

Common Marketing Mistakes

1. The price you pay...for not charging enough

It's a fact: most small businesses charge too little for what they sell, and that's because they're concerned about losing market share to cheaper competitors.

But it's also a fact that relatively few customers make their "buying decision" based on price alone. Even better – it's often far lower-down the decision-making process than you might think.

Sceptical? Think of the last time you went to the supermarket. How many products did you buy solely on their price? And how many did you buy because you'd seen an ad on TV, you liked the packaging, a friend had recommended it, you'd had a free tasting, there was a free gift, you prefer that brand and so on?

Setting prices is not just a question of matching or beating the competition. Rather than simply working out the basic cost and adding 50 per cent, work out where most of your sales originate and use that information to arrive at a fair price. For example, in many small businesses (especially service businesses) a lot of sales come from third party referrals, praising quality and the standard of service. In such a case, the business might use its good reputation to raise prices above those of its competitors.

Focus on setting the highest price that you can, and then spend all your marketing efforts on persuading your customers that you – or your product – is worth it; that there are other reasons that they should buy apart from the price. Don't ignore the competition, but remember: it's sometimes better to be *better* than to be *cheaper*.

2. Send out 1,000 leaflets and you'll get 100 responses

Well...you can always hope.

Direct mail can be an extremely effective way of promoting your business. Forget people complaining about endless "junk" mail on the doormat: when it's done properly, it works. We daresay it's even worked on you before...

Low response rates are a fact of life - 1% to 2% can be considered a success and many businesses do a lot worse than this. Why? One reason is that they spend far more time on the content and design of the mailshot than on the distribution. The balance should be closer to 50:50. After all, if your mailshot doesn't reach the right people at the right time, you may as well save the stamp and throw your expensive artwork straight in the bin – because that's where it'll end up.

How can you improve your distribution? For a start, consider ditching the franking machine when distributing your postcards or sales letters. A handwritten address to a named individual with a stamp is the most likely to be opened and read and if you're a business with a small number of high value clients then it shouldn't take long.

If you still can't imagine anyone taking the time and trouble to do this then hats off to Paul Smith, the fashion designer and retailer, who sends all his direct mail postcards in stamped, hand-addressed envelopes.

"There's no one here to take your call at present..."

As a prospective customer, don't you just hate it when that happens? It's tantamount to saying "Hello, whatever we're doing at the moment is more important than dealing with you." Customers *much* prefer to be answered by a human voice, even if it's just to take a message. They're more likely to wait for you to return their call if they think that someone, somewhere, is dealing with it.

These days, if you're too busy to answer the phone - or if you're out of the office a lot and it's impractical and inconvenient to have your mobile phone going off every few minutes - there is a solution.

For about £50 a month you can hire a tele-answering company. Some of these offer an excellent personalised service, answering with your company name and responding as if they're there in the office with you - "I can't see her at her desk at the moment..." They will then forward the messages to you in the format of your choice - e-mail is popular.

The caller remains happily ignorant of the fact that the tele-answering company is in Newcastle, say, and you're in Cornwall. Besides, studies reveal that people prefer northern and Scottish accents when dealing on the phone, so if you're not blessed with such a voice, it's an added bonus.

"For all I spend on advertising, I might as well throw the money down the drain..."

"Only half my advertising works, the problem is I don't know which half" - Henry Ford

There ought to be a rule that the word "advertising" has to be preceded by the word "effective". If there were, then many businesses might spend as much time monitoring the success of their advertising as they do planning what and where to advertise.

So how do you measure the increase in sales attributable to a particular advertising campaign? And how big an increase in sales do you need in order to describe your ad campaign as "successful"?

A good way of measuring response is simply to ask your customers where they heard about you, especially those who phone or e-mail and who are clearly not passing trade. Ask politely and most won't mind.

When you've got a reasonable number of responses, you can start assessing how many extra sales your ad is generating, and how much additional profit you've made. You can then examine whether or not the advertising has been cost-effective.

Obviously, you want to do more than just break even, otherwise what was the point of it all? A very rough guide suggests that the extra sales from each advert should be at least five times the cost of placing it.

3. Can't close, won't close...

OK - so your product is wonderful and your customers are hungry for it, but your sales are declining. Marketing, sales and promotional ideas are pouring out of you, but still they're not buying. It may be time to review your closing techniques...

Closing is the last and most important part of selling - the time when you get the money, the cheque or the signature on the contract.

To some people, the act of closing comes naturally. To most, though, it's a slightly awkward – even confrontational - situation. In the worst case, nerves take over and you talk around the subject without ever *quite* getting to the point (the point being “please sign here”). Often, customers will leave without the sale being closed and it can be tricky to identify exactly where a potentially promising transaction went wrong.

Closing is full of psychology and there are countless tips on how to improve your skills. Here's one of our favourites:

Once the customer has agreed to buy something, complete the formalities *quickly*. People are very susceptible to second thoughts after making a commitment. (There's even a name for this – “cognitive dissonance”- though we call it “customer changing mind”.) Try engaging them in discussion about something completely different, like the weather or sport, while you are processing their credit card payment. This makes it harder for them to change their mind. (There's a name for this as well – “sneaky” – though we call it “good closing technique”.)

4. "I daren't ask my customers what they think - they might tell me..."

Many people start out in business selling either a product or service they'd like to buy themselves, or the kind of product or service they're good at providing.

Does it work? It can do. Does it fail - a lot, because it fails to follow a marketing fundamental - identifying a market for your product.

Before you commit yourself, your savings and your spare time, have a good hard think about the potential market for what you're about to sell. Be objective. Just because you like it, doesn't mean everyone else will – and that goes for your family and friends as well. One of the reasons that they *are* your friends is that they share at least some of your likes and dislikes, so they can be a pretty unreliable sample of the market as a whole.

You don't have to stand in the street with a clipboard, either, although if you're brave enough you may get some interesting results. Lots of market research can be done in the library or on the internet. In marketing-speak, this is “desk research” and it can yield a good deal of useful information about demographics, trends and customers' preferences.

When your business is finally up and running (and we're trying to help here, not put you off), don't stop listening to your customers. If you're launching something new, ask your existing customers what they think of it, perhaps by including a questionnaire with each purchase. This has the added advantage of making your customers feel that you care about them – and the benefits of *that* are hard to overstate.

5. "I've built my web-site - now I can forget about it!"

Putting together a website can be exciting and fun: but it's also a sweat-inducing grind, takes longer than expected and is much more complicated than anyone said it would be.

No wonder so many small businesses lose enthusiasm for their website once it's up and running. They don't bother to update it, they neglect the e-mails it generates and eventually they give up altogether convinced that there's no real profit in it (as a result of which, there isn't).

If you are going to have a website, don't treat it as a gimmick or a half-baked experiment. It must be an integral part of your marketing strategy, and your overall business plan. In other words:-

- Promote it aggressively
- Update it continuously
- Respond to customer queries promptly

If you have little real enthusiasm for it, then our advice is, don't have a website at all and don't listen to all those people who tell you that you absolutely *have* to have one. An out of date website and an unanswered e-mail create dissatisfied customers and that's something you really can live without.

6. Danger - large customers ahead...

If any client takes more than about a fifth of your business – beware.

Imagine the scene: you've been happily selling your product or service to a respectable number of small customers, when along comes a large company with two or three enormous orders. Hurrah! You've made it! After all, getting big orders from big companies is the whole point of going into business, isn't it? And as for the small customers, well...it was a lot of extra work for the same amount of profit.

Half way along the road to business success, however, is a large pit, and there's a big sign over it saying "unequal bargaining power". Unfortunately, you've just fallen in.

The chances are that, pretty soon, your large corporate client will start to flex its large corporate muscles. Your prices may be negotiated down so that you're working on extremely thin profit margins. They may take forever to pay, squeezing your working capital – and you're reluctant to use the new prompt payment legislation against them for fear of losing their custom. And what about those small customers whom you've neglected? Exactly – they've gone elsewhere.

So be careful about relying too much on one customer. As a rule of thumb, be wary when one customer has more than 20 per cent of your business. Keep a diverse customer base, and look after the little people: you never know when you might need them again.

7. Your most lucrative source of new sales - your existing customers...

There's an easier way of increasing your sales than courting new customers. It's selling more to your existing ones. They already know you *and* they like what you sell. Half of your marketing effort has been completed: you have their trust as a reliable supplier of what they need.

Furthermore, you don't even have to sell them new products – just sell them more of the stuff they've already bought.

For example, there's a bicycle shop near the investors office which sold Oliver a new bike recently. It was expensive, but after the purchase, Oliver never heard from the shop again. Now, if the shop-owner had been an investors client, he'd have taken Oliver's contact details and informed him six months later with a neatly handwritten postcard (remember?) that his bicycle was due for its six month service at a specially reduced price of £25.

He might also have enclosed a newsletter (a black and white A4 photocopy is fine) telling him that some terrific new panniers are on offer (having written a note in the original contact details that Oliver had expressed an interest in buying these).

He could easily have squeezed another £100 a year or more out of Oliver – and maybe pulled off the big one by selling another bike to a member of his family. And all for probably less than a pound's worth of production and distribution costs.

8. Your marketing budget - spend, spend, spend...

"And now we turn to this year's prize for the least amount of money spent on marketing by a small business. With so many high quality entries this year, our judges have had their work cut out..."

There are many areas in business where prizes should be given out for spending less. Marketing isn't one of them. Under-spending on marketing is a common cause of business failure, probably because this is usually the first budget to be (mistakenly) cut back in times of crisis

Where businesses do spend money, they often spend too much on advertising and too little on *non-advertising* promotion: leaflets, brochures, postcards, hats, pens, mouse mats, telesales, networking, trade shows, client entertainment, corporate design, press and media awareness and so on.

Money spent on marketing should increase sales. But how *much* money?

First, you need a rough idea of what your marketing budget for the year will be. This is normally based on a percentage of projected annual sales and can be anything from two per cent for steady growth to as high as 100 per cent or even more for market penetration.

Once this marketing budget has been established, you need to work out the best way of using it, taking into account all the possible options listed above. And then, whatever you do... *spend it!*