruit and vegetables.
- Focus by consumers on nutrition and healthier lifestyles.
- Competitive pressures on the high street as new entrants offering value and greater product ranges and healthier lifestyles products. E.g. subway, supermarkets, M&S.
- Recession or down turn in economy may affect the retailer sales, as household budgets tighten reducing spend and number of visitors.
- Pressure groups - environmental.

[1] Hoovers (2008), [http://www.hoovers.com/mcdonald's/-ID\\_\\_10974-/freeuk-co-factsheet.xhtml](http://www.hoovers.com/mcdonald's/-ID__10974-/freeuk-co-factsheet.xhtml)

[2] McDonalds Annual Report (2008)

[3] [http://www.dlea.com.au/?Community/Health\\_and\\_Nutrition/Health\\_and\\_Nutrition](http://www.dlea.com.au/?Community/Health_and_Nutrition/Health_and_Nutrition)

[4] Jobber, (2006), Principles and Practices of Marketing, 3<sup>rd</sup> Edition

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# PepsiCo

## SWOT Analysis

### Strengths

- **Branding** - One of PepsiCo's top brands is of course Pepsi, one of the most recognized brands of the world, ranked according to Interbrand. As of 2008 it ranked 26th amongst top 100 global brands. Pepsi generates more than 15,000 million of annual sales. Pepsi is joined in broad recognition by such PepsiCo brands as Diet Pepsi, Gatorade Mountain Dew, Thirst Quencher, Lay's Potato Chips, Lipton Teas (PepsiCo/Unilever Partnership), Tropicana Beverages, Fritos Corn, Tostitos Tortilla Chips, Doritos Tortilla Chips, Aquafina Bottled Water, Cheetos Cheese Flavored Snacks, Quaker Foods and Snacks, Ruffles Potato Chips, Mirinda, Tostitos Tortilla Chips, and Sierra Mist.
- The strength of these brands is evident in PepsiCo's presence in over 200 countries. The company has the largest market share in the US beverage at 39%, and snack food market at 25%. Such brand dominance insures loyalty and repetitive sales which contributes to over \$15 million in annual sales for the company
- **Diversification** - PepsiCo's diversification is obvious in that the fact that each of its top 18 brands generates annual sales of over \$1,000 million. PepsiCo's arsenal also includes ready-to-drink teas, juice drinks, bottled water, as well as breakfast cereals, cakes and cake mixes. This broad product base plus a multi-channel distribution system serve to help insulate PepsiCo from shifting business climates.
- **Distribution** - The company delivers its products directly from manufacturing plants and warehouses to customer warehouses and retail stores. This is part of a three pronged approach which also includes employees making direct store

deliveries of snacks and beverages and the use of third party distribution services.

## Weakness

- **Overdependence on Wal-Mart** - Sales to Wal-Mart represent approximately 12% of PepsiCo's total net revenue. Wal-Mart is PepsiCo's largest customer. As a result PepsiCo's fortunes are influenced by the business strategy of Wal-Mart specifically its emphasis on private-label sales which produce a higher profit margin than national brands. Wal-Mart's low price themes put pressure on PepsiCo to hold down prices.
- **Overdependence on US Markets** - Despite its international presence, 52% of its revenues originate in the US. This concentration does leave PepsiCo somewhat vulnerable to the impact of changing economic conditions, and labor strikes. Large US customers could exploit PepsiCo's lack of bargaining power and negatively impact its revenues.
- **Low Productivity** - In 2008 PepsiCo had approximately 198,000 employees. Its revenue per employee was \$219,439, which was lower than its competitors. This may indicate comparatively low productivity on the part of PepsiCo employees.
- **Image Damage Due to Product Recall** - Recently (2008) salmonella contamination forced PepsiCo to pull Aunt Jemima pancake and waffle mix from retail shelves. This followed incidents of exploding Diet Pepsi cans in 2007. Such occurrences damage company image and reduce consumer confidence in PepsiCo products.

## Opportunities

- **Broadening of Product Base** - PepsiCo is seeking to address one of its potential weaknesses; dependency on US markets by acquiring Russia's leading Juice Company, Lebedyansky, and V Water in the United Kingdom. It continues to broaden its product base by introducing TrueNorth Nut Snacks and increasing its Lipton Tea venture with Unilever. These recent initiatives will enable PepsiCo to adjust to the changing lifestyles of its consumers.
- **International Expansion** - PepsiCo is in the midst of making a 1,000 million investment in China, and a \$500 million investment in India. Both initiatives are part of its expansion into international markets and a lessening of its dependence on US sales. In addition the company plans on major capital initiatives in Brazil and Mexico.
- **Growing Savory Snack and Bottled Water market in US** - PepsiCo is positioned well to capitalize on the growing bottle water market which is projected to be worth over \$24 billion by 2012. Products such as Aquafina, and Propel are well-established products and in a position to ride the upward crest. PepsiCo products such as, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, Fritos corn chips, Ruffles potato chips, Sun Chips multigrain snacks, Rold Gold pretzels, Santitas are also benefiting from a growing savory snack market which is projected to grow as much as 27% by 2013, representing an increase of \$28 billion.

## Threats

- **Decline in Carbonated Drink Sales** - Soft drink sales are projected to decline by as much as 2.7% by 2012, down 63,459 million in value. PepsiCo is in the process of diversification, but is likely to feel the impact of the projected decline.
- **Potential Negative Impact of Government Regulations** - It is anticipated that government initiatives related to environmental, health and safety may have the potential to negatively impact PepsiCo. For example, manufacturing, marketing, and distribution of food products may be altered as a result of state, federal or local dictates. Preliminary studies on acrylamide seem to suggest that it may cause cancer in laboratory animals when consumed in significant amounts. If the company has to comply with a related regulation and add warning labels or place warnings in certain locations where its products are sold, a negative impact may result for PepsiCo.
- **Intense Competition** - The Coca-Cola Company is PepsiCo's primary competitors. But others include Nestlé, Groupe Danone and Kraft Foods. Intense competition may influence pricing, advertising, sales promotion initiatives undertaken by PepsiCo. Recently Coca-Cola passed PepsiCo in Juice sales.
- **Potential Disruption Due to Labor Unrest** - Based upon recent history, PepsiCo may be vulnerable to strikes and other labor disputes. In 2008 a strike in India shut down production for nearly an entire month. This disrupted both manufacturing and distribution.

PepsiCo is a world leader in convenient snacks, foods and beverages with revenues of more than \$43 billion and over 198,000 employees.

### Disclaimer:

Erica's Green Garden is a speculative company and designed as an educational SWOT example

The case studies for McDonalds, and PepsiCo have been obtained from information freely available on public web sources.

These studies are intended to be used for educational purposes only.

## How do I find information to create a SWOT Analysis?

There are many resources available to gather information on SWOT and your competitors. The internet is a great place to start. Be sure to document all your research

by dates, sites utilized and studies you use. Many universities and college business schools release research as well.

Companies release quarterly and annual reports. These are published as public record. Go to the company's web site and look at their financial and stock reports.

You may want to purchase software to perform a SWOT Analysis. Several companies offer business organizational software. You can also find free software available, as well.

*Review ratings and features on all software before you purchase or download.*  
A few sites you may want to review as you plan your companies SWOT Analysis:

<http://www.smartdraw.com/specials/swotanalysis.htm>

<http://www.marketingteacher.com/lesson-store/lesson-swot.html>

<http://www.edrawsoft.com/swot-diagram.php>

# 2

## Know your Competitors

For a product to be successful, the product needs to stand out from its competitors' offerings. This is called product differentiation. In promoting your product, you need to identify those aspects of the product that are different and add value for buyers.

### What and who are your competitors?

Your **competitors** are rival companies engaged in the same business and focused on the same customer base. Within your market, there may be one major competitor or many companies competing for the same customer.

As we reviewed in Chapter 1, it's extremely important to know your products' SWOT results:

- Strengths
- Weakness
- Opportunities
- Threats

Part of your marketing research is to identify all companies competing for your same customers. Now, you must know your competitors' SWOT to the same degree as you know your product. Doing your homework will help you make sound business decisions.

### The Competitive Advantage

Compare your SWOT to that of your competitors. Identify features and benefits possessed by both your product and that of your competitor. A good marketer will be non-biased and open to the fact that their competitor may actually have a better feature than your product. This is good information to have. Use that information to improve your product or to identify a difference in your product that may actually present itself as a selling point.

Here are some questions to discuss...

Who is your customer?  
Businesses? Consumers? Or is it both business and consumers?

What type of customer buys your product?  
Women? Men? Teenagers? Tradesmen? Farmers? Office Staff?...and so on.



Is your service or product unique and not currently offered to consumers?

What do you offer that your competitors do not?

What is the biggest feature that makes you different from your competitor?

How will your competitors react to your product/service and marketing approach?

### Here's what you will come away with:

Your USP (Unique Selling Proposition). This is the unique characteristic or feature that separates your product from the rest. This unique feature is the basis for your promotions and marketing campaigns.

**Your Positioning Statement. This is how your customers will view you and your product/service. For example, John Deere positions their products as high quality, high-value.**

### How do you research your competitors?

There are many ways to get to know your competitors. Go to their stores. Review their products. Talk to their salespeople. Buy a sample of their products, if you can afford it.

If you'd like to get an unbiased report on competitors' products/services, ask those who use those products/services. Traditionally, product reviews were done with **focus groups**. A focus group is a gathering of 6-10 potential customers in your market. A moderator leads a survey and discussion of related products to get the group's viewpoint, understanding and tendencies to buy. What you will get is honest, unbiased and unsolicited feedback.

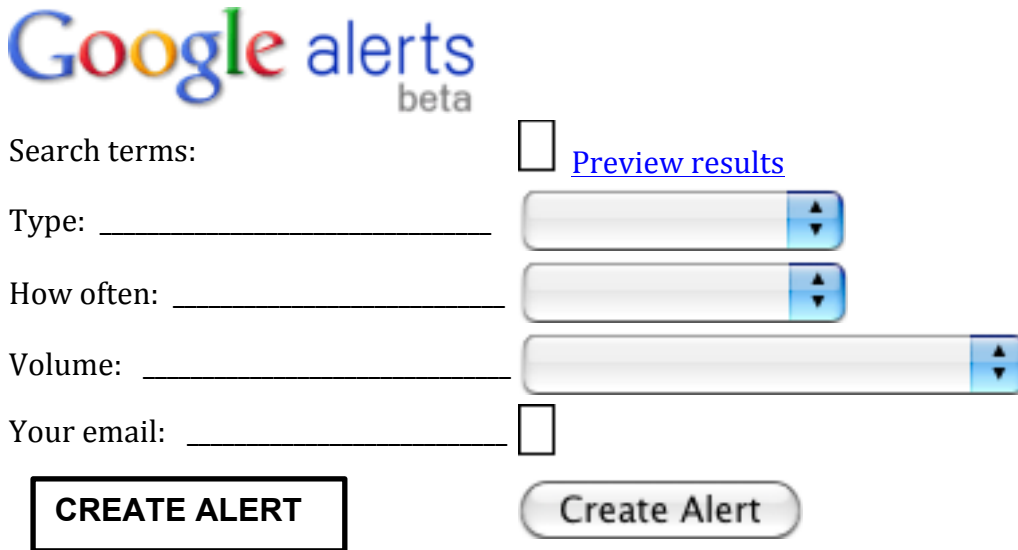
For your project, you can bring together a focus group to get a basic understanding of how and why people use competitors' product. A survey taken over the phone or in person can also be valuable. Be prepared. The feedback you get might not be what you hoped for. But it will be a good example of how the consumer will react when making a buying decision.

Of course, the Internet is a great resource for gathering information about competitive companies products, and services. Google them. Go to their websites and review their offerings and their annual reports. You can glean plenty of information by searching these sites.

## Social Media – A Research Station

A “Research Station” is nothing more than a way to use networks on the web to gather information about your market, your product, or your competitors. Some of this research is free, but for higher-level information, you may have fees. Include these costs in your marketing budget as a marketing research expense. Spend time organizing your research. Here are a few tools available to build your research station.

Google Alerts will give you a consumer’s opinion on your company and product.



Google alerts  
beta

Search terms:  [Preview results](#)

Type:

How often:

Volume:

Your email:

**CREATE ALERT** Create Alert

Google Alerts are email updates of the latest relevant Google results (web, news, etc.) based on your choice of query or topic.

Enter the topic you wish to monitor, then click preview to see the type of results you'll receive. Some handy uses of Google Alerts include:

- Monitoring a developing news story
- Keeping current on a competitor or industry
- Getting the latest on a celebrity or event
- Keeping tabs on your favorite sports teams

You can also [sign in to manage your alerts](#)

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Check out these other resources available on the web:

Social Mention

Twitter Search

Facebook Search

Google Analytics

# 3

## Your Target Market

Do you know who will buy and use your product? Why? How often will they buy? What are they willing to pay?

Is your product focused on a specific customer?

Is your product used in a specific area of the country?

There's no doubt you should know your product/service. You need to know your customer, as well. The more you know about your customers – how, where, why they buy – the greater the potential for your success.



The term **marketing segment** refers to a specific group of buyers who share similar characteristics. **Customer profiling** identifies the characteristics of that buyer. Your buyer may be classified as an average age, gender, income or salary bracket, interested in sports, or even listen to a particular genre of music, books, or movies.

Your target market can be defined in two basic ways, either a Business-to-Business market or a Business-to-Consumer market. These two distinct market types will require very different marketing approaches.

Business-to-Business marketing (B2B): You'll be promoting and selling a product or service to another business. Examples include:

- a. A handle designed for the furniture industry
- b. An Original Equipment Manufacturer (OEM) attachment for a tractor
- c. A feed additive for cattle, sold through feed mills

B2B buyers are looking for ways to improve their profitability, attract more customers to their retail stores and improve their company operations. These prospects are concerned about margins, the amount they can charge their customers above what they paid for your product. They're interested in offering something unique to interest their customers. And, they must be able to rely on their suppliers.

Business-to-Consumer marketing (B2C): You'll be promoting and selling a product or service directly to the end-user or consumer. Examples include:

- a. Setting up a plant sale at your greenhouse
- b. A food product for health conscience consumers
- c. A lawn service offering specific services not ordinarily offered by other services.

These items may be sold through retail stores, on-line, through catalogs or direct mail. The difference here is that you will be marketing directly to the end-user.

Product/service attributes and Unique Selling Propositions become more personal, more important.

## To know your customer, research, research, research

There are two kinds of research methods: primary and secondary.

**Primary** (original) research is the research you do yourself through surveys, focus groups and personal conversations with prospects. This is the most important, most valuable information you can get. It's unbiased and comes directly from those who will, ultimately, purchase your product/service.

Examples of what you might want to know from your survey:

- a) What does the prospect know about you
- b) What does the prospect know about the product
- c) What issues does the prospect have with current products/services
- d) What is the prospect willing to pay
- e) Where do they live, work,
- f) Where do they buy similar products
- g) Family size
- h) Age, interests, etc.
- i) Interest in the product/service
- j) Where do they get their information about products/services
- k) Buying habits, frequency

**Secondary** research is information you've gathered from other sources. Perhaps you've found information online, reviewed consumer reports, accessed government reports, read company websites and annual reports. All of this is valuable. Yet it does not compare to the importance and impact of primary research efforts.

Where to get information about products, services and markets:

- a. The Internet is a great source for research. There is an incredible opportunity to review surveys, product information and consumer reports. While this is a very economical solution, be aware of the information you gather. Make sure the resources you obtain are accurate and from reliable sources.
- b. Government and consumer reports.
- c. Company web sites and annual reports.
- d. Read the label! What is listed as an ingredient in your competitor's product? How do you compare?

Be sure to document your research and use this information in your decision process?

Want to know more? Visit:

<http://www.consumersearch.com>

<http://www.greenbook.org>

<http://www.ehow.com/consumer-research>

<http://www.consumerreports.org/cro/index.htm>

# 4

## Distribution Network

There are several ways to deliver your product. In a competitive market, how you distribute your product is an important part of your business and marketing plan. It's a key component in serving your customer and can have a large impact on your business budget.

### Sell Direct to the Consumer

#### The Internet

The Internet is a great resource for many businesses to reach a consumer market. Small to large businesses, individuals, and even international companies use the web to advertise and sell their products. As you look at the Internet as a sales tool, identify the product category or categories where you will be found. The Internet uses key words or phrases to search for products or information. Many consumers will use these key words to find the product they're looking for. They may not know your company name or your website, so it's important to optimize your search criteria. This is called Search Engine Optimization or SEO. Your goal is to have your web site come up high on the list when a consumer is looking at search results as they enter in key words. When building your website, discuss SEO with your web designer or hosting company. Web site optimization is an important aspect in your marketing plan.

#### One-On-One Sales

Going direct to your customer has always been a popular sales method for businesses, individuals, and not-for-profit companies. There was a time when products were brought directly to the home. Dairy companies brought milk and butter to the doorstep and the scissors grinder came down the street ringing a bell to sharpen kitchen knives and tools. Some products are still sold this way. Schwan's is one example.

For your business, product or service, consider if having your own retail outlet, phone sales or selling from a booth at a fair or community event makes sense.

#### Direct Media Sales

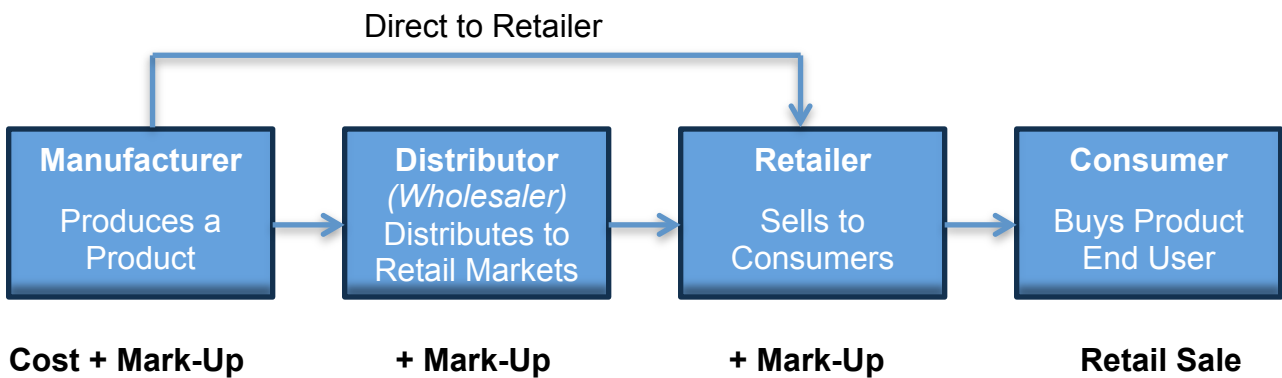
Most people will refer to this as direct mail or response mail. Some may even consider it junk mail. To be successful, know your consumer through customer profiling reviewed in chapter 3. Narrow your database (your list of prospective customers) to those whom you feel would be the best prospects. Direct mail is another line item on your marketing budget. You not only have the cost of the materials, but the cost of postage and shipping. Direct mail can be as simple as a flyer. It can also be a packet of sales materials, a catalog, or include a CD as a demonstration of your product. As you

build your marketing plan, look at the best way to present your product to your customer. Mail order products are a great direct way to market certain products. The cost of shipping is another line item in the cost of your product.

## Retail Sales; Using a Distributor

Many products are sold on the retail market through a distributor who then places your product in a retail outlet. Or, you may decide to work directly with the retailer. The retailer does not produce or use the product. Its purpose is to sell a product for a profit. There is a supply chain involved in the distribution and sales of your product.

## The Supply Chain



**Cost of Goods + Markup = Retail Price**

The **Supply Chain** is the channel of distribution from the manufacturer of the product to the consumer. Sometimes, a manufacturer will elect to sell their product to a distributor. The distributor has contracts with retail stores and companies. They make a profit from obtaining your product at a manufacturers cost. They then resell your product at a higher price making a profit by selling the product to a retailer.

Some companies will sell their products directly to the retail store. Without the distributor, the cost to the retailer is lower, allowing the retail to price the product at a more competitive price. This also creates an advantage to the manufacturer by streamlining the supply chain and reducing cost in the process.

## Do You Require a Sales Team?

Depending on your product, you may require a sales person to go direct to your target customer. This sales person is completely knowledgeable about your product. They also work as a one-on-one contact with your customer. The sales representative will demonstrate your product, negotiate pricing with your customer, sell product and represent your company for service, repairs or replacement. A sales person can work

for a fixed salary or be compensated on a commission basis or a combination of both. Based on the industry, the percentage of commission will vary. There are also several different plans to compensate a sales force.

Examples of sales compensation plans include:

- a. Straight commission
- b. Variable commission percentage rates based on different product sales or volume of sales
- c. A draw against commission
- d. An advance each month against commission
- e. A base salary + commission
- f. A salary
- g. A salary + a bonus based on the value of sales
- h. Real estate sales commission

## Resources

Distribution Channels: Understanding and Managing Channels to Market; Julian Dent; 2008; Publisher: Kogan Page Ltd

Go To Market Strategy: Advanced Techniques and Tools for Selling More Products to More Customers More Profitably; Larry Friedman; 2002; Publisher: Butterworth-Heinemann

Building Routes to Customers: Proven Strategies for Profitable Growth; Peter Raulerson, Jean-Claude Malraison, Antoine Leboyer; 2009 Publisher: Springer

Building a Winning Sales Force: Powerful Strategies for Driving High Performance; Andris A. Zoltners Ph.D., Prabhakant Sinha Ph.D. and Sally E. Lorimer; 2009; AMACOM



# 5

## Managing Business Financials



### **Business Example:** **Rolling Hill's Bee Company**

**Product and Primary Market:**  
Beehive Kits and Components

**Secondary Market:**  
Honey Sales

Lets take a basic approach for outlining the business financials for Rolling Hill's Bee Company. Please note, this is an example and the actual required materials and details are not inclusive in this example.

One of Rolling Hill's products is beehives. These hives' are built from cedar and are available at farm supply stores and through Internet orders. Here is a list of materials and supplies you need to built the hives. Some of the materials are used specifically to produce 1 or more units of the product. Other costs are investments in your business and are part of the assets. Lets look at the basic list of materials this company uses:

#### **Tools to build a beehive: Investment \$800.00**

Table saw	Carpenters rule
Plane	Hammer
Joiner	Drill with screw bits
Hand Tools	Sander and pads
Tape measure	Paint Brushes

#### **Materials for the manufacturing of a Rolling Hill's Beehive:**

Cedar 3/4" lumber	Wood glue
Comb Material	Aluminum sheet metal
Aluminum hinges	Paint or sealant
Galvanized fasteners and screws	Permeable cloth

#### **Materials used to Package a Product:**

Cardboard box	Instruction sheet
Label	Packaging tape

#### **Distribution to the Customer:**

Shipping expenses

#### **Labor:**

The cost of man-hours

## Lets summarize...

### Cost of goods sold

Materials to build one beehive	\$ 75.00
Packaging Materials	\$ 8.00
Shipping Expense	\$ 20.00
Billable Labor	\$ 40.00
<b>Total cost of goods sold</b>	<b>\$ 143.00</b>

### Sales of one unit of your product

Beehive	\$ 250.00
Internet Order Processing	\$ 5.00
Shipping Expense	\$ 25.00
Taxes	\$ 19.60 (Remember you must declare)
<b>Total sale</b>	<b>\$ 299.60</b>

### Income Statement\*

Net sales	\$299.60
Cost of goods sold	(\$143.00)
Gross Profit	\$156.60
Other expenses (business operations and income taxes)	(\$75.00)
<b>Net Income</b>	<b>81.60</b>

*\* This is a basic example, please review all of your costs and expenses as well as tax laws for your county, city, and state.*

## Understand the cost of managing a business

Take time to carefully itemize your business expenses. By doing this, you will have accurate accounting records and know exactly how much you spend and what profit you make. Understanding business financials will help you make decisions regarding investing in or expanding your business. It will also tell you if your business is losing money and if you need to make necessary adjustments to keep your business from closing.

### Key areas to manage:

- Raw Materials
- Labor Costs
- Inventory
- Overhead Expenses such as rent, utilities, insurance
- Marketing and Promotions
- Distribution

## Depreciation

**Depreciation** is the gradual reduction in the value of your assets. When you buy a new computer or car, the value of that purchase goes down as it is used. Depreciation affects your business assets as well. Depreciation is used in accounting and tax records as an expense. If you buy tools for your business, each year you subtract depreciation costs in your accounting records. If you buy a computer for \$1,500., your accountant may advise you to depreciate that piece of equipment over a 3-year period, the estimated life of that computer. At the end of 3-years, the computer is deemed fully depreciated and has no value. Depreciation terms are different based on each type of asset and its original value. When you review your company's assets, refer to a qualified accounting source as well as tax laws. Remember, good accounting practices will protect your business.

## Liability Insurance

Having insurance reduces you liability and business risk. Liability insurance protects you and your business against lawsuits, claims, and damages. Research the type of insurance coverage you require for your business. Also, gather several bids from various insurance companies. You will find there are differences not only coverage, but also in deductibles and monthly payments. Always go to a reliable company for insurance and do not hesitate to ask questions about their service. Also feel free to check their reputation and customer comments through the Better Business Bureau and consumer reports. Remember, insurance is available to protect your investment and business.

### Here are a few basic accounting terms you must become familiar with:

**Fixed Cost** are expenses that do not vary based on the cost of production and sale of your product. Rent and insurance are two examples. These costs remain the same each month.

**Variable costs** are expenses that may vary each month such as the cost of supplies, direct labor and utility bills.

**Parentheses** are used in accounting to show a negative number or cost, which is to be subtracted.

**Assets** are the resources owned by the business. Examples are cash, equipment, inventory, computers, etc. Keep in mind when you configure your profits, account the purchases you make on behalf of your business. They are not only assets, but they are also an expense and are recorded in your financial statements. They are also subject to annual depreciation.

**Depreciation** is the gradual reduction in the value of your assets.

**Expenses** are the costs incurred to make your product and operate your business.

**Liability insurance** protects you and your business against lawsuits, claims, and damages.

**Cost of goods sold** is the total cost of the product and delivery to the customer as a result of a sale.

**Net Sales** is the total sale of one unit or units sold during a given period (A month, quarter, or annual sales)

**Gross Profit** is the difference between the amount of a product sales and the cost to make that product.

**Net Income** is the actual income after subtracting all additional business expense. These expenses can be a percentage of rent, phone cost, actual labor cost.

**Labor** is the number of man-hours required to build your product. For example, if it takes 2 people 2 hours each to produce your product, then the total number of man-hours is 4. Direct labor cost is the actual hourly cost. 2 hours @ \$10 per hour = \$20. Billable hours are the cost based on what you charge your customer to produce a product or the cost per hour to perform a service. An example is billing an hour for \$20 per hour. The billable cost is 2 hours @ \$20 = \$40 billable.

### **Important Note**

A successful business understands and manages their financial health. This includes all aspects of your business. Take the time to outline the costs and the labor hours it takes to create and market your product. A postage stamp, a drive to pick up office supplies, and the computer you use is an expense. Document everything!

### **Resources**

Just the Basics: Simple Help for Starting a Business and Creating a Good Bookkeeping System, Denise Cote, 2009, SOHO Bookkeeping & Support, Inc.

Small Business Taxes Made Easy, Second Edition, Eva Rosenberg, 2010, McGraw Hill

Accounting Savvy for Business Owners: A Guide to the Bare Essentials, Philip B. Goodman CPA, 2010 CPA911 Publishing, LLC

Learn basic accounting terms from our glossary. Accounting terminology for beginners. [www.a-systems.net/accounting-terms.htm](http://www.a-systems.net/accounting-terms.htm)

Basic Accounting and Bookkeeping Lessons, Teach and learn basic accounting principles, bookkeeping skills, and methods.  
[www.moneyinstructor.com/accounting.asp](http://www.moneyinstructor.com/accounting.asp)

# 6

## Developing Company Goals

Steven Covey coined the phrase: Begin with the end in mind. Think about that. Where do you want your company to be in the future and how do you get there? The S.M.A.R.T. system of goal setting is an outstanding method to develop your company's future plans.

### S.M.A.R.T. Goals

**S**pecific

**M**easurable

**A**ttainable

**R**ealistic

**T**imely

**S**pecific

Details! Your goal must be specific in order to have a better chance at success.

An example of general versus specific goals is:

A general goal: Create a beehive company

A specific goal: Create a beehive company in Ford County with distribution nationally through Internet and distributor sales achieving a 20% profit margin.

### When outlining your specific goal, ask the following questions:

Who	Is involved and who or the potential customers?
What	Do you want to accomplish with this business and product?
Where	Are you going to produce the product and where are you going to market it?
When	are you going to launch the business and product and when do you forecast expanding?
Which	requirements and constraints do you need to address?
Why	specific reasons or benefits may support or hinder your goal?

**M**easurable

Set criteria to measure your progress as well as scheduling your tasks to stay on track.

Have a measurable goal documented so you can continually check your progress and know when you have accomplished that goal, or if you are behind your expectation.

### **A**ttainable

Make sure the plan elements can be achieved. You'll have to have the resources – people, budget, and time – available. Don't put together a plan that no one can understand and follow.

### **R**ealistic

As you look at your goals, set them high, but keep them realistic. A higher-level goal will keep you motivated and give your team a better feeling of accomplishment when you reach that goal.

### **T**imely

All goals must have timeframes. Put dates on all tasks, sales, financial measurements and activities. Track them! Your success rate is higher when you meet your scheduled dates.

Set your business goals in the planning stages of your business. Goal setting is important. As you build your SWOT analysis, begin setting your goals. Do the research: know your product, the market, the competition, and the environment you are competing in.

## **Financial Goals**

Financial planning is critical to managing a successful business. Take the time to set financial goals for your business as you develop your business plan. Set a starting point when you launch your business and do not hesitate to review financial goals as you close each billing month. Are we on target? Are we achieving the financial target we had planned for? As you finish each fiscal year, evaluate your results and set a new goal.

### **Here are some guidelines to setting financial goals:**

1. Schedule time for initial financial goal setting. Create an annual plan with dates scheduled to review your progress. Use your monthly balance and income statements from your accounting records as a resource to compare to your goals.
2. Be very specific when you set financial goals. Project income and costs that you know are realistic. It is good to have big ideas and dreams, but build your plan so you can achieve them.
3. Understand how you are achieving these goals. Define how you accomplish them. Document your steps with a timeframe.

4. Every goal should be measurable. Document what your goal is and how you can prove that you have achieved it. Is it dollars earned, units sold, new business acquired? Have goals in your plan.
5. Communicate your goals and your achievements within your company. Meeting these goals and growing the business is a great motivator to the company. Know where you are at all times. If sales are falling, react to that issue and plan immediately on how you are going to get back on track.

### Here are a few examples of financial goals.

Goal: Expand business this year

What's wrong with this? It's a great goal. It's positive. It means the business is doing well.

Good to go, right?

### **WRONG!**

It's a good goal but there is not a good method to measure the success of this goal. Create goals that you can measure and document your achievements.

1. Achieve \$60,000 profit on business in this fiscal year.
2. Achieve a 12% profit margin after expenses.
3. Increase business by 8%.
4. Reduce business-operating costs by 5%.
5. Pay off business equipment debt of \$2000 by the close of the fiscal year.
6. Reduce overhead expenses by 6%.

These goals are all measurable. Your accounting records will validate your progress monthly, and they are realistic based on what your market and competitors achieve as well.

*Remember...Document, Track Progress, Measure, and Achieve*

### Awareness and Media Goals

The goal for any business is to increase sales and income. In order to sell your product or service, a consumer needs to be aware of your product or the services you offer. If no one knows your company exists, well...you cannot expect many sales.

**Brand Awareness** refers to the knowledge customers and potential customers have of your business, products and services. Brand awareness is important and helps separate your products and services from that of your competition.



Brand awareness is achieved by:

1. Have a company name, logo, and slogan or tag line and packaging that represent the company
2. Knowing and understanding whom your potential customers are and how to communicate to them
3. Communicating your company's business location(s), products, the services you provide, and how you want your company positioned in the marketplace.
4. Following up on customer service, and maintaining relationships after sales.

Brand awareness is very important when a potential customer is making a buying decision. There may be several products on the market that are comparable to yours. So, why do they make the decisions they do? A lot has to do with brand recognition. It feels like a safe decision. The label looks like a quality product. I know the name, so it must be better. All of these affect a customer's decision.

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## **Sales Goals**

Set a business plan before you begin marketing your product or services. With a sales plan, you will have a better ability to reach your company's business goals and income. In your plan decide how you are going to sell your product.

- Through a store or retailer
- Through a sales person
- On the internet
- Through catalogs
- Is it local regional, national or global
- How much will we charge?
- Will you accept credit cards, cash, checks, debit cards, online through a PayPal?
- Can your product be sold in various states? Does it meet Federal, State, local, and regulatory standards?

Have a plan in place and know exactly how you will handle sales and invoicing before you launch your business.

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## **Setting Sales Goals**

1. When setting your sales goals, clearly define what your goal is. Refer to your S.M.A.R.T. goal plan. It's impossible to achieve success if you don't define what success is for your business.

2. If it's a large-scale goal, break it down into goals for each salesperson, each product retailer, or each region it is in. Track sales monthly, quarterly and annually so you have data to measure success by.
3. If your product is seasonal, take that into consideration and plan for those busy months and save for the slow periods.
4. Practice good time management skills. Take your plan serious and track it on schedule. Do not fall behind. You may find out too late if there is a problem.

## Market Penetration Goals

**Market Penetration** is the amount of sales or the percentage of a product or service in comparison to other similar products and services on the market. Another phrase that relates to Market Penetration is "Market Share".

When your product enters the market, you must look at your competitors. Who are the players in this market and what percentages of the market do they own?

Here's an example:

Lets say you have a peanut farm, and you begin to brand your own farm's homemade peanut butter. There are many brands of peanut butter on the market. Local, national, organic, flavored, jelly added, and the list goes on. Be realistic. Where do you fit in the vast peanut butter industry?

To start a small peanut butter business, your goal may be to enter the local market the first year and make a profit in local markets and at your farm location.

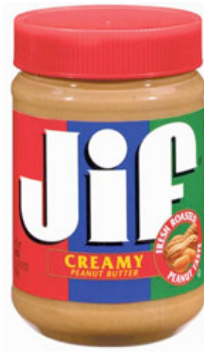
The next few years will be a growing period. Your goal may be to penetrate the local or regional market and be competitive with those similar products on the market.

A five-year goal is to be the leader and hold the majority share in that region.

From there, you project your future growth. Unless a major corporation purchases your business, it's difficult to compete on a national market. Major corporations with a large product line to complement their peanut product own the largest market share in the national peanut butter market. These are all registered trademarked products of the company indicated below. These could be your competitors in your local market, as well, since consumers have that choice. However, since you have a locally grown, farm-fresh product, you have an advantage. Market that advantage.



**Unilever**



**J.M. Smucker Company**



**ConAgra Foods**

## Mission Statement

A **Mission Statement** is a written sentence, a short list, or a short paragraph stating your business goals or purpose. The statement should be simple and easy to remember. It states the direction your business will take.

The mission statement identifies the company to its customers and market. Here are some company examples:

### **AGCO**

“Profitable growth through superior customer service, innovation, quality and commitment.”

### **Coca Cola**

“Everything we do is inspired by our enduring mission:

- To Refresh the World... in body, mind, and spirit.
- To Inspire Moments of Optimism... through our brands and our actions.
- To Create Value and Make a Difference... everywhere we engage.”

### **Ford Motor Company**

“One Mission, One Team, One Plan, One Goal”

### **Harley Davidson**

“We fulfill dreams through the experience of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments.”

## **John Deere**

"Double and Double Again the **John Deere** Experience of Genuine Value for Employees, Customers, and Shareholders."

## **Writing your Mission Statement**

As you can see a mission statement is a powerful, meaningful, and creative statement. Take time to write your mission statement. It represents your company, your employees, and your business purpose. When someone reads your mission statement, they should know what your business is all about.

Here are a few things to consider:

- What is your business purpose that motivates your employees and appeals to your customers buying habits
- What business strategy do you have for your company and how does it inspire employees and customers
- What value does your product or service bring to your customers
- What are the culture and ethics your company wants to promote to employees and customers
- A mission statement needs to be a powerful statement. Use action verbs to enhance your statement
- Keep it short and right to the point
- Make it very visible. Put it on your web site, stationary, invoices, and post it in your place of business. Display it proudly on your product packaging. The mission statement tells people who you are and what you stand for

## **Goal Summary**

There is a lot of information in this goal section. Goals are important; they drive your business. As you write your goals, remember the S.M.A.R.T. goal system.

**S**pecific

**M**easurable

**A**ttainable

**R**ealistic

**T**imely

The S.M.A.R.T. goal system applies to your financial, sales, media, and marketing goals. It can also be used to test your mission statements effectiveness. Use this system as you develop your goals and be realistic as you set your goals. Following this system will help you achieve your goals and manage a successful business.

## Resources

The 7 Habits of Highly Effective People, Stephen R. Covey, 1996, Simon & Schuster, New York

7 Rules of Achievement: From Vision to Action The Complete Guide to Programming Your Internal Success Mechanism, Tom Terwilliger, 2010, Morgan James Publishing, Garden City, NY

The Mission Primer: Four Steps to an Effective Mission Statement, 2001, Richard O'Hallaron and David O'Hallaron, Mission Incorporated, Richmond VA

brandchannel

<http://www.brandchannel.com/home/>

# 7

## Developing an Action Plan

*Put the right product in the right place, at the right price, at the right time.*

This sounds like a fairly simple plan. Let's use the Erica's Green Garden example discussed on Page 9. Plant vegetables in the spring, price your vegetables below the competitor, take them to the market on a Saturday morning, and, by noon, they are all sold. However, not every product or service works as simple as that.

Marketers spend a lot of time and resources evaluating the market, determining what a customer wants, where customers shop for an item, and how to produce a product at a fair market price in a time period that meets the customer's need.

The "**Marketing Mix**" is a general marketing term describing decisions made throughout the process of delivering a product / service to the consumer.

In 1960, EJ McCarthy created a tool to define the marketing mix; the 4-P's. The 4-P's are:

- Product (or Service)
- Place
- Price
- Promotion

The objective of the 4-P's is to provide a tool for making sound business decisions.

### Product (or Service)

#### Unique Selling Proposition (USP)

The unique selling proposition is what you as a marketer identify as a unique characteristic of your product. This characteristic sets you apart from other products within your market. This unique characteristic is also the basis used in promoting and advertising your product.

Look at your product, service, distribution, and competitors to determine your unique selling propositions:

- The product itself
- The variety of products you have on the market
- The ease of use of your product
- The sales price of your product
- The availability of your product through stores, internet, sales staff
- Colors available

- Sizes available
- The quality of your product within the package

Make a list of the competitive differences you have.

What separates your product from the rest?

Why would a customer come to you over the competitor?

Use these differences as an advantage when you market your product. But also, know your weaknesses and be prepared to address them internally with your company. Likewise, your competitor may use your weakness as a USP for their product.

## Packaging

Packaging can make a big difference presenting and selling a product. It is very easy to place a product in a box and slap a label on it. A plain box and simple label will save money, but will it get noticed? Take the time to look at a competitor's product and the way it is packaged. Is your package similar and just blend in, or does it have enough differences to grab attention? Pay close attention to the colors and shapes of packaging. You want your packaging to stand out and be noticed.

### ***“Creative Packaging Sells!”***

The size of the package also is also an important factor. Know your target customer, the need, and the demand for your product. Pay attention to the consumer's requirements when determining the quantity or volume of product to be contained in the package. Think about packaging options:

- One per package
- A label attached to the product. This could be as simple as a zip tie attached to a rake or shovel
- Is it placed in a box?
- Do you package by the pound or ounce?
- Package by quantity: 25, 50, 100

## Product Messaging

The next time you're at a store, look at various products and their packages. The messaging placed on a package will influence the customer to purchase one product over another. The difference can be a brand name, slogan, product message, the package design, or the ingredients. You will see many generic packages. Generic customers do not exist. Each customer has a preference and trigger that influences their buying decision.

Know the language your audience relates to. There are key words and phrases associated with every industry; “new”, “improved”, “real juice”, “larger size” or

“value pack”. Speaking the language of your customer motivates them to consider your product.

Also, your customer needs a reason to purchase your product. If you just place a brand name on the package, you are not solving a customer’s problem or fulfilling their need. Product messaging must be a compelling statement that grabs the attention of the consumer. They do not want to know all the history about your company; they are simply looking for a solution to their problem or need. Successful messaging is accomplished by;

1. Understanding your target audience
2. Understanding the need your audience has
3. Knowing how your product fulfills that need
4. Having results to support your claims
5. Having solutions that separate you from your competitors
6. Communicating the value of your product


## Positioning Statement

A positioning statement focuses on the benefit or value you provide to your target audience. Your positioning statement also states how you are different from your competitors.

Use the information you have gathered from your unique selling proposition (USP) to support your marketing and advertising initiatives. In your messaging, state your product benefit, value, or difference provided.

**Please note!** If you make a claim, have documentation and research to support that claim.

Several companies have become industry leaders by messaging their unique selling propositions.

 Federal Express became a leader in the shipping market with their positioning statement:

"Federal Express: When it absolutely, positively has to be there overnight."

This statement helped FedEx not only become an industry leader, but also increase profits and sales worldwide.

Other successfully positioning statements include:

"For Those Who Demand More" – Case IH  
"Nothing Runs Like a Deere" – John Deere



“Planters is the word for (good) Peanuts” - Kraft Foods / Planters

"With a name like Smucker's, it has to be good!" - THE J.M. Smucker Co.

## Price

### Market Value

The customer perceives value. The value of a product or service is determined by how much benefit the buyer feels they receive for their purchase price. This can be very subjective.

Lets look at the “Rolling Hills Bee Company”. They offer a wide variety of beekeeping supplies. A consumer who relies on beekeeping as a family income may find a high value in their products and services. For that consumer, Rolling Hills provides every product they need to support their business. The perceived value is then high. For a person who keeps bees as a hobby, they occasionally purchase from Rolling Hills, but they do not require the vast amount of products offered. For that hobbyist, the perceived value is lower. In some cases, Rolling Hills pricing may be higher than other companies. For the hobbyist, higher quality, variety, or specialty products may not be important to their buying decision.

Is there value in paying more for a product?

Let’s say you are buying nesting boxes for poultry. One company sells this product for \$75. Another company sells the same size-nesting box for \$140.

Is there value in the \$75 or \$140 nesting box?

Some buyers would say, “Are you kidding?” I can buy two nesting boxes for the price of one. And they would be correct. That customer perceives the value of a nesting box in the price tag. Thus, they see a lower value in the \$140 box.

Now, lets look at the difference in the two products.

Nesting Box 1:   \$75  
                  Made of Pine  
                  Shipping is \$30 based on weight  
                  No warranty  
                  Delivers in 2 weeks

Nesting Box 2   \$140  
                  Aluminum construction, easy to clean, odorless  
                  Shipping is \$20 based on weight  
                  12-month replacement warranty  
                  Ships in 7 days

Based on this information, the producer sees a higher value in purchasing nesting box 2. Shipping is a little lower, but the value is in the quality of the product and the warranty. Cleaning is easier, and it will last longer than box 1 and may actually cost less in the long term based on replacement of the \$75 box in a couple years.

**Price elasticity** is the range of prices over which customers are still willing to pay before reducing the number of purchases or refusing to purchase the product altogether. Sometimes customers are willing to pay more if there is a greater perceived value for one product over another. As seen in the example of the nesting box, the higher value is in the quality of the product over the price.

## Introductory Pricing

**Introductory pricing** is a strategy used by lowering prices for a limited time or by including other offers in the introduction a new product. Introductory pricing is an excellent way to bring a new product to the market. By advertising a lower price point, even for a limited time period, you may influence customers to try your product, convert their current buying habits, and develop loyalty to your product.

Other business tools to gain new customers include a bonus product or a discount on other items you may offer. This way, you are marketing a new product as well as creating an opportunity for a consumer to try your other products.

In the case of the nesting box, one pricing strategy may be to sell the nesting box at \$125 and, for a limited time, include a one-gallon poultry water bottle at no extra cost. Another strategy would be to offer a discount on an additional nesting box. Buy the first box at \$140 and a second box at \$125. This practice is called bulk pricing.

**Bulk pricing** is a strategy used by lowering product costs based on purchasing more than one of a specific or same product. It may also be referred to as bundling. Bulk pricing provides a good incentive for consumers who purchase that product on a regular basis. The opportunity to “stock up” is appealing when bulk-pricing discounts are available.

**Direct Pricing** is another strategy used by marketers to increase sales. Companies will offer a reduced price to the consumer for buying the product directly from them. This strategy eliminates the middleman, distributor, or retail seller. (A distributor or retailer will add a commission to the base price they pay from the manufacturer.) In this strategy, the manufacturer benefits by selling the product directly to the consumer with a profit, but below the retail price structures. There is a benefit to both the manufacturer and the consumer. Selling direct can be done through a company website (e-commerce) or a company owned store.

**Seasonal Pricing** is a strategy applying discounts on sales seasons or pre-seasons such as holidays, the start of grass cutting in the spring, planting, harvesting, or other 'events.' The best example of a seasonal discount is the day after Thanksgiving, "Black Friday". Traditionally, this day is set aside for seasonal holiday shopping, offering early morning and all day discounts.

## Place

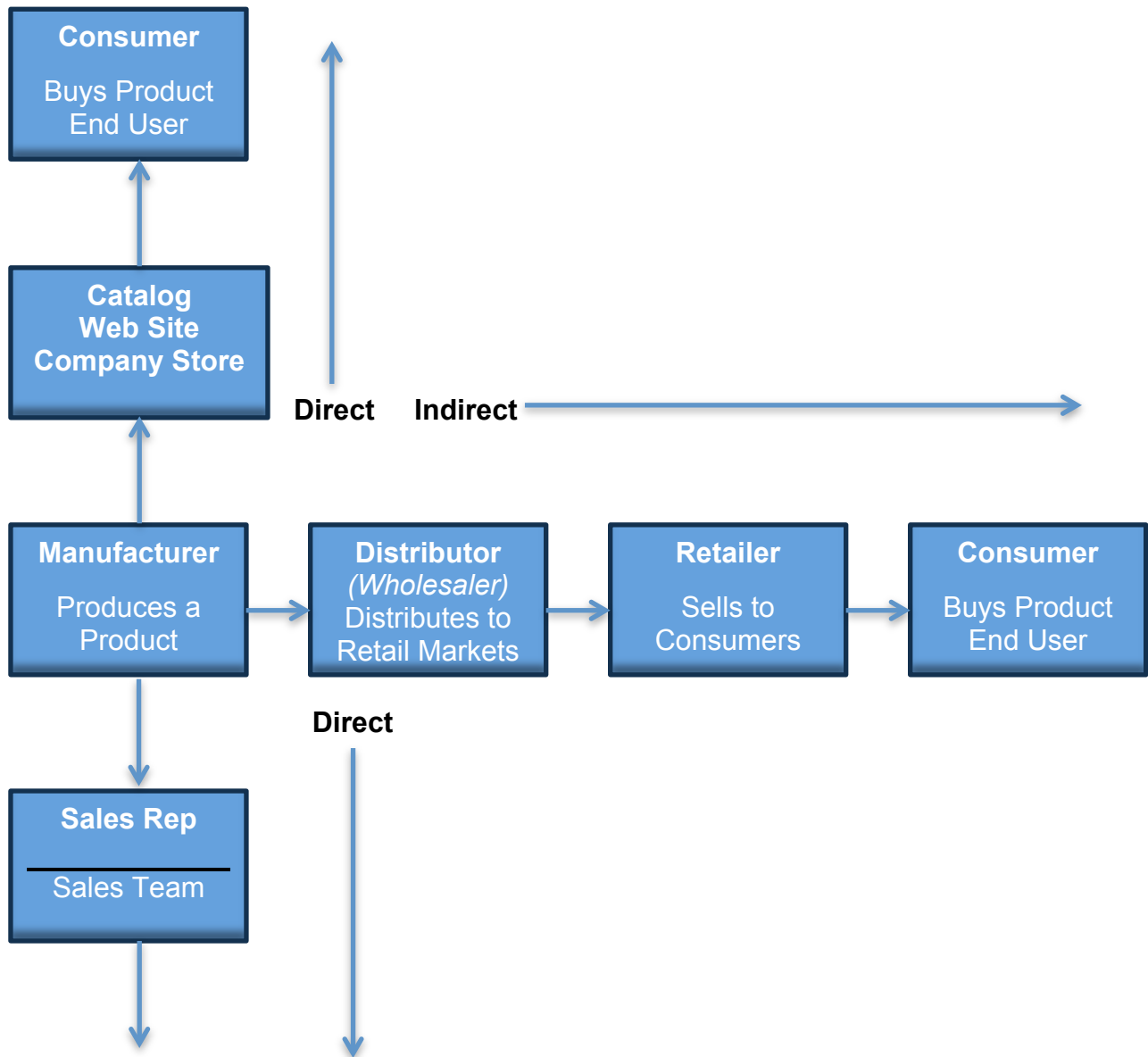
*Simply, 'place' is where you will sell and deliver your product/service to your customers, as well as the distribution process you intend to use.*

## Distribution Process

The distribution process is the method by which a company gets their product to the consumer. This is also called the "distribution channel". Distribution can be either direct or indirect. Here are examples of distribution channels:

- **Direct Sales:** Direct sales can be a sales representative or sales team selling a product or service direct to the consumer.
- **Direct Internet Sales:** Is used by selling products on a company web site. Also called e-commerce, this site allows a company to post its products online and sell direct to the customer through credit cards or pay-pal systems. The product is then shipped direct to the consumer.
- **Direct Catalog Sales:** A company will print a product catalog and distribute in stores or through direct mail to the prospective customer. The customer can order products by mail, Internet, or by phone usually through credit card, money order, or check purchases.
- **Indirect Distributor:** A distributor will buy products from a manufacturer or company and sell them to retail stores or markets. They make their money by buying a product bulk and applying a commission to it.
- **Indirect Retailer:** The retailer is the market or store buying from the distributor. Retailers sell direct to the consumer. They will also add a commission to the product creating their profit margin. This is also known as retail pricing. Retailers may sell in a store catalog or even on their own web site.

## Distribution Channel



## Promotion

### Public Relations (PR)

The purpose of public relations is to promote, maintain, and manage the image of a product or brand. PR is a valuable tool in communicating positive information about a company and its products. Public relations may also be used to address responses to negative information or problems a company may face. This is also known as “damage control”. PR programs include press releases, media relations, editorials, endorsements, trade shows, events, customer testimonials, and press conferences.

## Media Relations

Media relations involve working with different types of media to communicate a company's activities, new products, changes in the organization, or response to an issue within an industry or market. Media consists of television, radio, newspapers, magazines, video, Internet sites, and social media such as Facebook, Blogs, and Twitter

## Press Releases

A press release is a company's official statement or position on a given topic. Companies generate releases to the news media to control the message and information they want to communicate. News media includes newspapers, publications, television, and radio stations. This release states a company's viewpoint on a given subject. The content of this release can involve new product announcements, accomplishments in the organization, personnel changes, or a company's position as it relates to a public concern or issue.

The news media may find interest in the release, deciding to make it a feature story in their publication or a news story at their station.

To write a press release, you need to present your information in a clear, brief and condensed format.

1. Write a headline – The headline should be a short attention grabbing statement. Use key words to draw attention and write it in bold type.
2. Write the content. In a Journalism, a concept called the 5W's and 1H is often used as a basic format in writing news story's
  - a) **Who** is this story about?
  - b) **What** is the story about?
  - c) **Where** did this story or event take place?
  - d) **When** did this story or event take place?
  - e) **Why** is the story, issue or event important?
  - f) **How** did this come about?

Make sure you reference any resources involved that will validate your release.

3. Provide the company information.
  - a) Name of company
  - b) A brief description of the company
  - c) Contact information
    - Contact name
    - Address
    - Phone or email
    - Website

4. In journalistic style, three-x's are placed centered at the bottom of each release, indicating the end of the release.

XXX

## **Educational Material**

Educational material is a great way to communicate information regarding a subject or problem. At the same time, you are demonstrating your product as a solution. By doing this, you not only educate the consumer, but you also create a value for your product or service. This can be accomplished through literature, press releases, or media.

## **Advertising**

Advertising is a form of communications used to persuade a target audience to buy a certain product or use a particular service. Advertising can affect the way we view a subject or even alter our behavior. The goal of advertising is to gain results: results in sales numbers, profit margins, or customer response. Advertising is not only used for products and services, but also in politics and social issues.

Advertising is classified as traditional media and new media. Over the last several years, the Internet and mobile phones have provided advertisers new tools to reach their consumers.

### **Traditional Media**

- Newspapers
- Magazines
- Television
- Radio
- Outdoor – Billboards
- Direct Mail

### **New Media**

- Web Sites
- E-commerce
- Email and mobile text messaging
- Blogs
- Social Media – Facebook, Twitter, YouTube

## **Print Media**

Print media is a form of advertising communicated by the printed page. Print media includes newspapers, magazines, journals, FSI inserts, coupons, or yellow page advertising.

Media terms to be familiar with are 'reach' and 'frequency.' **Reach** is the percentage of people in your target audience exposed to your advertisement in a specific publication. **Frequency** measures the number of times a person will see your ad within a given media schedule.

A **media schedule** is a schedule of the issues available by each publication. A newspaper is daily, while magazines and journals may be bi-weekly, monthly, or even quarterly.

Advertising placed in print media is purchase in ad units. Common sizes are:

- Quarter-Page
- Half-Page
- 1-Page
- 2-page Spread
- Customer provided inserts

Ad units are also purchased by color.

- 4-Color or full color
- 2-Color (usually black + 1 color) advertisers often uses their logo or brand color
- 1-Color, black

Print media companies charge placement costs for each ad placed in their publication. Rates are based on size, color, and position placed in the publication. An inside cover, center spread, or back cover demand a premium price.

*For information and rates on placing print media material, contact your newspaper or magazine representative.*

## **Electronic Media**

**Electronic media** consists of radio, television, and the Internet. Advertising on radio and television has some advantages over print media. Many more people get their news and information from radio and television over newspapers, magazines, and other forms of print. Electronic media is often more accessible and more timely than print sources. Your audience has immediate access to information as it happens. Whether you are in a car, at home, at a restaurant, an airport, or businesses, television monitors and broadcast media are everywhere.

Reach is another advantage in electronic media. The percentage of audience exposed to an advertisement through television and radio can exceed that of print media, based on the program or event being broadcast.

While many more people can be reached through electronic media, this form of mass marketing does not work so well – or is as cost-effective – as other forms of advertising when you have a small, targeted customer base. Look to specialty print media, direct mail/response, or other targeted methods for this.

Advertisers monitor programs and evaluate their ratings and audience when choosing when and where to run their advertising spots. The amount of research available on reach is enormous. If a company chooses to participate in this media, the station rep will provide the data you require based on your product and target audience.

Advertising placed in electronic media (TV and Radio) is purchase in “spots”.

Common spot units are:

- :30 seconds
- :25 +:05 seconds\*
- :60 seconds

\* Some companies will produce a :25 second commercial and leave :05 second for dealers, franchises, or coop’s to identify themselves in a local area. (eg: “Visit John’s Equipment Company, your local (company name) dealer.”)

Sponsorships are another option for electronic media. An advertiser will pay a fee to the media company to sponsor a program or an event. The media company will then provide options for this fee. The options can include a quantity of commercial spots, signage, infomercials, putting the company’s name on the program, or announcing the company’s sponsorship at the event. (eg: This (event) sponsored by John’s Equipment Company, your local (company name) dealer”.)

## **Internet Advertising**

Internet marketing may also be referred to as digital marketing, web marketing, online marketing, or e marketing. Many advertisers have included the Internet in their media mix. The Internet provides methods of finding and tracking users in a given target audience and data to measure your ROI (Return On Investment).

**Banner Ads** are media units or ad space available to advertisers on the Internet. These units are purchased similar to print media. Banner ad pricing is based on search criteria or the placement of the banner ad on the page. A company may place an ad in a print magazine. A similar condensed version of that ad may be placed on the Internet. An advertiser can place a “hot link” on the Internet ad. When clicked, the consumer is redirected to your web site with the opportunity to review your information and product line immediately.

The three most common ways in which online advertising is purchased are CPM, CPC, and CPA:

CPM (Cost Per Mille): An advertiser pays for the number of times their ad is loaded to customers within a specific audience. There is a cost per 1,000 uploads.



CPC (Cost Per Click): An advertiser pays every time a user clicks their listing and is directed to the advertisers web site.

CPA (Cost Per Action): The site places the ad at their cost, and the advertiser pays a fee based on every purchase transaction made.

**Search Engine Optimization (SEO)** is a process used to improve an advertiser's visibility on the web. When a customer does a search on a selected subject, the goal is to have your company site come to the top of the results list. This is achieved by SEO. To improve search results, contact your Internet provider and see what options they can provide and the cost to optimize your site.

## **Outdoor Media**

Outdoor media has been around for many years. Most people refer to outdoor media as "billboards". Billboards are large signs most commonly found on roadsides. These roadside signs are a very effective way to promote a product or service and can be a good addition to a company's marketing mix.

Billboards can be as simple as a large logo to promote brand awareness or as complicated as a 3-dimensional board with graphic elements extending from the sign. The objective is to grab as much attention to the sign as possible within a very short time period. You only have a few seconds for your audience to view your sign and receive the message.

Typical billboard sizes are:

- 14 feet x 48 feet
- 12 feet x 24 feet (30-sheet board)\*
- 5 feet x 11 feet (8-sheet board)\*

*\* Boards are sized based on the paper size and number of sheets used by printers to cover the billboard area. It takes 30 sheets of printed-paper to cover a 12 feet x 24 sign.*

The average cost of a billboard ranges from less than \$700 to more than \$2,500 a month. This price will vary based on the city and location the billboard is placed.

Other outdoor media options:

- Inflatable signs: Many companies will place inflatable signage in front of their business or a very large printed balloon(s) to create an attention getting message in the sky.
- Private road signs and painted barns: Advertisers began painting messages on barns or placing signs on the sides of rural roads in the 1920's. This practice was the birth of outdoor media advertising. This is an

effective way to advertise your product or service. Note: An advertiser needs to secure permission from the landowner, usually pay a monthly fee, and obtain approval from the local highway department to meet the regulations required for roadside easement usage.

- Electronic billboards: Electronic billboards bring a new life to an old media. These billboards are actually large computer screens. An advertiser provides the outdoor company with a digital creative art file such as a PDF, Jpeg, or Tiff file. The advantage is they can be posted quickly and set up to rotate the message with other products or rotate with different advertisers.

Outdoor media is a very good way to market a product. To find out more information on outdoor advertising available in your area, contact your local outdoor media representative. Many times this information is listed at the base of a billboard with a phone number to contact.

## **Mobile Media**

Mobile media is one of the fastest growing advertising options today, estimated to end 2011 as a \$12 billion industry.

Lets look at some mobile statistics\* from May 2010:

- An estimated 90% of Americans have a mobile phone or device
- 65.2% of users send text messages
- 31.9% of users used a mobile browser
- 30% of users downloaded applications
- 22.5% of users played games
- 20.8% of users accessed social network or a blog
- 14.3% listened to music

*\*Source: comScoreMobiLens*

comScore, Inc is a global leader in measuring the digital world and the preferred source of digital marketing intelligence. <http://www.comscore.com>

Mobile media also offers some advantages over print media. It's a great way to communicate to your customers, then drive them to your website. Similar to email messaging, an advertiser is required to have permission to contact a customer over a mobile device. The customer must provide the advertiser permission. This is called opt-in. The customer will then receive messages from the advertiser. At any point, the customer also has the opportunity to opt out and break communications from the advertiser.

To be successful with mobile communications, an advertiser must keep messages short and right to the point. A web link can be included to drive that customer to the advertiser's website. Mobile messaging should be less than 160 characters (letters). Exceeding this limit will result in multiple messages sent to the customer. This is one of the biggest reasons customers opt out. There are mobile marketing companies who will send out mass text messages to a targeted audience. Contact your local provider or search the Internet for a company meeting your business requirements.

## **Point of Sale**

Point of Sale (POS) is a form of promotion used to draw a consumer's attention to a product. Advertisers use POS materials for seasonal, new product, holiday items, or special promotional items placing them in strategic areas of a store to influence buying decisions. They are common at checkout or cashier areas. Common POS materials include posters, counter displays, racks, banners, dump bins, shelf displays, ceiling mobiles, or sample packs. In some displays, advertisers have included videos of products or even customer testimonials.

In a restaurant, diner, food, beverage, or desert business, you also find POS as a great sales tool. Advertisers will place photos and ads on menus, place table tents on each table, use banners or promotional cards on the tables.

Before you produce POS materials, review your advertising and promotional ideas with the retailers, stores, or distributors who will sell your product. Retail floor space is highly in demand. There may be fees or restrictions to place materials in a store. Plan for this and include the cost in your marketing budget.

## **Premiums**

Premiums are a great way to promote your product. They're sometimes known as "giveaways". Advertisers will imprint logos and slogans on merchandise to promote their products. A premium can also be offered with the purchase of a given product.

Advertisers will often offer premiums at trade shows, farm shows, or sales events. Most premiums are low-cost merchandise but can make a large impact on your customer.

### **Premiums:**

- Caps and hats
- Balls
- Apparel
- Bags
- Jewelry
- Pens

- Tools
- Environmental Pieces
- Collectables
- Lights
- Key Chains
- Electronics

## Social Media

Social media is a very popular way to communicate to a target audience. It makes a great addition to the marketing mix and communications plan. Social media programs rely on content to attract customer attention. A good message can spread throughout the social network quickly by word of mouth.

**Twitter** offers social networking and blogging. It is actually a website owned and operated by Twitter, Inc. Through Twitter, a user can send messages called “tweets”. Tweets are text messages posted on the users profile page. A tweet is limited to 140 text characters. Twitter has over 200 million users worldwide and had over 65,000 tweets posted daily

<http://twitter.com/>

**Facebook** is another form of the social network. A user can advertise products and services as well as communicate with friends and share personal information through permissions. Facebook users number more than 500 million. All of which can be potential customers. With Facebook, you can establish a customer target base by location, age, or interest. Facebook offers simple ads with images and text, and has formats that fit small business with options to help control budgets and usage payments.

<http://www.facebook.com/advertising/>

**Blogs** allow an advertiser to present a more detailed message about a product or service. Advertisers can include testimonials. Users can input opinions and offer suggestions and comments on products. A blog can also be discrete and be used as a research tool to gain input about products and services. A blog can also link to Facebook and Twitter. Blogs are easy to set up and are inexpensive.

WordPress offers a blog platform

<http://wordpress.com/>

Google offers a blog platform

Refer to: [www.google.com](http://www.google.com)



<http://www.youtube.com/>

YouTube is a video-sharing website. It's used by individuals and companies to upload, share, and view videos. YouTube averages 65,000 new postings with over 100 million people viewing them daily. This interface supports over 34 languages.

## Sales Support

Printed marketing materials may include:

Brochures	Calendars
Product Literature	Product Merchandise
Pamphlets	Billing Statements
Pocket Folders	Specification Sheets
Flyers	Banners
Direct Mail	Clings
Post cards	Posters
Stationary	Signage
Educational materials	

Be creative; create materials to get the attention of your audience.

When producing print marketing materials, include the design, production, and distribution costs for these materials in your budget.

## Co-op Advertising

Long-lasting customer relationships are formed through the retailer or distribution network. The brand image of a company is projected by the quality of services and experience the customer has at the retail store. Many companies invest in co-op advertising programs. It's a great way to promote the retailer, distributor, and reduce marketing costs while building customer relationships. It's also a great way to communicate a consistent brand message to the local market.

Most companies offer their retailer and distributor a 50/50 program (Half paid by the retailer/distributor and half by the company). By supplementing their local marketing funds, companies are able to expand their advertising budget through co-op to reach a greater audience and increase sales. In addition, co-op advertising allows stores to share ad costs with other retailers in their local area, greatly reducing each participant's cost.

## Resources

Writing a Marketing Plan

[www.knowthis.com/principles-of-marketing-tutorials/how-to-write-a-marketing-plan](http://www.knowthis.com/principles-of-marketing-tutorials/how-to-write-a-marketing-plan)

Marketing Actions Plans, Outlines, Templates, and Guidance to Gain a Unique Competitive Edge, Morgan D. Rees, 2010, iUniverse, New York, NY

The Inside Advantage, The Strategy that Unlocks the Hidden Growth in your Business, Robert Bloom and Dave Conti, 2007, McGraw Hill Companies, New York, NY

Kellogg on Marketing, Edited by Alice M. Tybout and Bobby J Calder, 2010, Northwestern University

Winning Sales Presentations, Patrick Henry Hansen, 2006, Brave Publishing, Inc. Alpine, Utah

Marketing 2012, Pride and Ferrell, 2011, South-Western Cengage Learning, Mason, OH

# 8

## Budget and ROI

### Marketing Strategy Cost

Developing a market strategy can be a low cost investment. Or it can become very expensive. The more a business can do internally without going outside for help can make a big difference in the budget.

For example, selecting a company name can be inexpensive if you do it yourself. If you hire a “Branding Company” it can cost hundreds or even thousands of dollars. Once a name is chosen, the Internal Revenue Service has a company name search tool to determine if the name is currently registered. This service usually carries no cost. However, registering the name will cost between \$25 and \$50. To register a company and receive a tax identification number, there is a charge of \$200-\$300 for a simple basic registration. The actual cost will be posted on the government site. For a fee, a business lawyer or accounting firm can help set up a business tax ID.

### Marketing Plan Cost

All businesses are different and not all strategies work well with all industries. As the marketing tactical plan is defined, itemize all expenses. Account for each item that will appear on the accounting statement. Refer to the list of general expenses. A business may have a number of these items listed or could have additional categories.

Operations Expenses	Advertising Expenses	Manufacturing Expenses
Salaries or Wages	Point of Sale	List all materials
Employee Benefits	Literature	required to build
Payroll Taxes	Newspaper	product
Insurance	Magazine	* <i>EXAMPLE</i> *
Rent	Television	Wood
Utilities	Radio	Metal
Equipment	Outdoor	Fasteners
Maintenance	Direct Mail	Fertilizer
Office Furniture	Public Relations	Seed
Office Supplies	Web Site	Pesticide
Postage / Shipping	E-Commerce	
Travel Expenses	Mobile Messaging	
Entertainment	Blogs	
Tools	Social Media	
	Exotic Media	Labels
	Premiums	Cartons
	Banners	
<b>TOTAL COST \$ XXXXX</b>	<b>TOTAL COST \$ XXXXX</b>	<b>TOTAL COST \$ XXXXX</b>

## Rolling Hills Bee Company Expenses

When starting a new business, estimate the cost of all equipment and materials required to produce and distribute the product or service. Determine how many units of the product can be manufactured and sold during the first year of the business. Also forecast the selling cost and revenue projection for the year. Rolling Hills is expected to build 150 units, sell for \$250.00 each and earn revenues of total sales of \$37,500.00 before taxes.

### Projections

Equipment Expenses	\$ 850.00	
Office Expenses	\$ 5,840.00	
Material Expenses	\$ 4,650.00	
Projected Advertising Expenses	\$ 7,600.00	
Salaries	\$ 8,500.00	
Projected Income after taxes (2,050.00 taxes)		\$35,450.00
Initial Projected Expenses	(\$27,440.00)	(\$27,440.00)
Projected Profit		\$ 8,010.00

### Projected Budget

Equipment Expenses		Material Expenses		150 Units
Table saw	\$250.00	Cedar $\frac{3}{4}$ " lumber	\$1,000.00	
Plane	\$40.00	Comb Material	\$150.00	
Joiner	\$100.00	Fasteners and screws	\$225.00	
Hand Tools	\$200.00	Wood glue	\$50.00	
Tape measure	\$20.00	Aluminum sheet metal	\$700.00	
Carpenters rule	\$15.00	Paint or sealant	\$300.00	
Hammer	\$25.00	Permeable clothe	\$350.00	
Drill with screw bits	\$90.00	Packaging	\$300.00	
Sander and pads	\$75.00	Labels	\$175.00	
Paint Brushes	\$35.00	Distribution	\$700.00	
<b>Total Equipment Expense</b>	<b>\$850.00</b>	Brochure / Instructions	\$700.00	
Office Expenses		<b>Total Material Expense</b>	<b>\$4,650.00</b>	
Furniture	\$300.00	Advertising Expenses		
Computers	\$1,000.00	Web Site	\$500.00	
Phone	\$100.00	e-commerce	\$700.00	
Copier	\$300.00	Newspaper	\$1,200.00	
Monthly Expenses		PR	\$700.00	
Rent	\$200 mo. \$2,400.00	Literature	\$2,000.00	
Utilities	\$ 75 mo. \$900.00	Banners	\$500.00	
Postage	\$ 20 mo. \$240.00	Direct mail	\$1,500.00	
Phone	\$ 50 mo. \$600.00	Events	\$500.00	
<b>Total Office Expense</b>	<b>\$5,840.00</b>	<b>Total Advertising Expense</b>	<b>\$7,600.00</b>	



Miscellaneous Expenses	
Salaries	\$ 7,500.00
Taxes	\$ 1,000.00
<b>Total Misc. Expense</b>	<b>\$ 8,500.00</b>

## Marketing Plan - ROI

### Calculating ROI

ROI (Return On Investment)

ROI measures the efficiency of your investment.

$$\text{ROI} = \frac{\text{Gain From Investment} - \text{Investment}}{\text{Investment}} \times 100 = \text{ROI}$$

### Rolling Hills Bee Company ROI

$$\text{ROI} = \frac{35,440.00 - 27,440.00}{27,440.00} \times 100 \quad \text{ROI} = 29.15\%$$

An average business projects to be at 15%-20%

Rolling Hills Bee Company is a successful business with an ROI projected at 29.15%

## The Pro Forma Income Statement

A pro forma income statement is one of the most important documents for planning the future of a business. A pro forma income statement is a lot like a monthly or annual closing income statement. The big difference is that a pro forma income statement projects future income rather than recording the past income. It looks at potential increases in raw material costs and other expenses. The purpose of this statement is to provide information to make business decisions for the upcoming year.

Based on a current income statement and a pro forma statement, a marketer can look at high and low periods during the year. A marketer can then plan the best times to promote and advertise to increase business during these slow periods.

To begin, start with a current income statement. Project income for the upcoming year. Contact suppliers used for materials and calculate what increases can be expected in the next year. Look at all expenses and project next year's expenses.

Be realistic and track your income and expenses on a monthly basis. This data will help a business manage costs. The first year is your benchmark. A **benchmark** is the base reference point to which measurements can be made to determine increases or decreases in business including income, profit, loss. It also identifies which areas are working well and which are not.

## Income Statement Year 1 – Benchmark

COMPANY NAME					
Income Statement					Year 1
<b>REVENUE</b>					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year End
Gross Sales	\$2,000.00	\$4,000.00	\$3,500.00	\$2,500.00	\$12,000.00
Less Returns	-\$75.00	-\$125.00	-\$150.00	-\$25.00	-\$375.00
<b>Net Sales</b>	<b>\$1,925.00</b>	<b>\$3,875.00</b>	<b>\$3,350.00</b>	<b>\$2,475.00</b>	<b>\$11,625.00</b>
<b>COST OF SALES</b>					
Beginning Inventory	\$800.00	\$400.00	\$1,000.00	\$700.00	\$2,900.00
Goods Produced	\$500.00	\$2,500.00	\$1,500.00	\$500.00	\$5,000.00
Total Goods Available	\$1,300.00	\$2,900.00	\$2,500.00	\$1,200.00	\$7,900.00
Less Ending Inventory	-\$900.00	-\$1,900.00	-\$1,800.00	-\$900.00	-\$5,500.00
Total Cost of Goods	\$400.00	\$1,000.00	\$700.00	\$300.00	\$2,400.00
<b>Gross Profit (Loss)</b>	<b>\$1,400.00</b>	<b>\$2,875.00</b>	<b>\$2,650.00</b>	<b>\$2,175.00</b>	<b>\$9,100.00</b>
<b>OPERATING EXPENSE</b>					
Salaries	\$900.00	\$1,600.00	\$1,600.00	\$1,600.00	\$5,700.00
Advertising	\$100.00	\$200.00	\$150.00	\$100.00	\$550.00
Depreciation	\$10.00	\$10.00	\$10.00	\$10.00	\$40.00
Payroll Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	\$20.00	\$20.00	\$20.00	\$20.00	\$80.00
Rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Postage	\$5.00	\$10.00	\$7.00	\$5.00	\$27.00
Office supplies	\$25.00	\$30.00	\$25.00	\$15.00	\$95.00
Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total operating Expense</b>	<b>\$1,060.00</b>	<b>\$1,870.00</b>	<b>\$1,812.00</b>	<b>\$1,750.00</b>	<b>\$6,492.00</b>
<b>INCOME</b>					
Gross Profit	\$1,400.00	\$2,875.00	\$2,650.00	\$2,175.00	\$9,100.00
Operating Expenses	-\$1,060.00	-\$1,870.00	-\$1,812.00	-\$1,750.00	-\$6,492.00
Income	\$340.00	\$1,005.00	\$838.00	\$425.00	\$2,608.00
Taxes on Income (20%)	-\$68.00	-\$201.00	-\$168.00	-\$85.00	-\$522.00
<b>Net Income (Loss)</b>	<b>\$272.00</b>	<b>\$804.00</b>	<b>\$670.00</b>	<b>\$340.00</b>	<b>\$2,086.00</b>

## Pro Forma Income Statement – Projected Year 2

COMPANY NAME					
PRO FORMA INCOME STATEMENT					Year 2
<b>REVENUE</b>					
	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Year End</b>
Gross Sales	\$5,000.00	\$7,500.00	\$6,500.00	\$5,000.00	\$24,000.00
Less Returns	-\$125.00	-\$200.00	-\$250.00	-\$100.00	-\$675.00
<b>Net Sales</b>	<b>\$4,875.00</b>	<b>\$7,300.00</b>	<b>\$6,250.00</b>	<b>\$4,900.00</b>	<b>\$23,325.00</b>
<b>COST OF SALES</b>					
Beginning Inventory	\$300.00	\$1,000.00	\$2,000.00	\$1,800.00	\$5,100.00
Goods Produced	\$1,200.00	\$2,000.00	\$500.00	\$100.00	\$3,800.00
Total Goods Available	\$1,500.00	\$3,000.00	\$2,500.00	\$1,900.00	\$8,900.00
Less Ending Inventory	-\$500.00	-\$1,000.00	-\$700.00	-\$700.00	-\$2,900.00
Total Cost of Goods	\$1,000.00	\$2,000.00	\$1,800.00	\$1,200.00	\$6,000.00
<b>Gross Profit (Loss)</b>	<b>\$3,875.00</b>	<b>\$5,300.00</b>	<b>\$4,450.00</b>	<b>\$3,700.00</b>	<b>\$17,325.00</b>
<b>OPERATING EXPENSE</b>					
Salaries	\$2,000.00	\$2,000.00	\$2,500.00	\$2,500.00	\$9,000.00
Advertising	\$250.00	\$500.00	\$300.00	\$250.00	\$1,300.00
Depreciation	\$10.00	\$10.00	\$10.00	\$10.00	\$40.00
Payroll Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	\$25.00	\$25.00	\$25.00	\$25.00	\$100.00
Rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Postage	\$7.00	\$10.00	\$10.00	\$7.00	\$34.00
Office supplies	\$30.00	\$35.00	\$30.00	\$20.00	\$115.00
Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total operating Expense</b>	<b>\$2,322.00</b>	<b>\$2,580.00</b>	<b>\$2,875.00</b>	<b>\$2,812.00</b>	<b>\$10,589.00</b>
<b>INCOME</b>					
Gross Profit	<b>\$3,875.00</b>	<b>\$5,300.00</b>	<b>\$4,450.00</b>	<b>\$3,700.00</b>	<b>\$17,325.00</b>
Operating Expenses	-\$2,322.00	-\$2,580.00	-\$2,875.00	-\$2,812.00	\$10,589.00
Income	\$1,553.00	\$2,720.00	\$1,575.00	\$888.00	\$6,736.00
Taxes on Income (20%)	-\$311.00	-\$544.00	-\$315.00	-\$178.00	-\$1,348.00
<b>Net Income (Loss)</b>	<b>\$1,242.00</b>	<b>\$2,176.00</b>	<b>\$1,260.00</b>	<b>\$710.00</b>	<b>\$5,388.00</b>

## Marketing Metrics

The ability to measure the operations of a business is essential to the success of that business. Likewise, the ability to measure the success of advertising, public relations, and media is the key to successful marketing. There are several different options available to measure marketing results. There are also several companies whose purpose is to gather data and provide statistical evaluations of marketing campaigns, programs, or media. The key to effective marketing metrics is the ability to track and calculate all data within a marketing program or event.

Basic advertising metrics include:

- Total of number of contacts (number of people in database or in reach)
- Response (How many people responded) (What is desired response)
- Sales (How many people purchased products or services based on event or program)
- Total Sales (Total dollar amount reported)

### An Example:

**Program:** Direct mail program to potential customers to promote a new product.

- Mailing directed the potential customer to the web site
- Response desired is:
  - Register for email newsletters and future product offers
  - Purchase an item

Target Goal: 75-100 responses, 25 transactions, \$2,500.00 in sales

### Data:

- Database contains 500 names
- Cost to develop mailing with postage: \$ 1,000.00
- People registering on site: 80
- Number of those making a purchase: 30
- Total value of sales: \$2,300.00

### Program Metrics

Cost per contact:	\$2.00
Response:	16%
Sales response	6%

Evaluation of program: 500 potential customers were contacted. 16% of those responded to the direct mail piece and 6% of potential customers purchased of product.

In general, marketing response rates are < 3% (less than 3%), so the example above indicates a successful campaign.

## Common Metrics Tools

**Burke Test** – The Burke Test (media recall) is a classic test used since the 1950's. It measures how many people remember a television commercial the day after it runs. Researchers will call people the next day and ask a series of questions about what programs were watched, what commercials viewers remember seeing, and their opinions of those commercials.

**Starch Test** – The Starch Test (publication / magazine recall) was developed in the 1920's, and is still used today. Readers of magazines or publications are polled about what publications they read, what articles and advertisements they see, and what they remember about the advertising.

**Readership Survey** – Readership surveys are questionnaires used to survey potential targeted customers to receive response on either articles or advertisements. They can be done in focus groups, mailed as surveys, completed in person, handled online or by phone

**Message Testing** – Message testing is generally used to determine what messages, logo designs, tag lines, or slogans appeal to a specific target audience. Message testing is commonly done in focus groups.

**Focus Group** is a gathering of 6-10 potential customers in your market. A moderator leads a survey and discussion of related products identifying a consumer's view of the competitive products. In a focus group, the moderator is neutral so the group does not know which product is yours. This way, the group treats each product the same and does not favor yours. You will then get an honest opinion of each product on the market. Be aware that some comments may not be favorable and you may not exactly like what you hear. The benefit is that you will know exactly how people feel about your product or service. This way you know how to position it on the market and what improvements you may need.

## RESOURCES

Marketing Metrics Made Simple [www.marketing-metrics-made-simple.com](http://www.marketing-metrics-made-simple.com)

A Metrics Primer: Marketing Metrics and ROI (Small Business Edition)  
This metrics primer can help a lot if you work in a small business and would like a basic orientation to marketing metrics and ROI. The primer is in the form of an easy-to-read, 40-page eBook. (Free Download)  
<http://www.marketing-metrics-made-simple.com/metrics-primer.html>

Principles of Finance with Excel, Simon Benninga, 2006, Oxford University Press, Oxford, New York

Low Budget Online Marketing: For Small Business, Holley Berkley, 2005, International Self-Counsel Press Ltd.

Measuring Marketing, John Davis, 2007, John Wiley and Sons Inc., Hoboken, NJ

Accounting for Non-Accountants: The Fast Easy Way to Learn the Basics, Wayne A. Label, 2010, Southbooks, Inc., Naperville, IL

# 9

## Careers in Marketing

### Marketing's Future

The marketing industry has always been on the cutting edge of technology. Whether using traditional media – print, radio, television, direct mail, and outdoor – or new, emerging media and approaches, marketing is all about grabbing the attention of consumers and positively influencing their buying decisions. Opportunities exist for new professionals entering the marketing arena with a variety of skills, as these marketing trends will continue to grow:

- Internet advertising
- Mobile communications
- Social media such as Twitter, Facebook, Blogs and blogging
- Online video systems such as YouTube
- Tracking and forecasting consumer buying trends
- Podcasting and internet radio
- Electronic outdoor boards, signage and messaging
- Email marketing
- Internet education and web-ex training
- Website optimization
- Personalized / customized targeted materials and messaging

### Professional Marketing Careers

#### Advertising / PR Agencies

An advertising agency is a service company focused on creating marketing materials and managing the brand identity and success of a product or service. Full service agencies cover every need the client may have from strategy to the final delivery of advertising materials.

Other types of agencies may focus on a specific client need such as research, marketing strategy, media, or creative.

A full service agency may be structured in client service teams or in departments.

A traditional full service agency includes:

Account Services  
Creative Services  
Public Relations

Media Services  
Production Services  
Accounting and Finance

An agency or marketing service concentrating in a specific area of business expertise may include:

Media Buying Service

PR Firms

Creative Companies

Internet Management Services

Marketing Research

Media Broadcast or Video Studios

Photo Studios

Events and Trade Show Marketing

Email and Mobile Marketing

After gaining experience, some individuals can work independently as freelance marketers, designers, producers, or writers or other niche markets.

### **Account Management / Account Service**

Account Service professionals are responsible for the relationship and communications between the agency and the client. These individuals are knowledgeable of their clients' businesses and the industries they compete in.

An account manager develops marketing strategies for a client's product or service. They have excellent writing and research skills, developing creative briefs and marketing tactics that communicate strategies to the agency marketing teams. Account managers also possess financial skills managing advertising budgets.

A public relations professional also manages client business and relationships, interacting with all areas of a client's marketing business. PR representatives are highly skilled in journalism and communications.

**Education required:** Account service careers require a bachelor degree in advertising, marketing, business administration, or liberal arts. Some colleges offer programs focused on specific industries such as agriculture, textile management, fashion apparel, computer science, or retail management. Senior positions and large companies may require a master's degree.

Public relations professionals possess business, communications, liberal art or journalism degrees.

### **Creative**

Creative positions include Art Directors, Designers, and Writers. These positions create magazine and newspaper ads, literature, point of sale materials, TV commercials, radio spots, web materials and electronic messaging. Creative professionals concept and design visuals and advertising content intended to gain brand recognition and increase product or service recognition and sales.

**Education required:** Creative careers require a bachelor degree in art, graphic design, photography, film studies, or journalism. Some college programs are also designed and focused on specific industries such as agricultural journalism, English writing, or multimedia design. Senior management positions and large companies may require a master's degree.



## Media

Media careers consist of media planners, buyers, researchers, or statistical analysts. Media professionals plan, buy, and place advertising materials for TV, radio, Internet / electronic media, magazines, newspaper, outdoor, and other areas of media. Media professionals develop media programs and recommend the “best” selection of publications or stations to reach a client’s target audience. Media professionals also negotiate costs and manage supplier relations.

**Education required:** Media careers require a bachelor’s degree in communications, business, statistics, marketing, or advertising. Knowledge of a specific industry benefits media planners. Senior media management professionals may also be required to possess a master’s degree.

## Production Services

Production professionals have a broad range of marketing opportunities available to them, including print management, radio and broadcast management, IT professionals, computer artists, color and quality management, buyers, estimators, and supply management. Production professionals develop and manage marketing campaign budgets and schedules. These professions have technical, organizational, accounting, negotiating, and buying skills. They work and interact with all agency teams throughout the marketing process.

**Education required:** Production professionals will have a bachelor’s degree in graphic art technology, computer science, graphic arts, business, or supply chain management.

## Not-For Profit / Education

Not-For-Profit marketers are business and sales professionals dedicated to educating the public on charities, causes, or issues faced by society. They also raise funds to support these causes. Not-For-Profit organizations may hire an agency or have an internal marketing department consisting of account managers, creative, media, and production services.

Public relations professionals are critical resources for a not-for-profit organization. PR representatives will work with media relations companies, publications, newspapers, and news media to issue news releases, event information, and fundraising opportunities. There are many not-for-profit organizations, foundations, colleges and universities locally and nationwide, including the American Red Cross, St. Jude’s Children’s Hospital, the American Cancer Society, National FFA organization and many, many others.

**Education required:** To work in a not-for profit organization, these positions require a bachelor degree in each respective profession; account service, creative, media, PR or production. To manage or serve as an executive manager in a not-for-profit, most organizations require an advanced business degree (MBA) and hold a “Certified Fundraising Executive (CFRE) Certificate. This certificate is earned over a five- to

eight-year period of service in fundraising organizations. To learn more about the CFRE, go to: <http://www.cfre.org/>

### **Positions in Education**

Education professionals work in the area of research, communications, education / teaching, and statistics. Companies, not-for profit organizations, and universities hire marketing professionals in all functional areas of expertise. To teach marketing education in trade schools, colleges or universities, an education professional is required to hold a master's degree in business or journalism. Professional experience may be required. Some universities may require a doctorate degree.

### **Resources**

To learn more about careers and education required to achieve a marketing career, see your guidance counselor, college admissions representative, or meet with marketing professionals working at agencies, corporate marketing companies, or in marketing trade support companies.

University web sites provide overviews of each program, course requirements, and career opportunities supported by their programs.

Careers in Advertising and PR

<http://www.careers-in-marketing.com/ad.htm>

Careers in Marketing, Lila B. Stair and Leslie Stair, 2008, VGM Career Books, A division of McGraw-Hills Companies, New York, NY

Opportunities in Marketing Careers, Margery S. Steinberg Ph. D., VGM Career Horizons, Chicago, IL

# Glossary

**Assets** are the resources owned by the business. Examples are cash, equipment, inventory, computers, etc.

**Benchmark** is the base reference point to which measurements can be made to determine increases or decreases in business including income, profit, loss. It also identifies which areas are working well and which are not.

**Brand Awareness** refers to the knowledge customers and potential customers have of your business, products and services.

**Business or Retail Market:** When your product is used for a specific business operation.

**Competitors:** Rival companies engaged in the same business and focused on the same customer base.

**Consumer Market:** A product focused on the household or it satisfies personal needs.

**Cost of goods sold** is the total cost of the product and delivery to the customer as a result of a sale.

**Customer Profiling:** A term in identifying your target market. You are identifying the characteristics of your product that appeal to the buyer. Your buyer may be classified as an average age, gender, income or salary bracket, interested in sports, or even listen to a particular genre of music, books, or movies.

**Customer Prospecting:** Identifying the consumer that will buy your product.

**Depreciation** is the gradual reduction in the value of your assets.

**Direct Catalog Sales:** A company will print a product catalog and distribute in stores or through direct mail to the prospective customer. The customer can order products by mail, Internet, or by phone usually through credit card, money order, or check purchases.

**Direct Internet Sales:** Is used by selling products on a company web site. Also called e-commerce, this site allows a company to post its products online and sell direct to the customer through credit cards or pay-pal systems. The product is then shipped direct to the consumer.

**Direct Sales:** Direct sales can be a sales representative or sales team selling a product or service direct to the consumer.

**Electronic Media** consists of radio, television, and the Internet.

**Expenses** are the costs incurred to make your product and operate your business.

**Fixed Cost** are expenses that do not vary based on the cost of production and sale of your product. Examples are rent and insurance. These costs remain the same each month.

**Focus Group:** A gathering of 6-10 potential customers in your market. A moderator leads a survey and discussion of related products identifying a consumer's view of the competitive products.

**Frequency** measures the number of times a person will see your ad within a given media schedule.

**Gross Profit** is the difference between the amount of a product sales and the cost to make that product

**Indirect Distributor:** A distributor will buy products from a manufacturer or company and sell them to retail stores or markets. They make their money by buying a product bulk and applying a commission to it.

**Indirect Retailer:** The retailer is the market or store buying from the distributor. Retailers sell direct to the consumer. They will also add a commission to the product creating their profit margin. This is also known as retail pricing. Retailers may sell in a store catalog or even on their own web site.

**Labor** is the man-hours required to build your product. Direct labor cost is the actual hourly cost. 2 hours @ \$10 per hour = \$20. Billable hours are the cost based on what you charge your customer to produce a product or the cost per hour to perform a service. An example is billing an hour for \$20 per hour. The billable cost is 2 hours @ \$20 = \$40 billable.

**Liability insurance** protects you and your business against lawsuits, claims, and damages.

**Marketing Mix** is a general marketing term describing decisions made throughout the process of delivering a product / service to the consumer.

**Market Penetration** is the amount of sales or the percentage of a product or service in comparison to other similar products and services on the market. Another phrase that relates to Market Penetration is "Market Share".

**Marketing Segment:** A specific group of people or consumers that share similar characteristics. Gender, age, ethnic heritage, hobbies, personal lifestyle, food preference, rural lifestyle, or career areas define a segment.

**Media Schedule** is a schedule of the issues available by each publication. A newspaper is daily, while magazines and journals may be bi-weekly, monthly, or even quarterly.

**Mission Statement** is a written sentence, a short list, or a short paragraph stating your business goals or purpose. The statement should be simple and easy to remember. It states the direction your business will take.

**Net Income** is the actual income after subtracting all additional business expense. These expenses can be a percentage of rent, phone cost, actual labor cost.

**Net Sales** is the total sale of one unit or units sold during a given period: monthly, quarterly, annually.

**Parentheses** are used in accounting to show a negative number or cost which is to be subtracted.

**Price Elasticity:** The difference in the price as the demand for the product changes.

**Primary Research** is the research you do yourself through surveys, focus groups and personal conversations with prospects.

**Pro Forma** income statement is a lot like a monthly or annual closing income statement. The big difference is that a pro forma income statement projects future income rather than recording the past income.

**Positioning Statement** focuses on the benefit or value you provide to your target audience. Your positioning statement also states how you are different from your competitors.

**Product Life Cycle:** The life span of the product; the introduction to the market, market growth, stabilization or maturity of the product, and a decline in the product due do to new technologies or better substitutes in the market.

**Reach** is the percentage of people in your target audience exposed to your advertisement in a specific publication.

**Research Station:** A way to utilizing networks on the web to gather information about your market, your product, or your competitors.

**Retailer:** An organization or store chain selling products obtained direct from a manufacturer or a distributor. The retailer does not produce or use the product. It's purpose is to sell a product for a profit.

**Secondary Research** is information you've gathered from other sources. Information found online, consumer reports, government reports, company websites and annual reports.

**S.M.A.R.T. Goal System** applies to your financial, sales, media, and marketing goals. It can also be used to test your mission statements effectiveness.

**S**pecific **M**easurable **A**ttainable **R**ealistic **T**imely

**Supply Chain:** The channel of distribution from the manufacturer of the product to the consumer.

**SWOT:** Strengths, Weakness, Opportunities, and Threats

**Target Market:** The specific market or segment you aim your marketing plan towards.

**Unique Selling Proposition (USP):** The unique selling proposition is what you as a marketer identify as a unique characteristic of your product. This characteristic sets you apart from other products in your market. This unique characteristic is also the basis in promoting and advertising your product.

**Variable costs** are expenses that may vary each month such as the cost of supplies, direct labor, and utility bills.

## Mission

The National FFA Organization is dedicated to making a positive difference in the lives of students by developing their potential for premier leadership, personal growth and career success through agricultural education.

To accomplish its mission, FFA:

- Develops competent and assertive agricultural leadership.
- Increases awareness of the global and technological importance of agriculture and its contribution to our well-being.
- Strengthens the confidence of agriculture students in themselves and their work.
- Promotes the intelligent choice and establishment of an agricultural career.
- Encourages achievement in supervised agricultural experience programs.
- Encourages wise management of economic, environmental and human resources of the community.
- Develops interpersonal skills in teamwork, communications, human relations and social interaction.
- Builds character and promotes citizenship, volunteerism and patriotism.
- Promotes cooperation and cooperative attitudes among all people.
- Promotes healthy lifestyles.
- Encourages excellence in scholarship.

## Motto

The FFA motto gives members twelve short words to live by as they experience the opportunities in the organization.

***Learning to Do, Doing to Learn, Earning to Live, Living to Serve.***



## National FFA Organization

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