

TweetPocket

How To Stop Losing Money

A business associate once cautioned me about being careful and knowledgeable regarding spending my dollars on advertising because, as he said, ***“money for advertising has the potential to fall far from the tree.”*** When I asked what that statement meant, he replied, “When I buy a new machine for production I know what I will get from it (i.e. amount of products produced, the cost of producing them, the lifespan of the machine, etc.). When spending money on advertising, though it’s necessary that you do, you don’t know what you will receive from it until after you have spent the money. The advertising may or may not work.”

What may seem to be a somewhat crude point, has proven to be a valuable business lesson.

Follow these 6 rules to insure your advertising falls closer to the tree and delivers productive results for your business.

Know Your Customer

The role of advertising is to connect your message with the right audience resulting in purchases of your products/services. If you do not know who the customer is, you will not know how or where to connect with him/her. A heavy metal rock band would not advertise its new CD in Good Housekeeping magazine because their audience is not there. The band would promote in magazines and other media where the profile of its customers would be found.

New businesses, more often than not, struggle with defining their customer(s). Here are some helpful tips:

- Before starting the business conduct good research on the industry’s market with an eye on defining who is purchasing competitive products/services.
- Interview persons that represent your target profile to confirm your

assumptions

- Interview business owners in a similar business
- Test market (small, low cost scale) products/services and gather data on the profile of customers
- Adopt securing customer data (demographic, lifestyle data, etc.) as a standard activity in your marketing strategy.

READ How To Create A Worry Free Business Plan

Define Specific Objectives

Each advertising activity should be defined by what it is supposed to achieve for the business. Be specific in your expectations. For example, let's say your service is painting houses and you are placing an ad in a local publication. You would state your objectives in this fashion:

- Generate 200 leads/prospects/inquiries
- Bid on 40 of the leads
- Secure 10 customers from the leads
- Generate \$10,000 in sales

Measure the Response

Defining specific goals and objectives helps you measure the effectiveness of the advertising activity, however you want to deepen the measuring by utilizing tools that help you monitor the activity. For example, the painting service might include a coded coupon in the ad that tells the consumers to provide the code when they call to inquire about the service. That way, the painting service will know whether the consumer's inquiry is a result of the ad.

Repetition and Consistency

Geico advertises all day, every day on television all over America. The marketing department at Geico is not buying the commercial time to provide entertainment (even if

they are entertaining). The company knows it takes repetition of its commercials to produce the sales it needs. Accompanying the repetition is consistency. They do not advertise one month and disappear the next month. Your advertising activity has to be presented to the market place with consistency.

Remember my colleague said, "Advertising falls far from the tree." Well, the point he made even applies to Geico. As much as I love watching their commercials (especially the gecko), I still have not visited geico.com to get my free rate quote.

READ How to Forecast Sales for Start-Up

Define Your Budget

I review a lot of business plans where the advertising/marketing budget is not connected with the financial projections. Often business owners will identify a dollar amount that is far short of the cost implement the advertising activity in their plans. This is a common recipe for disaster.

When developing your advertising plan, identify the advertising/marketing activities you plan to use and attach a real estimate to the cost of those activities and total them. This approach will provide you a solid estimate for your budget and provide you an effective way to manage your dollars.

Call to Action

Always, always, without exception include a call to action in your advertising. Examples calls to action:

- Call our toll free number 1-888-888-8888
- Visit our website and download our free report
- Call in the next 10 minutes and receive...

Just remember, know your customer, define specific objectives, measure the response, be

repetitive and consistent, define your budget and always include a call to action and your advertising will fall closer to the tree.

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You want to start a business but don't know where to begin, what to do, when to do it or how? Download our free guide and learn the 3 most critical things you need to know before embarking on your startup journey. Written in plain English, it's easy to understand and super practical. Just enter your best email below for instant access.

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