

**Suite 304****MARKETING CHANNELS**

**Marketing Channels**  
**Marketing – Online**  
**Marketing Performances**

**Suite 304.01      DIRECT MARKETING**

Before starting a direct-marketing campaign, consider whether you can do it in-house or whether you need to enlist the help of outside specialists

If you're preparing basic leaflets for door drops or mail shots, you can probably write and lay them out in-house. However, the presentation of your message is essential if your campaign is to be a success. If you're unsure of your in-house copywriting or design skills, saving money on a DIY job is likely to be a false economy.

For best results you may want to use a marketing or advertising agency or consultant. They could also manage your direct-marketing campaign as part of a larger integrated marketing strategy- although this could be a more expensive option.

**Agencies and consultants offer a range of skills, including:**

- Planning campaigns
- setting budgets
- finding your target audience
- creating materials
- managing the distribution process

A cheaper option may be to outsource elements of your campaign. For example, you could pay a freelance copywriter to prepare the wording of a leaflet and commission a graphic designer to work on the visual side. A designer may also be able to manage printing for you too. You might also consider employing a marketing specialist to bring some of these key skills in-house. Or you could consider training existing employees – you can find courses on direct marketing on the Chartered Institute of Marketing website.

**Suite 304.02      DIRECT SELLING**

Direct selling is when your business sells its own products direct to the customer. It offers several advantages:

- You can explain and even demonstrate complex products
- It's convenient for the customer and easy to bring in other individuals who need to be involved.
- You can learn more about what the customer wants
- You can build a personal relationship
- You can use your selling skills to convince the customer to buy

Selling face-to-face also has some disadvantages:

- It is the most expensive sales channel as it demands higher staff and premises costs.
- Travel time and costs can be significant. A travelling salesperson might spend a whole day on the road for just one meeting. Where possible, plan trips so that several customers in the same area can be visited.

Consider directed selling as the last choice, not the first. Use the direct sales channel when there is no other effective solution. However, don't underestimate the long-term benefits it could bring.

The costs of direct selling may outweigh the value of an initial order. But if the customer then makes several repeat purchases, the expense will be justified.

Direct marketing is any unsolicited contact your business makes with existing or potential customers in order to generate sales.

For many businesses, it's by far the most cost-effective form of marketing. From direct mail and leaflet drops to telemarketing and email marketing, it allows you to target customers with greater accuracy than any other method. But be careful, proper preparation of a direct-marketing campaign is essential if you are to make the most of your investment and get the response rates you want. Ensure you do not contact individuals who have decided they do not want to receive direct marketing mailings.

Direct marketing allows you to generate a specific response from targeted groups of customers, it allows you to:

- Focus limited resources where they are most likely to produce results
- Measure the success of campaigns accurately by analysing responses
- Test your marketing – you can target a representative sample of your target audience and see what brings the best response rates before
- developing a full campaign

A direct marketing campaign can help you to achieve the following key objectives:

- Increasing sales to existing customers
- Building customer loyalty
- Re-establishing lapsed customer relationships
- Generating new business

You can use direct marketing in both business-to-business and consumer markets. Of course, your strategy will need to be modified depending on which you're targeting. While business contacts are used to receiving marketing emails, consumers may be less receptive to mail shots or telemarketing calls – so you need to plan your approach carefully.

Response rates can be very different – read the direct marketing statistics on the Direct Mail Information Service website for an idea of how response can vary between business and consumer markets.

### **Suite 304.03      USING YOUR DATABASE**

Selling to existing customers is far easier and cheaper than finding new ones. That's why your customer database is one of your most valuable assets.

What information does your database currently hold? A list of customer contacts is a start – but more specific information about their needs and interests makes your marketing more effective. This data might include:

- Ordering behaviour – dates, frequency and timing of orders
- Order types – type and quantity of goods or services ordered and their value
- Your total annual sales – the margin on these sales and their payment history
- Distribution details – postcode, type of area (such as urban or rural)
- Personal profile of individual consumers – age, gender and details of their lifestyle or socio-economic status

Getting the right information is essential in targeting your campaign. With the right software you can use your data to send mailings to groups with specific characteristics – women aged between 18 and 25 who live within a five-mile radius of your shop, for example.

But remember that data-protection and electronic communication laws cover how you hold and use information about customers and potential customers and how you contact them.

Remember that your database must be kept up to date if it's to be a valuable business tool. You need to clean your list regularly by removing or amending incorrect data. Failing to do this will waste your money through misdirected marketing – and your data could be unusable within three years.

### **Suite 304.04      DIRECT MAIL**

Direct mail allows you to get information about your products and services directly into the hands of people who may be interested in it. Though it's often dismissed as junk mail, it can be highly effective in both business and consumer markets if it's properly planned and researched.

As well as a mailing letter, you typically include a range of enclosures such as a product brochure, order-form and pre-paid reply envelope. Don't cut corners in preparing your materials – the success of your mail shot depends on it.

The other key ingredient for a successful direct-mail campaign is a high-quality mailing list. The most effective lists are those sourced in-house from a well-managed database – you will know the preferences of the recipients of your mail shot and can tailor your offer accordingly.

If you don't have lists, however, there's a range of commercial list providers you can use. Lists of both businesses and consumers are available.

### **Tips for a successful direct-mail campaign**

- Draw up a budget which sees your business profiting at a realistic level of response.
- Consider incentives such as prizes or discounts to maximise response – and make sure you’ve included these in your budget.
- Source a mailing list that’s appropriate to your objectives.
- Make sure you have the resources to run the campaign, follow it up and cope with the response.
- When your campaign is over, quantify the costs, returns and rates of response. If you started with clear objectives, you should be able to learn a lot about what you achieved and how.

### **Leaflet drops and handouts**

Leafleting is probably the simplest and cheapest form of direct marketing. It may be worth considering unaddressed leaflet drops and street handouts if you want to promote your business in your local area, particularly to consumers.

However, leafleting brings significantly lower response rates than direct mail. It’s less targeted – you don’t know the characteristics of the recipients of your leaflet and you can’t personalise your message. As a result it’s often best to use leaflets for products or services of universal appeal, or when you need a large number of leads.

Decide whether you need to get your leaflet into every building in the area – called blanketing – or if it’s more appropriate to hand information to people in the street near your business. If you’re blanketing, using the postal service is a possible alternative to organising your own door-to-door distribution and may make it more likely that recipients will read your leaflet.

If you want a return on your investment, you need to prepare your materials carefully. Ensure materials look professional and contain clear, useful information.

To find out how effective your campaign has been, it’s a good idea to include some kind of incentive for feedback. For instance, you could provide a small discount or special offer for the first 100 customers who bring in your leaflet. As with any such offers, make sure they’re priced into your overall budget for the campaign.

## **Suite 304.05      TELEMARKETING**

Contacting consumers by telephone can offer a number of advantages over other forms of marketing. It allows you to:

- Gauge the customer’s interest immediately
- Ask questions to assess the customer’s needs
- Explain technical or complex messages more effectively

But there are significant disadvantages. For many people marketing calls represent an unwelcome interruption – particularly in the evenings when you're most likely to get them at home. Consider carefully whether consumer telemarketing fits your business' image and whether you're willing to risk alienating a proportion of customers. Above all, don't be pushy.

In business-to-business marketing, telemarketing has a wider role. People are more receptive to marketing calls as part of their work than they are at home.

You probably already use telemarketing in some form – few business-to-business sales are made without some telephone contact with a prospective customer. In addition, a dedicated telemarketing campaign could help you to:

- Build your database
- Generate leads and appointments for your sales teams
- Follow up responses to direct-mail campaigns
- Keep in touch with customers between orders and renew relationships with lapsed customers.
- Find out about developments in the industry and the activities of competitors

This kind of telemarketing can usually be carried out in-house – but training staff to do it is essential if it's to be a success. For bigger campaigns, however, you may want to enlist the services of a telemarketing bureau. Remember that there may be legal issues when selling or marketing by phone.

## **Suite 304.06      FAIRS & EXHIBITIONS**

Find out more about the characteristics of any fairs that look promising – for example, who goes, their spending power, who exhibits, any data from past events. The organisers of a good trade fair should be able to supply this kind of information.

### **Exhibiting – using specialist event companies**

Using specialist event companies can help you make the most of your presence at a trade fair:

- Their experience of exhibiting at similar events means they know all the pitfalls and tricks of the trade. They know where to source everything you need to make a good display.
- Someone else gets everything ready, leaving you free for other things

Use direct selling for:

- High-value and complex products and services
- Establishing initial contact with a key target customer
- Strengthening relationships

See Suite 208 – Trade Shows & Exhibitions

## **Suite 304.07      SELLING WHOLESALE**

Sometimes it's impractical or unrealistic to reach customers directly. For example:

- It wouldn't be worthwhile selling small items individually, door-to-door.
- Large businesses may only want to deal with large suppliers offering a whole range of products they need.

Instead, you can sell to a wholesaler – which then sells your product on to the final user. This is more complex than dealing directly with the customer.

Use wholesale for selling low-value items to the public, or business customers who prefer to deal with larger suppliers.

### **Choose a wholesaler with the right customers:**

- The better the wholesaler's relationships with customers, the more you're likely to sell.
- You may want to restrict sales through outlets that don't suit your image.
- A wholesaler with a national presence could help your business develop.

### **Choose a wholesaler which values your product.**

- Think about whether your product complements its existing range.
- If it already sells competing products, what will make it push yours?

### **Think about how you set prices:**

- You may have some influence over the price the wholesaler charges its customers.
- The wholesaler will be more enthusiastic if it makes a large mark-up.

### **Consider how you organise your advertising and promotions:**

- Will you promote your product directly to the final customer?
- Will the wholesaler promote your product?

### **Decide how the supply relationship will work:**

- Negotiate how much stock the wholesaler will hold.
- Work out how quickly you can re-supply
- Agree minimum order levels

### **Make sure all the key terms are covered in a clear, written contract:**

- Include what rights you have to end the relationship
- Watch out for any restrictions – for example, stopping you selling through other channels.

## **Suite 304.08      DISTANCE SELLING**

Distance selling can be an effective sales channel. The advantages include:

- Using the telephone (telesales)
- Direct mail
- Selling through your website or using email marketing

Costs are far lower than if you visit customers. But there are disadvantages, for example:

- You can't demonstrate your product
- It can be difficult to convince the customer to trust you without meeting them

Many businesses find distance selling cost-effective for standard products such as books and CDs – the customer already knows what they'll be getting.

Distance selling can also be a very useful way of getting repeat orders. Once you've built the initial relationship by meeting the customer, future sales can be made at a lower cost.

Using the telephone means that as well as prompting the customer to reorder, you can have a conversation. Unlike direct mail, for example, the customer has the chance to ask questions.

### **Rules on distance selling**

Businesses using distance selling must comply with a range of regulations.

Below are the United Kingdom Distance Selling Regulations; however, they are practical and should apply to most EU countries.

"New legislation gives non-contractual protection to consumers entering contracts 'at a distance' – for instance by post, over the telephone or via the internet. In particular consumers have a right to certain information before the contract is concluded and normally have a right to cancel during a cooling off period. Comments which have the effect of reducing the rights given by 'doorstep selling' legislation apply equally to any terms in 'distance selling' contracts which purport to exclude or restrict these new rights. Indeed, the new law expressly states that contract terms inconsistent with the Regulations will be void.

If you are selling to consumers, you must provide certain basic information such as your business' name and contact details, and product, delivery and pricing information. The customer generally has the right to return goods within a specified period."

There are also restrictions on holding personal information.

The rules are being tightened on sending unwanted emails ("spam"). The safest approach is to ask customers and potential customers to "opt in", allowing you to send them emails.

Use distance selling for:

- Simple and low-value products
- Repeat orders from established customers
- Reaching new market through the Internet

### **Selling overseas**

Overseas markets can be a promising opportunity. But selling abroad presents a whole new series of challenges:

- Do you have the financial and other resources to exploit the market?
- Have you done the necessary market research?
- Which channels will you use to reach the market?
- Do you understand local regulations?
- How will you handle delivery and payment?
- How will you provide after-sales service?

## **304.09 USING A SALES AGENT**

Instead of having to recruit, train and finance your own employees, you can use an outside sales agency. A good sales agent should already have the necessary contacts and skills.

A clear written agreement is essential. As a minimum it needs to cover:

- What "territory" the agent is responsible for – e.g. a named foreign country
- Whether this is exclusive – whether you will be barred from selling directly, or using any other agents in that territory
- How the agent will be paid (usually commission on sales)
- Whether you will meet any of their expenses
- What rights you have to end the relationship
- What compensation payments you might have to make if you end the relationship (e.g. if the agent has developed the market for your products)

### **Legal complications**

In the United Kingdom an individual agent acting for you could be legally seen to be an employee. You would be required to treat the agent in the same way as other employees – e.g. deducting income tax under PAYE and paying National Insurance contributions.

Even if an individual agent is not an employee, there can still be complications:

- Depending on the circumstances, you might be held responsible for the actions of the agent.
- You may be responsible for any shortfalls in the agent's earnings you cause – e.g. if you fail to supply adequate stock.
- European (and UK) law can make it difficult to terminate an agency's contract without paying compensation. This could be as much as two years' expected earnings.

Before entering into any agency agreement, it's a good idea to take legal advice.

Use sales agents for:

- Building sales without heavy investment
- Reaching specialist and overseas markets

### **Making your channels work together**

Using different sales channels – selling directly, using agents and so on – can make your business more successful. But it can also bring a number of complications.

Most channels – other than direct sales – distance you from the customer. This means communication becomes a priority. You need to make sure:

- The channel gets all the necessary information across – whether this is a sales agent or a direct mail letter
- End customers get the right message

For example, an agent might deliberately mislead customers in order to get a sale. You could end up with disgruntled customers and a legal dispute.

Be particularly careful if more than one channel reaches the same customer. For example, suppose you sell books at your shop and also online. How will customers react if they find you charge different prices? Or suppose you use an agent. How would the agent react if you started selling directly to customers in the same territory or if you offered customers lower prices for buying direct from you?

How to manage your channels

- Regularly review how each channel is performing
- Look at how you can support the channel – with advertising, service and so on.
- Compare the sales the channel provides with your additional costs
- Consider whether sales through that channel are new sales, or sales you would have made anyway.

## **MARKETING ONLINE**

If you want to use the Internet to widen your market without spending a fortune you can create your own website to market your products and services on the web. On the Internet your business could find a rich source of new revenue.

If you sell or market your products or services on the web there are various regulations you will need to comply with.

If you're selling to consumers, you must comply with a number of rules on distance selling and e-commerce. You must provide certain basic information such as your business' name and contact details, and product, delivery and pricing information. The customer generally has the right to return goods within a specified period.

There are also restrictions on holding personal information. The Information Commissioner is an independent supervisory authority responsible for ensuring the rules surrounding the use of personal information are upheld. You may need to register with the proper authority.

The rules are being tightened on sending emails without the recipient's permission ("spam"). The safest approach is to ask customers and potential customers to "opt in", allowing you to send them emails.

### **Email and fax marketing**

Email is an extremely cheap form of direct marketing – a message can be sent to thousands of recipients for next to nothing. It's also the easiest way to target the exact person you need to reach. Measuring response rates is simple and recent figures show that they are higher than those for mail shots – probably because replying to an email is so straight forward.

New technologies have made it possible to produce eye-catching electronic newsletters with built-in response mechanisms. If you don't have in-house expertise, there are specialist firms which can help develop newsletters and customise them to particular audiences.

However, there are disadvantages, too. Email contacts go out of date faster than either addresses or telephone numbers, so you need to be particularly active in cleaning your database. And the increasing amount of spam – unsolicited email – means your marketing emails will need to stand out if they aren't to be deleted before being read. Increasingly sophisticated anti-spam software also means that many marketing emails are deleted before they arrive at their destination.

Remember that you must comply with certain legal requirements if you send marketing emails to potential or existing customers.

### **Fax marketing**

This has become less and less popular. Recipients of unsolicited faxes are most likely to consider them as an irritant which uses up paper. You must also be sure that anyone you contact by fax isn't registered with the Fax Preference Service.

## **MARKETING PERFORMANCE**

After implementing a marketing program, entrepreneurs must evaluate its performance. Every program should have performance standards to compare with actual results. Researching industry norms and past performance will help to develop appropriate standards.

Entrepreneurs should audit their company's performance at least quarterly. The key questions are:

- Is the company doing all it can to be customer oriented?
- Do employees ensure the customers are satisfied and leave wanting to come back?
- Is it easy for customers to find what he or she wants at a competitive price?

### **Understanding your Market**

Once you have decided on your business idea and aims, you must look at the likely market for your services.

If the idea does not seem to work straight away, think of other ways you can make it work. Talk to other people, including potential customers, to get their views on other ways. If there are no alternatives, then it is back to square one – but at least you have avoided an expensive mistake.

Effective marketing is necessary for the success of any business. Without marketing, how would you expect your customers to know about your product or service?

Be careful of just competing on price. After all, it is easy for your competitors to cut prices too.

But remember, if your USP puts your business into a small part of the market, you need to be sure you will attract enough custom to survive in that market. Even sophisticated marketing companies fall into the trap of specialising too much.

### **Advertising**

An advertising agency is likely to be too expensive, but there are individuals or other small businesses that can help. Do talk to them.

### **Do it yourself**

There is a lot of effective advertising which you can do yourself. Start with your sign. A good sign is a great investment. A catchy slogan (WEE-MIX, YOU LAY - Just enough ready mix for your job), gets you remembered.

Simple A-boards outside premises will attract customers. Try to think of ingenious ways to remind them of your name at times when they need you.

An enterprising plumber called on the homes in his area with his business stickers, and said, "You don't need me now, but stick this on your central heating boiler for when you do". This provided a simple but effective way for the plumber to get his business message over in the right place at the right time. A street corner merchant selling flowers in San Francisco placed a large sign along side his display of flowers "Wife Insurance" – this was very effective.

Distributing leaflets within a certain local area is also a very good way of advertising the product or service you are offering.

Don't forget, local press, cinema and even local radio are also fairly cheap ways of advertising in many areas.

### **'Word of mouth' – advertising that money can't buy**

Whatever your business, word of mouth is likely to be very important, and especially if you are offering a personal or a specialised service. How do you encourage word of mouth? You can do it by:

- Satisfying your customers with work well done;
- Having a good relationship with your customers;
- Building up a good reputation and protecting it, by sorting out any problems quickly; and
- Getting your name mentioned in trade magazines, or by local press or radio, possibly through community public relations activities.

Creating word of mouth is not easy, but if you can do it, you will have created advertising that money can't buy – the most effective advertising of all.

The following points will help you think about how to promote your product or service.

- What features of your business can you use to offer people a better deal?
- Where can you advertise? You could try Yellow Pages, newspapers, local radio and cinema, or handbills and business cards
- Your customers are not just the people who pay for the product, a good example is with children's toys.
- Think of an eye-catching campaign to advertise who you are and what you sell. Make it easy to remember.
- Make sure you can support your claims about your product and you keep in line with the Trade Descriptions Act and Advertising Standards Authority Code of Practice. Your local Trading Standards office can help.
- Measure the success of your advertising by asking new customers where they heard about you. Change where you advertise and your message if necessary.
- Remember the power of signs.
- Think of ways to reach people when they need your product or service.
- What public relations activity could you do?
- How can you encourage the most powerful advertising of all – word of mouth?

### **Signs at point of sale**

Tests carried out by a large American supermarket produced the following results:

- Stores using simple handwritten signs with 'As advertised' on them to promote products on shelves increased their sales. This is compared to products in stores with no signs.
- Using 'New Item' signs increased sales of powdered bleach by 73%.

