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# Business Owner's Toolkit™

Total know-how for small business

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## Case Study: Joe's Redhots

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*Joe's Redhots*, a hotdog cart selling to office workers, wanted to use popular media such as TV, radio, and newspapers to advertise, along with promotional free product samples and coupons. Joe learned from his suppliers that his competitors in the downtown office area were spending little or no money to promote and advertise their cart luncheon business. He estimated that the most successful hot dog cart spent 5 percent of net sales revenue for promotion and advertising. Joe decided to spend at least 10 percent of his net sales during the first year.

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Joe gathered information on a wide choice of promotion and advertising, including print, electronic media, billboards, handouts, and coupons. He thought he could generate a free story on street entrepreneurs in the local paper (PR).

Joe ranked all his possibilities in order of probable effectiveness, with estimated costs:

- [Merchant Accounts](#)
- [Payroll Services](#)
- [Health Insurance](#)
- [Phone Systems](#)
- [Security Systems](#)
- [Copiers](#)
- [401k Plans](#)
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Advertising	Promotion
TV (\$500/30-second ad/station)	Free samples (\$25/day @\$0.25 each)
Radio (\$50-100/60-second ad/station)	Coupons (\$5/day @\$0.025 each)
Newspaper ads (\$500/ad)	Frequent purchase book (\$15/day)
Cart signage (\$100)	Soft drink premiums (supplied by drink cos.)
Flyers (\$100 @\$0.10 each)	

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Joe found that any broadcast ad required additional production costs that were at least as much as the cost of a single ad. In addition, he needed to run at least four or five ads per station to be effective. Breakeven cost coverage would be exorbitant, with over a year's estimated sales needed just to pay for a small TV and radio campaign. And it was difficult to advertise with available media just to his target group of office workers within a radius of six city blocks. All electronic and print media expenses were well over his 10 percent budget limit.

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Joe decided to have his cart painted (\$100) with a clever message (see our example of Joe's [unique selling proposition and slogan](#)), hand out 1,000 flyers (\$100) over three months to offices, do the soft drink premium program (collect can tabs for free gifts provided by local soft drink distributors), and try to get a free PR article mention in local newspapers and downtown TV and radio stations by sending free samples to editorial staff before lunch. He figured he could afford to hand out flyers and samples all year long and stay within his 10 percent budget limit. If business did better than expected, he would keep the extra income to invest in a second cart.

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## Promotion Ideas

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Once a small business has determined both its [business positioning strategy](#) and the size of the [promotional budget](#), specific promotional activities can be selected. Promotion programs provide *direct purchase incentives* in contrast to most advertising, which provides reasons to buy your product instead of the competing brand.

Admittedly, some types of promotions can be expensive, complicated, difficult to execute, time-consuming, and difficult to administer legally. Many small businesses are local or regional, so some types of promotional activities will be too expensive or inappropriate for the type of goods and services offered. The most important thing is to come up with a promotion that is unique and that sends the right message about your business. And it is critical to monitor the effectiveness of your promotions. If they don't generate results, they aren't worth the time or money you'll spend.


**Example**

Your gourmet coffee shop ordinarily sells 500 pounds of coffee in an average week. You decide to try a promotion using a coupon, good for 20 percent off the price of coffee purchased during a particular week.

If coffee sales increase enough so that the additional sales make up for the lower profit margin, coupons might be a good approach. But if you only sell the same 500 or so pounds to your regular customers, then all the coupons are doing is reducing your profit without providing a reasonable benefit.

Typical promotional activities:

- [games and contests](#)
- [premiums and gifts](#)
- [coupons and rebates](#)
- [product or service demonstrations](#)

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