

ENTREPRENEURIAL MANAGEMENT – LECTURE 11

CHAPTER 11 – Promotional Planning

LESSON 11

Promotional Planning

Learning Objective 11.1 – Promotion is Communication

Promotion comprises of marketing communications that enlighten and persuade potential consumers to purchase a company's product or service. Promotion is utilized by small businesses to varied degrees. In this chapter, we cover promotion via the Internet and social media, but we do not overlook the importance of classic approaches such as personal selling, advertising, and sales promotion tools.

A small company's promotional activities may include impersonal (advertising), personal (personal selling), blended (social media), and unique (sales promotion) modes of communication. These promotional strategies are combined in a promotional mix to reach a certain market. Geography is one of the numerous aspects that affect the precise combination of promotional approaches, including advertising, personal selling, social media, and sales promotional tools. A widely scattered market usually necessitates widespread coverage via advertising or social media, as opposed to the more expensive individual connections of personal selling. If the market is local or the quantity of clients is limited, however, personal selling and point-of-display advertising may be more feasible. However, based on current consumer and corporate behavior, social media cannot be disregarded.

Learning Objective 11.2 – Determining the Promotional Budget

Budgeting a Fixed Percentage of Sales

Numerous small enterprises operate in predictable marketplaces with consistent cash streams. In these situations, the easiest way to determine how much to budget for advertising is to allocate promotional funds based on a percentage of sales. To build a promotion-to-sales ratio, a company must assess its own prior experiences.

A key drawback of devoting a percentage of sales to promotion is the temptation to spend more while sales are rising and less when sales are falling. Do you really need to spend more to attract customers in a thriving economy? In a recession, however, promoting your firm to increase sales may be the most effective strategy to convince people to do business with you. Obviously, this technique does not make sense for new businesses that lack past sales data on which to base their marketing spending.

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Deciding How Much is Left Over after Other Expenses are Covered

After all other activities have been supported, it is all too common for small businesses to spend any remaining funds. This is sometimes known as the "buy everything you can afford" technique. Until a media expert convinces a business owner of an inexpensive special offer, the decision about promotional expenditures may not be made. Small business owners should establish spending objectives. And they must be vigilant for opportunities in new media.

Spending at the same Level as Competitors

This strategy may lead to imitating competitors' failures in addition to their triumphs. The worst drawback is that it might make you lazy. You should not disregard something that could significantly advance your business. And if you create a novel promotional plan, your competitors may attempt to replicate it. They may increase their advertising expenses to prevent you from snatching their customers, and you may find yourself in an advertising war as a result.

Determining How Much is Needed to Achieve Objectives

With your promotional budget, you may be attempting to enhance sales or profits, attract more prospects to your website, improve the name or brand recognition of your firm or product, or just broaden the audience for your message. A complete market analysis with a link to the firm's aims is required to determine the amount of capital required to achieve one's goals. You must understand how your target market obtains information.

Learning Objective 11.3 – Promotion Using the Internet and Social Media

Companies who fail to realize how the Internet and social media are altering people's communication and information processing are unlikely to succeed. To acquire a better grasp of what this implies for small business owners, we will first examine the creation and management of websites, followed by a discussion of the promotional possibilities given by social media.

The Small Business Website

Prior to the launch of a website, many considerations must be made. Creating and registering a domain name, developing a user-friendly website, and promoting a website are crucial initial steps for the likely success of a business website's promotion.

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There are various reasons why websites are unable to keep clients. One of the most common issues is sluggish download speeds. Online shoppers are impatient, and the smallest hassle causes them to abandon a purchase. If your company conducts significant online business, a slow website will result in missed sales revenue. Lost revenue might be direct (such as missed sales if you sell online) or indirect (such as a loss of client confidence if you provide Web-based solutions). The more essential a website is to your business, the less you can afford for it to run slowly or, worse, to be unavailable.

Websites will also fail if they do not meet the information needs of visitors. Frequently, this is the result of designers looking internally to the business for Web design inspiration, as opposed to outward to customer requirements. Some specialists advise businesses to include social networking into their websites from the start. For instance, fashion designer Rebecca Minkoff presented a new line of clothing by publishing images on Snapshot, which were utilized by prospective clients to locate her website.

Before building a website, numerous decisions must be made. Creating and registering a domain name, developing a user-friendly website, and promoting a website are crucial initial steps for the likely success of a business website's promotion.

Social Media

Social media include social networking and microblogging websites, in addition to other forms of online communication in which users post personal messages, information, videos, and other content. Social media's pervasiveness has led to the development of new phrases and new definitions for some concepts. The inbound marketing firm HubSpot provides a glossary of 120 social media marketing words. 15 A phrase that is particularly pertinent to this chapter is social networking, which refers to online interactions with users who share similar interests. Smartphones, tablets, and other mobile devices enable business owners to reach customers and prospects in wholly novel ways.

Learning Objective 11.4 – Personal Selling in the Small Firm

For many products, the most effective technique to make a presentation and complete a sale is face-to-face interaction with a consumer. Obviously, the face you see could be displayed on a computer monitor, a smartphone, or another device. Personal selling includes both the operations of inside salespeople in retail, wholesale, and service organizations as well as those of outside sales agents who call on business customers and end consumers. In a small business, every employee is also a salesperson. When a customer enters into a business, makes a phone call, or writes an e-mail to a firm, he or she should not have to wait long to be attended to by the owner or a particular staff; everyone must be prepared to

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meet the customer's demands. The role of the entrepreneur is to ensure that all staff are prepared for personal selling. Calculate the expenditures and projected returns before hiring a sales team for your business. This can be a costly kind of advertising per sale. Personal sales are labor-intensive for small businesses. It distracts you and your employees from numerous other things that may be vital to the survival of your organization.

The Importance of Product Knowledge

Product knowledge is the foundation for effective selling. A salesperson is supposed to provide each prospect unique attention, possibly negotiating and customizing a product or service to meet a specific demand. With in-depth knowledge, the salesman can describe the benefits, uses, and limitations of the product or service, as well as educate customers by answering questions and countering objections.

The Sales Presentation

The sales presentation to a potential customer is at the heart of personal selling. Listening skills are important, but you should also have a strong notion of what you or your sales people will say. An order is either secured or lost at this critical point. There are a few tried-and-true methods that have shown to be successful.

Cost Control in Personal Selling

The most cost-effective form of selling may be to hire sales or marketing representatives who are self-employed or work for a corporation that represents numerous businesses, spreading out the costs of selling. They will not solely focus on your products, as would your own staff, and your company will only be able to reimburse them as merchandise is sold. Consider them your partners. Assist them with whatever sales tools they may require to make their job easier. Maintain open lines of communication with them and let them know you're invested in their achievement.

The Compensation Program for Salespeople

Salespeople are not motivated in the same way that owners are. You may be passionate about your product or service and want to make a difference in the world. Your employees, on the other hand, want to get compensated. Nonetheless, people might be driven by non-monetary rewards as well as monetary rewards. Noncash incentives that are related to firm success have been identified in small business research studies.

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Learning Objective 11.5 – Advertising Practices

Advertising, in addition to personal selling, is likely to be an element of your company's promotional plan. Media including as television, radio, magazines, newspapers, direct mail, billboards, and the Internet are used to deliver advertising ideas to businesses and customers.

Advertising Objectives

Advertising is a sales technique that involves informing, persuading, and reminding customers about a company's products or services' availability or superiority. Advertising alone will not be enough to help your firm survive and develop if it has product or service strengths like quality and efficiency. Advertising should never be used to replace a good product; it should only be used to compliment it.

Types of Advertising

Product advertising and institutional advertising are the two most common types of advertising. Product advertising is intended to raise awareness of a product or service and develop a desire for it among potential buyers. Institutional advertising, on the other hand, provides details about the company. Its goal is to raise public awareness of the firm and improve its image so that product advertising becomes more believable and effective.

Learning Objective 11.6 – Sales Promotion

Any promotional approach, other than personal selling or advertising, that encourages the purchase of a certain product or service is referred to as sales promotion. The phrase is described as "the stimulation of sales achieved by contests, demonstrations, discounts, exhibitions or trade shows, games, gifts, point-of-sale displays and merchandising, special offers, and similar activities," according to BusinessDictionary.com. Sales promotion is often used in conjunction with personal selling and advertising to achieve the best results. Through sales promotion, social media companies help small businesses to compete head-on with their larger competitors in a cost-effective manner.

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Specialties, trade fair booths, coupons, and publicity are the four most commonly employed promotional techniques.

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Quiz

True or False

1. A source, a message, a channel, and a receiver make up the fundamental communication paradigm.
2. A promotional mix is a combination of nonpersonal, personal, integrated, and unique forms of communication directed at a specific demographic.
3. When deciding on a promotional mix, an entrepreneur should also learn from competitors and listen to clients.
4. Publicity cannot be utilized to promote a product and a company's image at the same time.
5. Small business entrepreneurs must keep up with technological advancements and societal developments.
6. An entrepreneur should avoid setting false expectations, as this is likely to lead to client dissatisfaction.
7. Cost issues are particularly significant for a small organization with limited resources.
8. When a salesman lacks product understanding, personal selling devolves into order-taking.
9. In a small business, no one in the organization is a salesperson.
10. You can't use body language to convey your message, answer questions, solve problems, or generate confidence during personal selling.
11. Using social media to promote businesses, products, and services might be scary, if only because of the enormous diversity of possibilities accessible.
12. Customers today are frequently part of online communities that share real-time information about the products and services available.
13. Because a customer's knowledge of highly specialized products, such as industrial insulation products, is typically restricted, personal selling is not an efficient strategy for promoting them.
14. Technological advancements and consumer and commercial usage of mobile devices, as well as the potential that these products provide for small businesses, have surged in recent years.
15. Because commissions are easy and immediately tied to production, many small businesses prefer not to employ them as a form of remuneration.

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Answer key

1. True
2. True
3. True
4. False
5. True
6. True
7. True
8. True
9. False
10. False
11. True
12. True
13. False
14. True
15. False

Assignment

Essay Questions

1. Discuss the significance of providing extraordinary customer service.
2. Recognize certain sociological influences on consumer behavior.
3. Understand how technology can be used to improve customer relationships and the techniques used to create a customer database.

Answer key

1.
 - To achieve long-term success, small businesses must develop and maintain strong transactional relationships with their customers.
 - Regardless of the nature of the business, providing outstanding customer service before and after a transaction can provide small businesses a competitive edge.
 - Satisfied customers are loyal, resulting in increased revenue.

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- Personal attention is the "gold standard" against which the quality of customer service is measured, and this can be strengthened by doing business on a first-name basis, keeping in touch with customers, finding ways to assist them, customizing services offered, and addressing problems promptly.
 - Customer experience management (CEM) acknowledges that customer relationships can be enhanced or deteriorated based on the quality of their interactions with a company.
- 2.
- Cultures, social classes, reference groups, and opinion leaders are sociological factors.
 - In marketing, culture refers to the behavioral patterns and values that define a set of target market customers.
 - Social classes are divisions of a society with varying degrees of social prestige.
 - Reference groups are the little groups that a person permits to influence his or her behavior.
 - Consumers acquire a substantial amount of information from opinion leaders, who play a crucial role in communications.
- 3.
- It is preferable to consider a small business's demand for CRM technology, from simple spreadsheets to complex software packages, from the outset.
 - CRM software solutions enable businesses to consolidate all client contact data into a single data management system.
 - The program has options for interacting with and offering personalized care to customers.
 - CRM prioritizes sales tasks such as rapidly and accurately fulfilling orders, monitoring follow-up contacts to ensure customer happiness, and providing user-friendly call centers to address all enquiries, including complaints.
- Some entrepreneurs outsource specific applications because of concern for the availability of adequate support resources for CRM information technology.
- The number of CRM management tools is increasing, as are their affordability, sophistication, and usability.
 - Blogs, wikis, social networking sites, and online communities can be used to collect customer input and product development suggestions.
 - Customer databases are vital to the success of a CRM program, since they provide the foundation for the critical customer knowledge.

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- Useful customer information categories include personal information, demographic, lifestyle, and psychographic data, Internet information, transaction data, a profile of past reactions, and a complaint history.
- Consumer relationship management (CRM) data can be collected at any touch point (places where customers interact) and utilized to inform customer segmentation plans.
- According to the 80/20 rule, the majority of a company's sales will come from a very small number of its greatest consumers, and a recency-frequency-monetary analysis will help to discover them.
- It is crucial to go beyond a single purchase and consider the Customer Lifetime Value, which represents all predicted future sales from a customer.
- If a small business decides to create a client database, it is imperative that all obtained information is used ethically and responsibly to safeguard customer privacy.