

The **ENTREPRENEUR'S** Guidebook Series™

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best of its kind.*
- Alan Caruba
Bookview.com

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PERSONAL PLANNING

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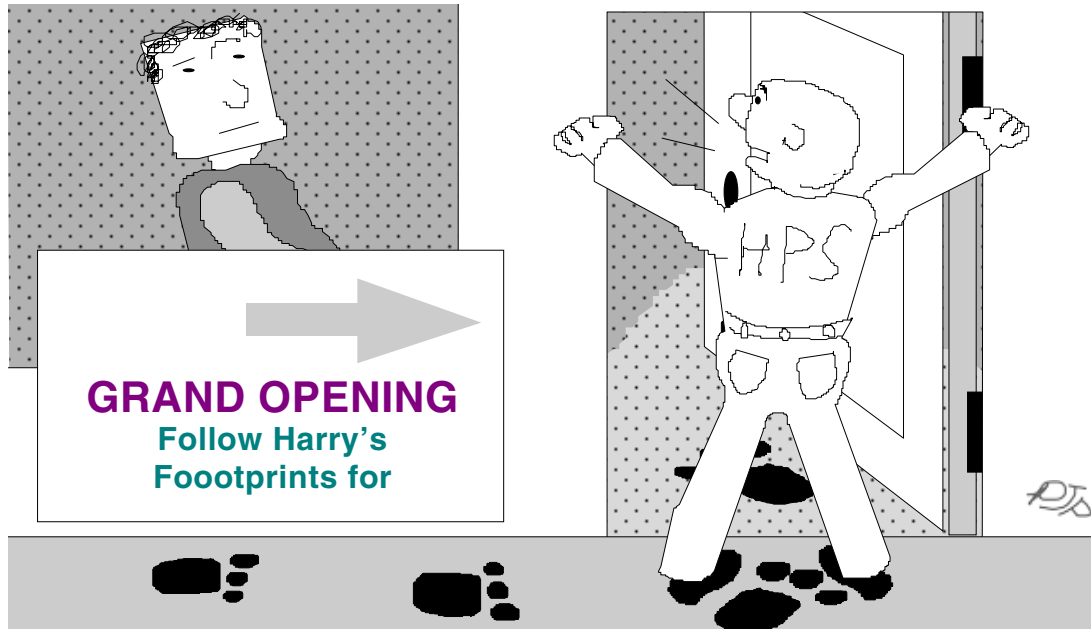
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“Wait a minute Wally ol'buddy! What do you mean you want to go home? You haven't bought anything yet!”

Smallbusinessstown.com

TESTING PROMOTIONS & ANALYZING RESULTS

TESTING is a way of buying information. It is a powerful research tool used by manufacturers, retailers, service providers and other kinds of entrepreneurs to determine the market potential of an idea. It is an activity designed to help you discover what changes, if any, should be made to your product, service, pricing structure or advertising promotion before you head into full production or distribution.

The following strategy sums up quite well the purpose of testing:

“Dump your losers and run with your winners.”

If the results of your market testing suggest that your product or service offers little value to your customers and hence little profit for you, then you must discontinue it right away, or in the very least seriously reassess your entire product line and marketing approach. However, if your results suggest that your product or service will be successful, then prepare yourself to run with it. Base your company on it. Milk it for all it is worth.

TESTING THE POTENTIAL OF A PROMOTION

BELOW is a collection of more than 35 product, service and advertising testing strategies to help you minimize risks and determine the feasibility of your idea before launching a full scale promotion.

To Test the Potential of a Promotion . . .

1. Alter one variable at a time.

One of the best strategies you can use to test the potential of a promotion is to modify or change one variable of the promotion at a time to find out if that modification or change can significantly improve your results.

A person who has had a bull by the tail once has learned 60 or 70 times as much as a person who hasn't.
MARK TWAIN

Some of the more common variables, promoters like to test, are listed below:

Ad Copy – By running two versions of your sales pitch in a split run test you can determine within hours which copy has more pulling power.

Ad Headlines – All the lessons you may have learned about writing good headlines, will not give you as much information as the actual testing of a headline in different magazines, newspapers, or direct mail promotions. By using two or three different headlines along with the same specific pitch, in two or three different mediums, you can determine which headline is best. From that discovery, you can develop your campaign by using the best of a variety of headlines.

NOTE Headlines are best tested in newspapers that allow split runs.

Ad Pictures – If you plan to use a picture in your ad you may want to test the ad with different pictures to see if one picture has more pulling power than others.

NOTE In addition to testing types of pictures, you may decide to forgo the picture completely and use only copy. The advantage of this is your ad can provide more information and persuasive copy.

Ad Position – The pulling power of an ad in a magazine or newspaper can be highly dependent upon its position.

Prices – A chain store retailer might wish to try out a new product or gift item at several different selling prices before deciding

A man who makes no mistakes does not usually make anything.
EDWARD JOHN PHELPS

on the price that will yield the best possible combination of unit volume and gross profit. To do this, identical displays are set up in a similar store location in stores of similar clientele, type of neighborhood and monthly sales volume. The product is then marked at three different prices.

NOTE It is a good idea to test prices both above and below the price you think is the “right” one.

Product Features – If it’s possible to easily vary the features on your product, you should consider testing which features are used most and needed most by your target users.

Promotional Media – For a certain promotion, TV advertising might pull in the most business despite its cost. For another promotion, a classified ad in your local news-

paper might do the trick. Always compare the costs of various mediums with the amount of business created by each.

Seasons of the Year – Ads that pull well in the summer will generally pull even better during the peak viewing and reading months of January, February, September, October, and November. The proof of this pulling power is in the quality of TV programming etc., at this time.

Size of Ad vs. Frequency of Repetition – As a general rule, doubling the size of an advertisement does not by any means trigger an automatic 100 percent increase in the number of readers. Often, only an additional 10 or 15 percent increase in readership can be expected. Thus, although a big ad

draws more initial attention, by utilizing smaller-space advertising, you will not only reach your potential customer for less cost per person, but you will also be to reach that customer more times for the same dollar.

To get profit without risk, experience without danger, and reward without work, is as impossible as it is to live without being born.

A. P. GOUTHEY

NOTE Given the erratic forgetful nature of the human mind, there's far more value in using several ads rather than scheduling a single, one-shot advertisement, no matter how large in a newspaper or other promotional medium. Repetition and frequency of exposure in different mediums helps to establish your company and products in the reader's memory. It does not dull the senses at all, as might be expected, but tends to stabilize or fortify it. Just think of how the constant bombard-

ment of beer commercials during late night television finally breaks you down and makes you amble over to the fridge for an icy cold one.

Subtle Variations of the Wording of Offers

– Test subtle variations of your offer for its effect on response. For instance, “Buy One Get One Free” will easily out pull “Receive Fifty Percent Off” even though they essentially mean the same thing.

Use of Color – Use of color will often increase inquires by about fifty percent. However, usually the additional cost will not justify itself.

Use of Coupons – Coupons tend to make it easier to respond to ads. However, since they also require additional space and thus

cost extra money, the space ads that contain them should be tested with and without them to determine whether their cost is justified.

Use of Humor – Most advertising people know that simple ads beat clever ads in sales tests a majority of the time. However, an ad with just the right amount of humor, will usually beat hard sell copy hands down. To see if your ad fits in the good category, test one ad with a light touch of humor and another version using a straight approach.

If at first you don't succeed, try again. Then quit. No use being a damn fool about it.

W.C. FIELDS

2. Buy a sample of a product before you stock up on it. Don't stock up on a product you haven't seen, touched, smelled, listened to, used, tried on, handled or tasted first.

- 3. Compare classified & display advertising.** If your promotion can be sold via a classified ad or a display ad, test both mediums, as one may prove to be substantially more profitable than the other. Classified ads cost less, but produce less. Display ads cost more, but may also produce more, pulling in forty times more responses than a classified ad.
- 4. Compare consumer response by region.** Different regions of your city, state, country and the world can have vastly different responses to the same item. A promotion that does well in L.A. might bomb in the Deep South and vice versa. A good marketer tests the same promotion in different regions.

Behold the turtle: He only makes progress when he sticks his neck out.

**JAMES
BRYANT
CONANT**

NOTE The following information is to be considered as a general guideline only: LA is very open minded. Toronto, Canada has the same immigrant profile. Both have phenomenal markets for business opportunity ventures. Traditional cities like Chicago, Indianapolis, Cleveland, Pittsburgh, Buffalo are more conservative by nature. Risk taking cities like Seattle, San Francisco, Dallas, Houston, Miami, and New York are more responsive to high-risk ventures. Expect the Midwest, Old South and the Traditional North East to be ultra conservative in comparison.

- 5. Compare the content of your ad to the ODaC formula.** The ODaC formula states that all advertising should *open* by grabbing attention, *develop* by

injecting desire and *close* by promoting action. If your ad fails to meet one of these criteria, than in all likelihood it will fail to promote your cause.

6. Compare your products with competitors' products.

Compare your product with similar items on the market. For example, conduct a taste test or listening test. Or take pictures of your product side by side with the competition.

7. **Conduct a survey.** Conduct a survey at your retail location, at stores that sell similar products, or by surveying people on the street who look like they might need your product or service. By listening and noting the responses of potential cli-

Every time a man puts a new idea across he finds ten men who thought of it before he did — but they only thought of it.

POWERPOINT

ents or buyers, you can evaluate your pricing, appearance of advertising, and other marketing strategies.

NOTE Mail questionnaire surveys are less expensive than telephone surveys and personal interviews. However, telephone surveys and personal interviews will produce the most immediate response.

8. **Distribute your product to one store only.** Ask a retailer if they will set up a display of your product in a store at no cost to them unless products are sold.

NOTE Local privately owned retail outlets are more likely to agree to this than retail chains. As long as your product fits in with their company image and target market.

9. Do a limited advertising run. Run an ad in one and only one of your chosen advertising mediums. Limit your insertions until you have analyzed the response rate from this medium and have found it profitable.

10. Do a split run. Split runs give you the opportunity to test two completely different or similar versions of an ad for the same product or service, in the same advertising medium, and compare which one pulls better. Many newspapers (and less frequently magazines) offer this service.

By doing a split run you can determine things like the best selling price,

Split runs give you the opportunity to test two completely different or similar versions of an ad for the same product or service, in the same advertising medium, and compare which one pulls better.

the best copy, the best picture, the best headline or even whether or not you should use a coupon. However, be prepared to find out, that sometimes the strangest of ads pulls better than ads you thought should pull better.

NOTE When testing the pulling power of an ad using the above method, the various versions of the ad, its copy, headlines, size and other various conditions, must be exactly the same as much as possible, except for the single factor or variable being tested. Each version must also be coded in some manner, to enable you to make positive identification of each test version and relate it to the relevant set of results, for accurate measures and comparative evaluation.

tions.

11. Evaluate local newspaper re-

sponse. Because it is generally cheaper and faster to advertise in local newspapers than in other mediums, they are one of the most suitable mediums for testing a product. A test can be scheduled in about 48 hours and you can have the results in a week. If successful, you can launch a more aggressive ad campaign.

Timing, degree, and conviction are everything in this life.

F.I. FITZHENRY

12. Evaluate markets outside

your target market segment. To assess changing needs and attitudes in the marketplace, routinely test the appeal of your product or service in a variety of markets other than your regular meat and potatoes markets.

You may tap into an unexpected source of customers.

13. Evaluate sales staff effectiveness.

Evaluate the selling performance and spending habits of salespeople in your company. If one salesperson is doing better than others find out why, and teach the others to do the same.

14. Experiment with the timing of your market entry.

The timing of your entry into the marketplace is critical to the success of your product or service. Major gift shows are held during the summer months of June, July and August as well as in the winter months of January and February (most wholesale buying takes place at these shows).

Early January and September are the best times to mail catalogs and DM promotions, as consumers are usually more open to mail order in those months. Spring is the best time to start a new service. However, the months of November and December should be avoided unless your service is related to the holiday season.

NOTE In general, the success of your product or service can be affected by the season, the weather and holidays. Trade journals and trade associations in your field can help provide you with more specific information on the timing patterns of your industry.

15. Focus your marketing efforts on one product at a time. Joe Coss-

Only a fool test the depth of the water with both feet.

AFRICAN PROVERB

Cossman, like Joe Karbo, was of that school of mail order entrepreneurs, who preferred to deal with one item at a time in their promotions. In this way, a maximum amount of concentrated effort could be applied towards its success.

16. Get someone else to read your advertising copy. Give a copy of your ad to a friend, spouse or business associate, or anyone for that matter, even if that person is of questionable marketing know-how, and let them read it over and give you an opinion of its effectiveness. It is also a good idea to provide them with several copies of the same ad with one difference in each – whichever variable you're testing.

NOTE Most people think an ad accompanied by a picture is better than an ad composed strictly of type. The point is, in presenting versions of an ad for a second opinion, do not prepare one version with a picture and another without. Nine times out of ten, the version with the picture will win.

17. Get the opinions of friends.

Friends should never be pressured or relied upon to become a steady source of opinion. However, if you are just starting out, their advice could be useful to you and likewise make them happy to help. However, be aware that friends, especially the ones closest to you, can be overly positive (wanting to make you feel good) or dangerously skeptical (wanting to save you from fi-

*If no one ever
took risks,
Michelangelo
would have
painted the
Sistine floor.
NEIL SIMON
Playwright*

nancial ruin).

- 18. Get your product reviewed by a professional organization.** Professional organizations, such as trade associations, are usually not interested in reviewing your product, unless they have a magazine and membership that relies on them for new ideas within their industry. However, if your product will significantly improve the quality of their working lives, they may make an exception. Regardless, it doesn't hurt to submit a news release.
- 19. Give out free samples of your product to consumers.** Free samples can be given out at malls or supermarkets as agreed upon by the

owners or managers of these establishments. Free samples of consumable products (like shampoo) can also be promoted by direct mail.

20. **Glue an ad mock-up in a magazine.**

Glue your mock-up ad in a magazine and ask yourself if you would buy this product. Then ask some friends or potential clients the same thing. Ask for suggestions on how to make your mock-up ad better.

Glue your mock-up ad in a magazine and ask yourself if you would buy this product.

21. **Make a prototype or sample.**

If you are planning to manufacture a product, whether it be a blender or lipstick, making a prototype or a sample is an essential stage of development. Failure, if encountered, can be seen as a chance to alter your plans

and ideas and emerge more prepared for the future.

22. **Make it difficult for potential buyers to inquire about your new product or service.**

By setting up obstacles to keep average consumers from purchasing your product or service, you can get a better idea of who your *real* target market is. This is especially important for goods or services whose profitability is largely dependent upon repeat sales or high-ticket items that are purchased infrequently by highly selective buyers.

23. **Observe consumer behavior.** Consumer behavior can be studied at any time and almost under any circum-

stances. All that is required is an unassuming presence and a keen sense of what to look for. However, the best way to study consumer behavior is to watch them when they don't know it.

Setup a hidden camera, a tape recorder, a two-way mirror, or use a pair of binoculars.

Watching the unrestrained unguarded facial expressions, movements, and conversations of your customers in reaction to something presented to them, something they try, something they buy, or something new they see or taste, can lead to invaluable insights.

24. Promote your product along with an already successful product. Of-

The bigger you are the more you can afford to test; the smaller you are the more you can't afford not to.

SUPERTIP

fer your new product with a tested product. Network TV stations do this all the time by running a new show right after a hit show.

25. Record yourself reading

your ad copy. Record your ad in a clear voice using a Walkman or other recording device. To gain increased objectivity, don't listen to it until the next day. Or perhaps listen to it while taking a bus, watching TV or before you go to bed. Try and listen to it in the environment your intended audience is most likely

to receive it.

26. Send a sample of your product or merchandise to magazine editors and writers. Along with your samples,

include a news release or media kit and a cover letter asking for a written response if possible. Also ask that your samples or merchandise be returned, unless you have nothing to gain by studying the returned goods for signs of usage or you wish the writer or editor to keep them for future reference (include funds to pay for return shipping).

27. Set up a display in a mall.

Get an idea of how consumers will react to your product or use it, and ultimately who, if anybody, will actually buy it.

28. Set up a focus group interview.

Focus groups interviews last no more than two hours and usually consist of about 10 to 15 customers who have

been invited to discuss certain products or services. The interview is conducted by a moderator who asks planned and related questions, in the hopes of getting a more in-depth reading of customer's feelings towards a

product or service than a survey or questionnaire might generate. The people who attend the focus group often receive a free sample of your product or service or a gift coupon.

One of the most expensive things an economy can buy is economic trail, error and development.

JANE JACOBS

29. Submit your product direct to a dealer.

When submitting your idea to a dealer, include as much promotional aids as you can to assist them in selling your product. Keep in mind that dealers have to be sold on your product just like consumers. Also, include an easy-to-read chart outlining

your pricing structure, clearly specifying any discounts or other buying incentives offered.

NOTE Categories of dealers can be found in the Thomas Register.

30. Submit your product to a mail order house.

When submitting a product to a mail order house, submit the merchandise in a way it is meant to be sold; packaging, advertising and all. Mail order houses buy the same way their customers do, on an emotional and visual basis.

NOTE You can get a list of addresses of mail order houses if you look in the October and November issues of House Beautiful, Better Homes and Gardens, and Red-

When launching a direct mail promotion, the list being used should first be tested for response rates.

book.

31. Try out sections of a mailing list before using the entire list.

When launching a direct mail promotion, the list being used should first be tested for response rates. To do this, select only a portion of the names on the list, anywhere from 1,000 to 5,000. Choose names on a 2-digit zip code basis rather than an “nth” select basis (e.g. every tenth name). Why? The last two digits of the zip code are more commonly used for testing. This

method allows you to easily tell if the list you requested is actually the one you received and it allows you to easily identify those people who haven't received your test mailing when conducting roll-outs.

32. Use classified advertising first. If your idea or product is salable in the classifieds, you should test its response their first. Only after you have taken advantage of its possibilities in the classifieds, should you go on to either direct mail or display ads.

33. Use low cost media to prospect and high cost media to close. Prospect with low cost media such as classified ads, space ads, brochures, catalogs and DM. Close the sale with high cost media such as telephone follow-up solicitations and in-person sales calls. Sale representatives can be armed to the teeth with various promotional tools such as testimonial letters, news articles on

Never stop testing and redesigning a promotion until it starts pulling at a very profitable rate. The extra information is more than worth the extra effort.
SUPERTIP

your product, product samples and even nifty color notebook computers with multi-media presentations.

34. Use the proven testing power of direct mail. There is usually a large uncertainty factor in testing the pulling power of various advertising methods. However, not so in DM. In DM, you can conduct tests and evaluate your results with total control and confidence, and you can do this fast.

In DM it is much easier to key your mailers so you get an accurate measure of response.

In other media sources, especially magazines, you are restricted by deadlines, so there can easily be two or

three months of delay before your advertising runs. With direct mail you can make up the mailing package quickly, send it out, and be monitoring and evaluating the first results within a couple of weeks even days if you have a toll-free number.

NOTE Direct mail promotions can be very expensive or very cheap depending on how large or small you make them. A couple of stamps and envelopes can go a long way.

35. Use the proven testing power of a trade show. At a trade show you can introduce new products, find new partners, make new contacts, create confidence in potential customers, learn about the market, and overall, generate good public relations.

Every good thing in the world stands on the razor-edge of danger.

**THORNTON
WILDER**

Trade shows are also one of the least expensive ways of making multiple sales presentations.

They also offer you – and this is very important – the best chance of closing a sale. In fact, it has been estimated that each sales contact you make at a trade show has a 54% chance of success – far higher than the 15% success rate of routine sales calls.

Keep in mind though that trade shows should be fun. Although many attending are motivated to buy, and quite serious about researching products and services, many others are attending the trade show simply to get away from the office, so-

cialize and pick up a few good ideas.

Therefore, if you make your display interesting, informative and a little entertaining, great interest will be created in your display as you will meet the needs of both types of attendees. Remember that fun generates exposure, and increased exposure can lead to increased sales.



*Study sickness
while you are
well.*

**THOMAS
FULLER**

GETTING THE MOST OUT OF A TRADE SHOW

TRADE SHOW PROMOTIONS can be divided into three areas of planning and activity:

- pre-show
- show time
- post-show

Following are 17 steps to help make your trade show a success:

Pre-Show

Book only national trade shows. Only attend trade shows that have been operating for five years or more. To review trade shows get a copy of “Exhibits Schedule” by

We won't grow unless we take risks. Any successful company is riddled with failures.

JAMES E. BURKE

writing to: Successful Meetings Magazine, 633 Third Avenue, N.Y., NY 10017.

Rent the best possible display location. Being big is not as good as being in a good spot. Don't be the first to sign up, be well placed. Try and find out who will be next to you or better yet who you can be next to.

Publicize your participation in the show to the local press a few months beforehand. A few months before the show, send a press release to all trade publications in your field. This release should describe any new products you intend to introduce at the show.

Send letters to all television and radio stations in the trade show area. Tell them some unique facts about your product and

offer to appear on any of their talk shows at their convenience.

Write letters or invitations to people who are likely to be interested in your display. The success of a trade show promotion depends upon who actually shows up to see your display. Write letters to retailers, wholesalers and sales reps especially those that would have a lot to gain by selling your product or seeing your display.

Write letters or invitations to people who might be interested in your display. You can improve the results of your trade show promotion modestly or tremendously by writing to fringe accounts – that is people who might be interested in your display.

If you're not a risk-taker, you should get the hell out of business.

STEVEN J. ROSS
CEO for Time Warner Inc., The World's Largest Media and Entertainment Company

Hit the local press about ten days before the show opens. Send a press release to newspapers located in the town where the trade show is to be held.

Mail reminder letters. About a week before the show opens, send a reminder letter to every person that you mailed to previously and remind them to visit your booth. Remember, any positive impressions you can make before the show can go a long way to getting your desired result.

Prepare your booth to be different. One of the most important requirements for a successful exhibit can be summed up in two words – be different. Your booth should look like no other booth. Design your booth so that it will make as much impact as possi-

ble. If you have to make some last minute changes to achieve this affect, do so.

Show Time

Display as much promotional material as is appropriate. Spread out your product line in as attractive a manner as your can. Have plenty of business cards, letterhead, envelopes, order forms, brochures and other material on hand to give potential buyers.

Keep a detailed record of everyone who visits your booth. Keep records of all inquiries. Try and get as many names and addresses as possible.

Make notes also on casual observers who don't leave their name and even ones who walk by and have no apparent interest in your display. Overall, get as much information as you can on exactly who your target

“Get into the right business at the right time” is good advice, but easier said than done.

POWERPOINT

market really is or may become in the future.

Keep a sharp lookout for buyers. Often, buyers for large organizations will patronize such expositions. Buyers may represent themselves, individual businesses, stores, production facilities, or entire chains of stores. Frequently, they will fly long distances to take advantage of the collected assortment of displayed goods relating to their industry. It will be your job to find these people and sell them on any of your ideas or products.

Make a detailed study of all the other exhibitors. Make a note of who is there, who is selling what, which booths are getting the most attention, which products you

think have potential, and especially, what the competition is up to.

Approach all related businesses. Don't hide. Circulate. Talk to other businesses at the show that might be interested in what you are promoting. Who knows, your greatest contacts may be three booths away.

If the show extends over several days, consider testing your prices, redecorating your booth, or showcasing different products. Consider using the trade show as a way to test variables and get an idea of the resulting increase or decrease in responses. Test prices, colors etc. However, don't go overboard. Keep your test objective. Test only one variable at a time.

If you could sell near the ladies' bathroom you were always guaranteed one of the heaviest concentrations of foot traffic at the fair.

RON POPEIL

Post-Show

Follow up on all inquiries. If you don't follow up you've wasted your time. People who come to your show are not sure things but they are highly qualified prospects.

Mail thank you notes to those who came to see you. If you mailed an invitation to someone and they came to see you, make sure you mail a thank you. This is the cheapest P/R you're ever going to get.



WHAT TO DO ONCE YOU GET THE RESULTS OF YOUR PROMOTION?

WHEN TESTING a promotion, your goal is to learn to quickly identify success and failure and then be able to act decisively to control losses and capitalize on winners. However, if you have difficulty making decisions because you puzzle over all the endless possibilities, and thus miss opportunities because of indecisiveness, use the strategies in this section to help streamline your decision making process.

NOTE Don't become a victim of over-

We must have courage to be on our ideas, to take the calculated risk, and to act. Every day living requires courage if life is to be effective and bring happiness.
MAXWELL MALTZ

preparation at the expense of productivity. Remember, it is not essential to understand everything to be able to use something.

Decision Making Strategies

If a promotion fails miserably, scrap it immediately. Considering that there are so many opportunities in the business world, absolutely no time or money should be wasted on a promotion that produces unacceptable results.

If a promotion fails badly, but fundamentally has potential, don't give up on it too soon. After approximately 10,000 failed experiments on the storage battery, Edison simply reasoned that, "I

have not failed. I've just found 10,000 ways that won't work." Likewise Dale Carnegie believed that, "The successful man will profit from his mistakes and try again in a different way."

However, take these sagacious introspections with a grain of salt. Entrepreneurs can't afford to be too idealistic. They must be realistic.

Never throw money into a sinking ship, unless you know you can fix the hole and once that hole is fixed, reap some profits. And if down the road you discover that you can't fix the hole, admit it, and don't waste any more time on it. Buy a new ship instead.

If a promotion fails, but almost is a success, try it a few more times from

I ain't in no slump. I just ain't hitting.
YOGI BERRA

different angles. A failed promotion does not necessarily mean it should be abandoned or phased out. Often it takes several tries to produce a real winner. Therefore, try and remarket a failure, but set a limit as to how many times you can afford this. As General O. P. Smith said (U.N. Forces Leader during the Korean War), "Retreat, Hell! We're just advancing in another direction."

NOTE There are basically four ways to increase profits to make a promotion successful: raise the per unit selling price; decrease variable costs; decrease fixed costs and/or increase volume.

If a promotion is working well enough to cover costs and produce a modest profit, consider it a success and go with the flow. In general, when

testing a product, mediocrity of results is the most likely outcome, not skyrocketing sales. Don't expect to become a millionaire over night. In fact, if you can produce three or four winners out of every ten or so attempts, then consider yourself to be doing very well indeed.

NOTE Skyrocketing sales is not necessarily a good thing if it leads to buying more inventory or hiring more staff than your cash flow can handle.

If a promotion is working quite well, don't try and fix it. Once you've found a successful promotion run with it – don't change it – especially if you don't quite understand all the variables that are making it a success. At a later date, you can try and improve upon it,

Advertising and promotion are more art forms than science. Sometimes, their success is a bit of a mystery, like all finer works of art.

but only cosmetically. For example, just because you've become tired of a particular ad promoting a specific product or service, doesn't mean your prospects have. Until you produce another ad that outpulls the "old one," keep using the one that's most responsive – regardless of your own personal preferences.

NOTE Advertising and promotion are more art forms than science. Sometimes, their success is a bit of a mystery, like all finer works of art.

If a promotion is working exceedingly well, ride it for all it's worth. A winner should be expanded upon to its absolute limits. Drive it hard into larger marketing arenas and promotional mediums of ever larger circulations; get as many people involved as

you can to produce huge sales and huge profits. However, always be prepared to back out quickly, once signs of slowing sales become apparent. As actor Robert Montgomery says, “Applause. Enjoy it – but never quite believe it.”



*Fortune favors
the bold.*
TERRENCE

DUMPING YOUR LOSERS AND RUNNING WITH YOUR WINNERS

SOUND DATA on industry norms and past performance standards should be used to provide a basis for evaluating a promotion after it has been tested in the marketplace. This evaluation can then be adjusted by some of the guidelines presented below that describe both *winning* and *losing* promotions.

What Makes a *Winning* Promotion?

A winning promotion . . .

Attracts loyal repeat customers. Every business is based on having customers. If your promotion is generating loyal custom-

Only those who dare to fail greatly can ever achieve greatly.
ROBERT F. KENNEDY

ers, it will be far more successful in the long run than one that attracts one shot fly-by-nighters. Good customers are true “believers,” loyal and confident. Once you have their confidence, they will believe in your products and services and will continue to buy from you. In fact, it is better to generate one loyal customer than three or four one-time customers.

Attracts non-transient customers that don’t move around.

Transient customers can create cash flow problems. Just when you’ve come to depend upon their business, they move away.

Generates a healthy profit margin.

What you consider to be a healthy profit margin will depend mostly on your over-

head costs and cost of goods sold, but also to some extent on your profit expectations and marketing strategies. For a mail order firm, a return of 50% or better on advertising costs for a certain promotion is worth continuing, but not something to get overly excited about (e.g., if your advertising costs are \$100 than the promotion returns \$150 giving you \$50 in profits).

However, if the promotion returns in excess of 100%, in other words, anywhere from 2 to 2.75 times advertising costs, then you should really run with it.

On the other hand, for a service provider, being that advertising expenses are usually a smaller percentage of overall sales, a good return on a promotion might be profits anywhere from 4 to 5 times ad-

*The cautious
seldom err.*
CONFUCIUS

vertising costs.

Has a good back-end as well as a good front end. When determining how well a promotion did, don't forget to measure back-end as well as front-end. A promotion that pulls in a high response rate is great. But if returns are heavy, you can lose your profits in a hurry.

Has costs that are easily controlled and monitored. The only way to gather valid information about the cost effectiveness of a promotion is to look at total money spent in comparison to total money generated. A good promotion makes it easy to control and monitor product, advertising and distribution costs, so as to not only determine the profitability of a promotion at any point

in time, but to also prevent dangerous overspending.

What Makes a *Losing* Promotion?

A losing promotion . . . Demands too much investment capital. It is easy to back out of a venture when all you have invested is time and energy. However, if you have invested large amounts of money, you tend to hang in longer than you should and lose even more money. Know how to control your losses by limiting your investment. Risk time and energy, before risking money.

Generates too small a profit. If you are looking to establish your business, you

Good people are good because they've come to wisdom through failure. We get very little wisdom from success, you know . . . One who doesn't try cannot fail and become wise.

WILLIAM SAROYAN

may consider a break even proposition. However, in the long run you should not waste your efforts on producing marginal results when it takes just as much effort to win over larger markets. Remember that in many cases it takes just as much effort to win over a large market as it does a small one.

Offers little advantage to being first. When developing any new product or service, the first person to sell the product has very little advantage over the second person, because it is quite easy to duplicate the product and its advertising. In fact, the emulator has

an advantage over the leader because they do not have to bear the cost of testing. In some respects, it may be better to

wait for other companies to bear the cost of market testing especially if those costs are substantial.

NOTE Microsoft was not the first company to develop a graphical user interface (GUI). Long before Windows 3.0 and Windows 95, Xerox had developed a GUI back in 1979 and Apple in 1984. Yet today, Microsoft is the market leader.

Poses too great a risk. It has been said, that nothing risked equals nothing gained. However, if getting an ulcer is not an acceptable result of worrying over a high-risk venture – even if mathematically the potential rewards substantiate the initial risk – then perhaps you should reconsider your options. No one has ever said that busi-

ness start-ups need to be risk-free, but that doesn't mean you need to choose those that face astronomical odds.

Keep in mind that a good business operator avoids playing the lottery; a brilliant business operator sells the ticket stubs and ticket machines so that others can play the lottery.



Those who cannot remember the past are condemned to repeat it.

**GEORGE
SANTAYANA**
*American
Philosopher &
Poet*

UNDERSTANDING FACTORS THAT CONTRIBUTE TO FALSE CONCLUSIONS

THE OUTCOME of a promotion can be swayed one way or another by events which you have little or no control over. To protect yourself from drawing the wrong conclusions, consider how the following events might affect the results of your promotion:

A promotion can be affected by big news events. Be wary not to judge your promotion if it might have been affected by a major news event that will have only a temporary influence.

*“Murphy’s Law”:
If anything can
go wrong, it will.*
**ANONYMOUS
SAYING
(1950S)**

A promotion can be affected by sudden business trends or fads. Make sure you keep up-to-date on the latest business trends in your industry. Pay close attention to the image of your industry in the eyes of the consumer. You can investigate your image by studying employee and customer morale at various facility locations.

A promotion can be affected by the weather. If for example, you have a big sale during a blizzard, expect a poor turn out. Likewise, if you have a big sale when it’s unusually hot and humid, unless you have air conditioning, expect a poor turn out.

