

Advertising

**Start your
own business**

www.syob.co.uk

Advertising is the fastest and simplest way for a start-up business to let a large number of people know about its products and services.

Advertising can pay off handsomely, if your product appeals to a large number of potential buyers. If your ads win you new customers you can turn into regulars, they can be a vital tool in helping to establish your business.

This briefing explains:

- What advertising can do for you.
- How to choose where to advertise.
- How to measure real costs and real results.
- When to call in an agency.

1 What are your aims?

1.1 Begin by establishing who your **target customers** are going to be.

- You need to have a clear picture of exactly who you are trying to reach (see *Researching your market*).

1.2 Before advertising, decide on **specific goals**. For example, you might want to:

- Create awareness of your new business.
- Tell people about a special opening offer.
- Build the image of a product or business.
- Upstage your competitors' efforts.
- Compile lists of leads for direct mail or sales calls (see *Direct mail and Effective selling*).
- Increase traffic through your shop.
- Make immediate sales, eg by mail order.

1.3 **Plan** your advertising in terms of results.

- Who are you trying to affect?
- How can you reach these people?
- How quickly do you need results?
- What is the one thing you want people to remember most from your advertisement?

2 Whose pages?

Which media will reach the right people? Look at where your competitors advertise — and where they don't — to help focus your thinking.

2.1 National newspapers are often the right choice for high volume consumer sales and direct response selling (eg air tickets).

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**YELLOW
PAGES™**

**Click here for your free listing
in Yellow Pages, Yell.com and
Yellow Pages 118 24 7**

- The advantages are high circulation, low cost per reader, prestige, flexible timing and a choice of known readership profiles.
- The disadvantages are the high cost per ad, the probable high cost per target customer and the fact that old newspapers are quickly discarded.

2.2 Local papers, freesheets and community magazines can be ideal for local advertising.

- The main advantage is that they have the geographical focus needed for shops or local services. They are also inexpensive per ad and good for test marketing.
- The disadvantages are restricted geographical coverage and low readership.

2.3 Trade and technical journals — plus club and society magazines — can be ideal if you supply businesses or other special groups.

- The main advantage is the huge variety of publications, offering accurate targeting of well-defined and committed readerships.
- The disadvantages are usually low circulation and a high cost per reader.

2.4 Lifestyle magazines, including hobby magazines, are suitable for advertising consumer goods, especially for mail order.

- The advantages are usually well-defined readership and scope for colourful, high-impact advertisements.
- The disadvantages are the high cost per reader and the sheer volume of advertising jostling for the reader's attention.

2.5 Business phone directories, such as Yellow Pages, and trade directories work

well where customers naturally turn to this kind of reference source.

- The advantages are high circulation, long shelf life and the fact that your ad is seen by customers when they are keen to buy.
- The disadvantages — long publication lead times and slow results — may make this sort of advertising unsuitable for start-ups.

3 Non-print media

3.1 Transport and poster ads (eg on buses, bus stops, trains, stations and roadside hoardings) can be the right choice for advertising to shoppers and commuters.

- The advantages are impact, 24-hour exposure and, often, low site costs.
- The disadvantages are slow results and the cost of producing good colour posters.

3.2 Local radio and cinema advertising may be useful for small businesses selling to the public in a particular locality. With cable, even local TV may be affordable.

- The advantage of local radio is that you can target different listeners at different times of day, at fairly low advertising rates.
- The disadvantages are that a radio ad needs to be professionally produced and needs many repeats to make an impact.
- Cinema ads, often badly done, can still be very effective for retailers and restaurants.

National radio and TV are usually unsuitable for start-ups. (See **Effective PR**.)

3.3 Direct mail and door-to-door leaflet drops can be economical, cost-effective and under your control. (See **Direct mail**.)

3.4 The Internet has also opened up new possibilities for even the smallest start-ups.

- You can advertise and sell via your own website.
- For suitable products, buying banner advertising space on other companies' web pages can be highly effective.

4 Choosing a publication

If you are going ahead with advertising in the conventional print media, look for a journal that can deliver what you need.

4.1 Ask yourself **three key questions**.

► **The Advertising Association** (020 7828 2771) has an extensive website at www.adassoc.org.uk, which includes the text of its guide 'Advertising means business'.

“More money is wasted in newspaper advertising than any other aspect of marketing. Never lose sight of the target audience and take care in choosing the right medium for your target audience.”
Dave Patten,
Merry Marketing

Years of waste

One design company ran ad campaigns in four magazines for nearly five years before it bothered to measure the results. Everyone was too busy dealing with sales enquiries.

On analysis, however, it turned out that ads in the most expensive magazine — which always yielded a lot of enquiries — resulted in almost zero actual sales.

Too late, the MD worked out that his net profit figure could have been 50 per cent higher each year, if the whole advertising budget had been channelled into the other three magazines.

- Is it read by your potential customers?
- Is it read partly for its advertisements?
- Is it relatively inexpensive to advertise in?

4.2 Many start-ups find that advertising in trade magazines, special interest magazines and local newspapers is highly **cost-effective**.

- For example, if you sell to caterers, one obvious choice is *Caterer & Hotelkeeper*, a weekly that is full of information on equipment, suppliers and new products.

4.3 For a **comprehensive listing** of thousands of publications — and poster sites, websites and radio and TV stations — look in BRAD (often available in reference libraries).

5 Advertising packs

5.1 Most journals will provide you with an **advertising/media pack**, giving the facts about the publication. These will include:

- Advertising rates (see **6**).
- Circulation — the number of copies sold.
- Readership — a much higher figure than circulation, as a whole family or office may read a single copy. Perhaps.
- Readership profile — analysing the readership's characteristics and spending patterns. For example, 70 per cent of readers are male and 50 per cent own two cars.

Ideally, look for circulation figures verified by ABC (the Audit Bureau of Circulation). Visit www.abc.org.uk.

5.2 From the readership profile, estimate how many readers might potentially buy your product. Then work out the **cost** for you to reach each of these potential customers.

- For example, suppose you spend £1,000 on ads in a magazine with 10,000 readers, 50 per cent of whom are potential customers. The advertising cost is 20p per potential customer (£1,000 for 5,000 readers).
- If one reader in ten will be interested in the ad, the cost of reaching each potential customer is £2 — ten times as much.

5.3 To a degree, you **get what you pay for**. You may choose to advertise in a publication with a high cost per potential customer.

Two good reasons would be:

- The publication's readership includes just the kind of people you are trying to reach.
- The publication has an image with which you want your product to be associated.

6 The rate card

6.1 A publication's **rate card** will usually show prices for three main types of ad.

- 'Classifieds' are the columns of small, text-only ads in the classified section. This section is divided (classified) into various subjects (eg 'Holidays abroad' is a sub-section within the travel ads).
- A semi-display ad is one of the advertisements in the classified section that sits in a ruled box of its own.
- A display ad appears on a page containing editorial, or takes up the whole page itself.

6.2 Common **sizes** for display ads are full page, half page, quarter page and eighth page.

- Smaller ads are measured and priced in column centimetres.
- '5 column centimetres' usually means 5cm deep and one column wide, but it could also be a double-column ad 2.5cm deep.

6.3 There are premium prices for **special positions** (eg back page or centre spread).

If the readers of a journal scan all the ads, a small classified ad may be enough. Otherwise you may need the impact of a display ad.

7 Negotiate price and position

7.1 In many cases — especially on trade journals — prices listed on rate cards are **negotiable**.

- You may be able to win yourself a price reduction, an extra ad insertion or a better position for your ad. It helps if you are going to run several ads.
- If you place an ad yourself, as opposed to going through an advertising agency, you may be able to save ten to 15 per cent. The quoted price includes the commission an ad agency would take, but the media owner is not obliged to pass this on. An agency may be able to negotiate a better rate, or a better position.

7.2 Try using **tactics** to get a better price.

- Mention your budget, but appear undecided about who to spend it with.

► The **Institute of Practitioners in Advertising** (020 7235 7020), the professional body for advertising agencies, provides a free list of members and a free guidance note on choosing an agency.

“New businesses may be reluctant to spend limited funds on advertising. But for most new businesses, creating customer awareness is vital — and if advertising will be an effective way of doing so, it is worth the investment.”
Grier Palmer,
Warwick Business School

“If your target market is restricted — for instance, if you are supplying UK hat manufacturers — your best option may be to sell to them using more precise direct marketing techniques.”
Clare Scott Dryden,
marketing consultant

- Mention a rival publication that you are considering using.
- Many trade publications are prepared to accept very low prices at the last minute, if there is ad space to be filled. This may mean you get a bad position, though, which could slash the response.

7.3 Use **repeated ads**, but do not be persuaded to buy more space than you need.

- Planning a series will produce a more effective campaign than using one-off ads. It will also cut the production cost per ad.

7.4 The **position** of your ad is important.

- An ad selling greenhouses should be on a page devoted to gardening. Holiday ads should be alongside holiday articles.
- Right-hand pages, and top right-hand corners, catch the reader's eye most often.
- In newspapers, the most effective page for an ad is page three. The nearer the front, the better — unless you sell sports goods.
- If your ad has a coupon — for readers to cut out and send in — it must be at the edge of the (preferably right-hand) page.
- If you frequently advertise in the same publication, you may be able to negotiate the best positions at no extra charge.

8 Posters and transport ads

To see what outdoor sites are available, look in BRAD. Visit sites to check they really do get the traffic you need. There are two types of location:

8.1 'Waiting sites' include sites at airports, bus stops and on station platforms.

- People have ample time to read your ad, which should be written like a press ad.

8.2 'Passing sites' include sites such as the door of a taxi or a panel beside an escalator.

- The public only sees the ad in passing, so it must be snappy.

9 Measuring an ad's success

Every time you make a sale, or take an enquiry, find out how the customer heard of you.

9.1 Work out which advertisements, in which publications, are getting you **results**.

- Ads that generate sales are successful.
- Ads that generate no enquiries are failures and should not be repeated.
- Ads that generate dead-end enquiries, that do not turn into sales, cost you even more, because of the resource they tie up.

9.2 Monitor how your campaign is working.

- Measure the number of enquiries resulting from the ad — giving the cost per enquiry.
- Measure the number of sales resulting from the ad — giving the cost per sale. In advertising jargon, this is called the 'effective ratio' or 'yield'. Put your budget in the publications that give the best yield.

9.3 Consider **what kind of sales** are produced.

- Are they large repeat sales with good margins, or small one-off sales that generate little profit?

9.4 Calculate the **indirect costs** of advertising.

- For example, you may find a £100 ad nets a one-off sale with a profit of £100. But that sale, plus enquiries that did not convert into sales, may have taken up 20 hours of staff time — a huge hidden cost.
- If your profit per new customer is less than the cost, you are throwing money away.

9.5 Bear in mind that advertisements produce **delayed results**.

- One customer may order today. Others may wait until they have seen half a dozen ads and feel comfortable about you.
- Other customers may order in two years' time, when they finally need your product.

Measuring an ad's success will depend on what your aims were in the first place (see **1**).

10 Calling in the professionals

A good ad agency will have the expertise to create an effective advertising campaign for you. It can also help you find the best publications to achieve your objectives and get value for money.

10.1 As a rough guide, use an **agency** if your advertising budget is at least £10,000.

- Expect to spend around 15 per cent of your budget on agency fees.

10.2 **Free advice** is available from your local business support organisation.

Expert contributors

Thanks to **Ann Murray Chatterton** (Institute of Practitioners in Advertising, 020 7235 7020); **Claire Forbes** (Advertising Standards Authority, 020 7492 2222).

Further help

There are other Start-up Briefing titles that can help you. These briefings are referred to in the text by name, such as **Direct mail** and **Effective selling**.

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