

**Canada Business**

New Brunswick



**Entreprises Canada**

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## Advertising Guidelines for Small Retailer Firms

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Advertising is not merely an element of business expense; it is an investment in building your sales. The future growth of your business is influenced by your ability to plan and execute an effective advertising program. This publication offers guidelines to help you plan your advertising budget, select media, use cooperative advertising, and prepare the ad itself.

"*Customers Wanted, No Experience Necessary*" is the sign one hobby and toy retailer displayed across an entire window. Maybe the owner thought this was funny, but valuable advertising space was wasted.

Windows are valuable attention-getters. This retailer should have featured products, prices, or specials instead. The retailer not only missed the opportunity to advertise products, but also missed the chance to project the store image to the passing public.

In retail merchandising, advertising begins with the store and its windows. Rental costs depend on location and customer traffic so window displays have special values. One study by a trade publication allocated as much as 40% of the store's rent to its window space. The giant stores in New York, Chicago, or Los Angeles fully capitalize their window values, but smaller stores often waste them.

### **Start with the Sales Budget**

The sales budget is the foundation of all business. It affects profits and costs, including the advertising investment. In preparing the advertising budget, first decide what percentage of your anticipated sales volume you will allocate to advertising. This percentage will vary according to the condition of the business, local competition, and the nature of your products. Trade journals offer comparative percentage statistics on an industry-wide basis. By multiplying your total anticipated sales by the percentage, you will get the total amount of advertising money you can budget for the year.

Many good owner-managers find it convenient to base their advertising on their planned sales for each month. For example, if March contributes 8% of the year's sales, they plan to spend 8% of the advertising budget for that month. This way you can base your advertising for each month on the planned sales for that particular month.

One exception to this approach is the Christmas season, which contributes as high as 25% of yearly sales for some businesses. It would probably be unwise to spend that much of your total budget for that period. However, you can build some flexibility into your budget if you plan in six-month blocks. This will allow you to spend part of your Christmas advertising money in October and November in preparation for Christmas. Of course, this will vary from business to business.

Finally, you should allocate any money you will need to accomplish a specific task you have planned. Examples of this task approach are: starting a new business with the announcement of the "grand opening" introducing a new product, or conducting a special promotion. This allocation is simply added to the regular budget.

Advertising is a completely controllable expense. The function of the budget is to control advertising expenditures. This can be done through a monthly tabulation, as shown in the following chart. With this record, the danger signals flash when the budget is over-extended.

The accounts listed in the chart are not comprehensive, they serve only as examples. For instance, some companies include publicity in the advertising budget, others treat it separately.

**Advertising Budget**

Account	Month		Year to Date	
	Budget	Actual	Budget	Actual
Media				
Newspapers				
Radio				
TV				
Literature				
Other				
Promotions				
Exhibits				
Display Contests				
Advertising Expenses				
Salaries				
Supplies				
Stationery				
Travel				
Postage				
Subscriptions				
Entertainment				
Dues				
<b>Totals</b>				

## **Profile Yourself and Your Customers**

The next step in your advertising plan is to take a good look at both yourself and your customers. You will need the answers to such questions as:

- What business am I in?
- What quality of merchandise do I sell?
- What kind of image do I want to project?
- How do I compare with competition?
- What customer services do I offer?
- Who are my customers?
- What are their income levels?
- Why do they buy from me?
- When do they buy from me?

By profiling yourself and your customers in this way, you are better able to direct your sales message to those more likely to buy and thus make more effective use of your advertising dollar. For example, if you own a clothing store and are planning a sale on jeans and T-shirts, a message on a local popular radio station might be a better choice than a more distant classical music station. You might also specify a time for broadcast that is after school hours if your anticipated customers are teenagers.

## **Advertising Media**

When you know what you want to advertise and whom you want to reach with your message, you must select the advertising medium to reach them most effectively. Because of the local nature of their operation, most retailers find newspapers, radio, and direct mail the most commonly available choices. However, to reach wider markets, you may consider other media such as social media, magazines, television, billboards and transportation signs.

### **Newspapers**

Some retailers consider them a primary advertising medium for several reasons. They offer the advantages of local coverage and precise timing. In addition, results may be measured in terms of specifically-featured products or prices. Newspapers also lend themselves to promotional tie-ins such as coupon use or contests. Rates are related to circulation and vary according to the number of newspaper "lines" contracted over a period of time.

To compare the rates of newspapers with different circulation figures and different costs, a formula for setting a common basis has been developed, known as the milline rate. The formula is:  $(\text{line rate} \times 1\,000\,000) / \text{actual circulation} = \text{milline rate}$ . If rates are quoted in column-inches, they may be used in the formula instead of line rates.

There is some difference in thought about the best technique for newspaper advertising. Some owner-managers prefer four quarter-page ads to one full page. Others think it better to have fairly large-sized ads and run them so they really make an impact. Others successfully use the

skip method where they run several ads to make an impact and then skip a period of time with no advertising.

In some areas, "patterns" may emerge and must also be considered. For example, a retailer may find that the best results are obtained when ads are run just before payday of a large local industry.

If the newspapers you deal with offer special locations, specify the position you want. When possible, aim for upper locations.

### **Radio**

Radio follows the listener everywhere, in the home and on the highway. It is characterized by immediacy in scheduling, lower rates compared with other media, and little or no production costs.

Basic rates depend on the number of commercials contracted for, the time periods specified and whether the station broadcasts on AM or FM frequencies. Some stations offer both AM and FM coverage. Usually FM broadcasting is more localized and offers wider tonal range, due to technical reasons.

It is good business practice to:

- be sure the commercials are broadcast at the times specified;
- instruct the station when to change the message if the "copy" refers to specific dates or occasions; and
- ask for invoices in duplicate or triplicate when actual copies are required by co-operative arrangements with suppliers.

### **Direct Mail**

An accurate, up-to-date mailing list plays the most important role in direct mail advertising. Stores with charge accounts have a valuable list at their disposal, waiting to be used.

Direct mail has many purposes. It can be aimed at old customers, inviting them to pre-sale occasions. It can be focused on prospective customers for individual products. Or it can be used to create "goodwill".

Smaller stores, or stores without credit accounts, can build up their own lists from publications or directories.

Consult the post office in advance regarding fees, permits, and other requirements.

### **Benefit from Co-operative Advertising Policies of Suppliers**

Many manufacturers and wholesalers state that a significant part of the reserves they set up for co-operative advertising are not used by their retailers. This is surprising because co-operative advertising results in substantially lower costs for the retailer.

For their own legal protection and to insure the greatest return from their investment, manufacturers set up specific requirements to be observed in co-operative advertising. The retailer should consult each vendor about the requirements which must be met to qualify. The retailer must also be aware of the procedures to follow to apply for and receive payments. Some vendors relate co-operative dollars to the amount of the retailer's business. Others do so on a percentage basis. So, you must be aware of how many co-operative dollars you have to spend. The amount and rules for payment of co-operative dollars are at the discretion of the vendor.

### **"Goodwill" Advertising**

Every retailer receives requests and solicitations for advertising by all types of organizations including social groups, schools, churches, and fraternal societies. Often, friends and relatives make these requests. From the standpoint of maintaining good public relations, the retailer is frequently reluctant to turn them down. The cost of these donations should not be charged to advertising but to publicity or to "contributions" so that the advertising budget is not distorted.

### **Use Promotional Ideas in Your Advertising**

Retailers featuring products without the benefit of low prices, novelty, or new features have found promotional techniques an excellent basis for their advertising. Action is the keynote for sales promotion; however, merchandising ideas are the necessary prelude to action. If you coordinate promotion with advertising and personal selling, you can usually increase store traffic and thus produce good sales results.

The first requirement is a sound selling idea such as a "special sales" event, price discounts, a liberal credit plan, a contest, or a premium offer. There are many sources of promotional campaign suggestions, including trade journals, newsletters and various books on the subject.

Once you have planned and scheduled the campaign, promote it through the use of newspaper and radio advertising, social media, window and store displays, coupons and literature. Promotions are especially necessary for retailers starting new businesses.

### **Pack Your Ads with Selling Punch**

Here are some tips you can use when you begin to work up your advertisements. When properly followed they will help inject selling punch into your advertising.

- *Make your ads easy to recognize.* Give your copy and layout a consistent personality and style.
- *Use a simple layout.* Your layout should lead the reader's eye easily through the message from the art and headline to the copy and price to the signature.
- *Use dominant illustrations.* Show the featured merchandise in dominant illustrations. Whenever possible, show the product in use.
- *Show the benefit to the reader.* Prospective customers want to know "what's in it for me". But, do not try to pack the ad with reasons to buy – give the customers one primary reason, and then back it up with one or two secondary reasons.

- *Feature the "right" item.* Select an item that is wanted, timely, stocked in depth, and typical of your store. Specify branded merchandise and take advantage of advertising allowances and co-operative advertising whenever you can.
- *State a price or range of prices.* Don't be afraid to quote high prices. If the price is low, support it with statements which create belief, such as clearance or special purchase.
- *Include store name and address.* Double check every ad to make sure it contains store name, address, telephone number and store hours.

### **The Only Purpose Is to Sell**

If you try to be clever, humorous, or subtle in your advertising, you handicap its objective which is to help you sell your products. The elements of good copy are sometimes summarized in the term: AIDCA. This is, attract Attention, develop Interest, Describe the product, Convince the reader and get Action.

For effective copywriting, make each word count. Avoid unnecessary words. Keep sentences short. Put action in your words. Use terms your readers will understand. Don't use introductions; get right to the point of your message. Make use of imaginative ideas, variety, or colourful references only when they do not interfere with or slow your sales message.

Observe the advertisements of the major stores in metropolitan cities; they convey a world of informative suggestions to retailers who cannot afford the services of advertising agencies.

Do not advertise something you are "stuck with". If customers did not want the item previously, no amount of advertising will sell it. Your best results will come when you advertise items that your customers prefer and like to buy from you.

The purpose of advertising is to get traffic into your store. A highly desirable item featured in your ad will bring in this traffic. Then, the customers may buy other items if you have them properly priced and displayed.

### **The Growing Power of Consumer Protection**

The small retailer must be more and more concerned with the effect of consumer protection regulations. Regulations on advertising are now being made at Federal, Provincial and local levels.

Nationally, Industry Canada is among the various regulatory bodies which control the advertising practices of the large corporations. At the retail level are such mechanisms as provincial departments of consumer affairs and the Better Business Bureaus.

Among the regulations of the greatest importance to retailers are those concerning the use of false or misleading advertising resulting in "bait-and-switch" practices. Advertising is a very visible or audible medium, easily subject to supervision and criticism from both legal and consumer standpoints. You should use care in making statements and claims for the products you advertise. Be sure that they conform to the various provincial and federal regulations and the standards of good taste.

Advertising should be viewed as a sales building investment and not simply as an element of business expense. When it is well planned and well carried out, your advertising can be an important factor in the future growth of your business.

**Canada Business – *Marketing and Sales***

Consult the *Marketing and Sales* section of the Canada Business website at: <http://www.canadabusiness.ca/eng/89/> to find out more about marketing basics, promoting and advertising your business, sales and customer relationship management, and more.

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