

# Marketing mistakes every entrepreneur should avoid



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Factors such as price, product, place and promotion all stem from a strategic marketing plan and are common areas where entrepreneurs can go wrong when starting a business. Without carefully considering the various principles that make up the marketing mix, an entrepreneur can negatively impact their business's bottom line.

Putting together an effective marketing strategy is just as important as the business plan as it holds the key to building new business relationships and strengthening old ones. Anyone starting a new business should realise that marketing encompasses their daily decisions.

MA(SA) has identified some of the pitfalls an entrepreneur can avoid when considering the marketing mix:

## Choosing the product

An entrepreneur may have a product or service concept that would succeed in the market however the timing of the product launch is a costly mistake that an entrepreneur can make without even realising it. Groupon, the "deal-of-the-day" company, which sells coupons and gift certificates that are redeemable at local and regional businesses, was the precursor of LetsBuyIt.com, an early online group buying service.

LetsBuyIt.com never got off the ground because it focused on consumer packaged goods from big companies instead of local services by small businesses.

Timing is also a critical factor and not always one easily managed. The success of Groupon is also due to the large amount of people active online, the huge number of small businesses online and the quick ability to share these deals through social media networks, none of which was available to LetsBuyIt.com in 1998 when it first launched. It is an old adage but holds true, if there is no market for the product then there is no product.

## Selecting the price

Another common mistake an entrepreneur can make occurs when setting the price. The best way of avoiding issues is determining what the customer is willing to pay as opposed to simply working out the price based on costs and margins. An entrepreneur can often think that the price needs to only cover costs and make a profit without taking into account how the customer will perceive the value of the product based on the price given.

One product which flopped so spectacularly in this regard was the Segway, launched in the United States in 2001. Prior to

its launch, the product was leaked under the code-name Ginger and was said to be the replacement for the automobile. When Segway was finally revealed as a technologically advanced motorised scooter, consumers balked at the US\$5000 price tag and the product, which was expected to fly off shelves at 10 000 machines a week, only managed 24 000 in its first five years.

## **Location, location, location**

Whether an entrepreneur is deciding on which level of the shopping mall he wants to open his store or whether to start the business in a different province or country, the location of the business is an integral part of determining success or failure. Factors such as access to city centres, laws and regulations, access to labour, transport costs and land are just some of the things to consider.

When Wal-Mart decided to enter the German grocery market in 1997, it took them nine years to realise their failure. Wal-Mart's strategy of every-day low prices saw much success in the United States and other countries but was also a common practice of existing German grocery stores resulting in a loss of competitive advantage.

A business with a low price strategy needs to expand rapidly and Germany did not have enough appropriate locations to support such an expansion. Wal-Mart took over 21 existing stores that were very small and had a limited range of goods. In addition, the stores were located far apart, which resulted in high logistical costs. Wal-Mart was also competing against well established competitors that prevented Wal-Mart's plans for expansion.

## **Promoting the product**

Most entrepreneurs may assume that marketing is only about advertising and promotions. While this is a key part to the strategy, for advertising to have any real effect, an entrepreneur needs to understand the target market and not over think the message they are sending consumers.

Start-up businesses may also have little to no advertising budget and could consider alternative means of advertising that fall outside traditional media such as print and broadcast. Entrepreneurs could think about handing out flyers in the local area with a 10% discount or look at social media as an option for reaching consumers. Word of mouth is one of the most powerful forms of advertising and should never be underestimated.

Before the entrepreneur embarks on an advertising campaign, they need to also ensure that it matches the overall marketing plan and that each of the elements of the plan has been considered. When pricing a product for a special, the fast food burger outlet Steers didn't anticipate the disaster of running out of stock. As part of the 'Wacky Wednesday' special, Steers was selling rib burgers at R10 with no limit on the number of burgers that could be bought or restrictions on orders over the phone. When stores had run out of stock by mid-morning, livid customers took to social media and complained about false advertising. Steers suffered brand damage and failed to bounce back with a new R10 special on a different burger variety later that day. Driving demand via a promotional campaign but not factoring in the affect it will have on your ability to supply the product is bound to have a negative impact on your target market .

Looking at these and other big brand examples, entrepreneurs can learn from these mistakes and practically see how all factors which make up the marketing mix must correlate. Entrepreneurs should also consider a course in marketing and reading up on further case studies as examples of what not to do.

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