

Marketing the Product or Service

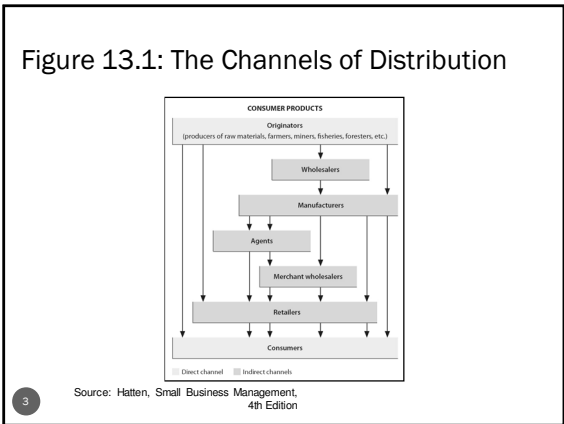
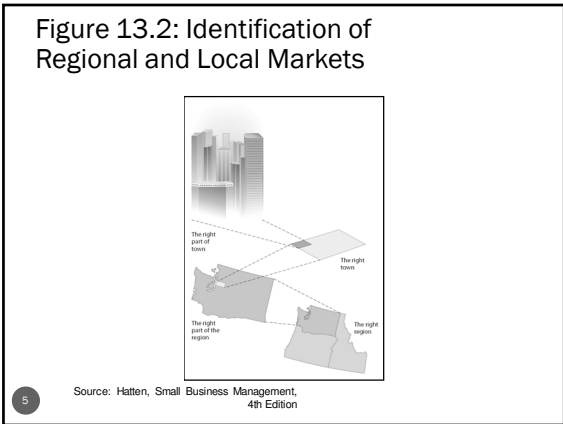
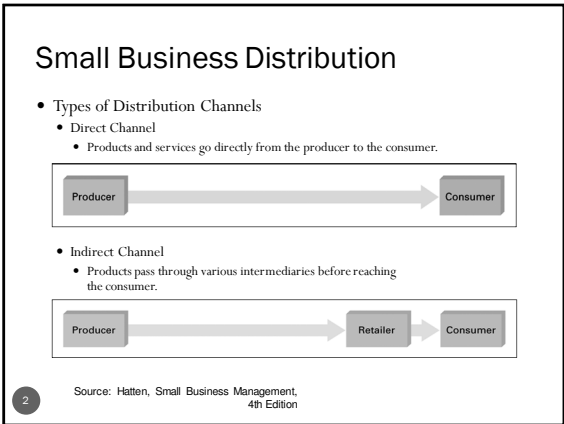
Chapter 13

Small Business Marketing: Place

Location for the Long Run

- Essential Questions of Site Location
 1. What region of the country would be best for your business?
 2. What state within that region satisfies your needs?
 3. What city within that region will best suit you?
 4. What specific site within that city will accommodate your business?

Source: Hatten, *Small Business Management*, 4th Edition



State Selection

- Sources of information on the economic performance of regions, states, and cities:
 - *Fortune* magazine
 - *Business Week*
 - *Forbes* magazine
 - *The Wall Street Journal*
 - *Entrepreneur*
 - *USA Today*
 - U.S. Census Bureau

Source: Hatten, *Small Business Management*, 4th Edition

State Selection

- Comparison Tools
 - Survey of Buying Power
 - Combines data on population, income, and retail sales for nine regions within the United States.
 - Assigns a weight to each factor to calculate a buying power index (BPI), so that different markets can be compared.
 - Effective Buying Index (EBI)
 - Calculates the amount of disposable personal income for people in a specific geographic area.

Source: Hatten, Small Business Management, 4th Edition

Table 13.1: Regional Summaries of Population, Effective Buying Income, and Retail Sales

Region	2005 Total Retail Sales (\$bill)		Per Store Retail Sales (\$k)	Food and Beverage Stores (\$bill)	Food Service and Drinking Establishments (\$bill)	General Merchandise (\$bill)	Furniture and Home Furnishings (\$bill)	Motor Vehicles and Parts (\$bill)
	2005 Total Retail Sales (\$bill)	% of U.S.						
New England	254,225,395	5.907	41,809	35,148,024	24,222,206	20,238,720	10,347,084	48,239,691
Middle Atlantic	503,024,174	12.068	38,718	75,794,596	54,790,760	52,029,960	27,042,574	115,425,574
East North Central	685,489,156	16.361	36,377	75,981,229	62,364,217	67,693,206	29,899,165	61,429,485
West North Central	381,483,405	9.368	38,855	31,961,566	25,654,467	41,696,225	14,268,792	61,429,485
South Atlantic	770,969,896	18.475	38,673	98,175,599	78,308,746	84,193,765	40,899,767	185,325,563
East South Central	220,622,115	5.399	23,825	27,973,629	22,014,144	38,099,704	6,538,040	46,032,608
West South Central	488,476,106	11.961	38,382	48,504,070	48,275,853	74,899,477	22,044,275	113,382,381
Mountain	291,592,395	6.927	38,568	35,274,722	27,676,517	38,442,790	15,653,517	63,882,743
Pacific	682,144,822	16.801	41,887	10,187,642	78,798,988	91,766,890	41,970,578	142,285,265
Total United States	4,260,623,395	100.000	27,899	519,919,917	412,381,800	529,272,823	211,742,902	919,882,989

Source: Hatten, Small Business Management, 4th Edition

Table 13.1: Regional Summaries of Population, Effective Buying Income, and Retail Sales

Region	2005 Totals of U.S. Population by Age Group (000s)								
	Total Population (000s)	% of U.S.	0-17 Years	18-24 Years	25-34 Years	35-49 Years	50 and Older	Total Households (000s)	% of U.S.
New England	14,325.7	4.8538	3,278.7	1,345.7	1,773.6	3,043.9	4,522.8	5,598.9	5.0419
Middle Atlantic	40,436.3	13.7006	9,448.5	3,771.2	5,176.8	9,304.1	12,735.7	15,250.5	13.7383
East North Central	46,148.4	15.6306	11,473.8	4,596.4	6,033.7	10,322.3	13,722.2	17,723.3	16.8109
West North Central	19,725.4	6.8833	4,828.9	2,055.4	2,522.7	4,333.7	5,902.7	7,721.4	6.9559
South Atlantic	55,539.2	18.8180	13,381.7	5,312.9	7,406.3	12,446.5	16,991.8	21,538.5	19.4026
East South Central	17,501.8	5.9301	4,248.7	1,768.0	2,353.4	3,826.3	5,296.4	6,872.2	6.1908
West South Central	33,515.9	11.2660	9,095.7	3,533.5	4,734.4	7,241.8	8,910.5	12,204.1	10.9939
Mountain	19,930.7	6.7531	5,228.6	2,444.3	2,857.2	4,224.0	5,466.6	7,207.2	6.8364
Pacific	46,292.4	16.2691	12,391.3	4,773.8	6,872.2	10,901.8	13,078.4	16,683.6	15.8293
Total United States	295,140.1	100.00	71,467.9	29,200.4	39,740.3	66,024.4	85,707.1	111,007.7	100.0000

Source: From 2005 Survey of Buying Power, Sales and Marketing Management, September 2005, p. 62. Copyright © 2005 Nelson Business Media Inc. Source: Hatten, Small Business Management, 4th Edition

City Selection

- Sales Conversion Index (SCI)
 - A measure of area residents' ability to convert personal income into retail purchases.
- Inshopping
 - When consumers come from outside the local market area to shop.
- Outshopping
 - When consumers go outside the community to shop.

Source: Hatten, Small Business Management, 4th Edition

Table 13.1: Regional Summaries of Population, Effective Buying Income, and Retail Sales

Region	2005 U.S. Totals of Effective Buying Income (EBI) by Income Group (000s)						
	2005 Total EBI (\$000)	% of U.S.	Per Capita EBI (\$)	Average Household EBI (\$)	Median Household EBI (\$)	\$20,000- \$24,999	\$25,000- \$49,999 and Higher
New England	322,578,176	5.6664	22,517	57,625	42,810	1,082.3	1,046.9
Middle Atlantic	822,475,259	14.4473	20,340	53,931	39,798	3,170.9	2,854.1
East North Central	891,563,423	15.6609	19,319	50,183	38,700	4,033.3	3,553.1
West North Central	365,325,746	6.4157	18,516	47,282	37,882	1,882.4	1,592.5
South Atlantic	1,092,206,659	19.1854	19,666	50,710	38,842	4,972.5	4,187.5
East South Central	299,754,791	5.2655	17,127	43,618	33,551	1,700.3	1,279.0
West South Central	587,816,994	10.3254	17,538	48,166	36,422	2,885.2	2,308.6
Mountain	374,891,789	6.5712	18,770	50,778	39,825	1,744.8	1,471.2
Pacific	937,186,640	16.4622	19,518	56,174	43,043	3,475.5	3,175.8
Total United States	5,692,969,567	100.000	19,289	51,284	39,324	24,984.2	21,468.7

Source: Hatten, Small Business Management, 4th Edition

Table 13.2: Retail Sales by Store Group and EBI to Calculate SCI

Retail Sales (\$000)	Fert Collins	Conversion Factor	Conversion SCI	Pueblo	Factor	SCI
Total retail sales	\$2,049,038	1.12	83.58	\$1,618,523	1.34	119.64
Food	297,382	.16	69.57	274,006	.23	143.75
Eating/drinking places	230,136	.13	86.67	177,150	.15	115.38
General merchandise	312,162	.17	73.91	272,906	.23	135.29
Furniture/appliances	184,275	.10	168.67	71,467	.06	60.00
Automotive	412,627	.23	100.0	272,686	.23	100.00
Total EBI (in \$000)	\$1,821,024			\$1,208,826		
Buying Power Index	.658			.839		

- Fort Collins conversion index is well below 100, at 83.58. The city experiences substantial outshopping compared with Pueblo.
- Pueblo, with its 119.64 SCI, enjoys considerable inshopping compared with Fort Collins.

Source: Hatten, Small Business Management, 4th Edition

Site Selection

- Type of Site Questions
 - Is the site located near target markets?
 - Is the type of building appropriate for your business?
 - What is the site's age and condition?
 - How large is the trade area?
 - Will adjacent businesses complement or compete with your firm?

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Source: Hatten, Small Business Management, 4th Edition

Site Selection (cont'd)

- Economic Factors
 - How much are occupancy costs?
 - Are amenities worth the cost?
 - How much will leasehold improvements and other one-time costs be?

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Source: Hatten, Small Business Management, 4th Edition

Site Selection (cont'd)

- Accessibility Questions
 - How are road patterns and conditions?
 - Do any natural or artificial barriers obstruct access to the site?
 - Does the site have good visibility?
 - Is traffic flow too high or too low?
 - Is the entrance or exit to parking convenient?
 - Is parking adequate?
 - Is the site accessible by mass transit?
 - Can vendor deliveries be made easily?

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Source: Hatten, Small Business Management, 4th Edition

Site Selection (cont'd)

- Traffic flow
 - The number of cars and pedestrians passing a site affects its potential for retail sales.
 - Depending on the business, the type (social status, affluence) of potential traffic also needs to be considered.
 - Other businesses in the area will also influence the kind of traffic.

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Source: Hatten, Small Business Management, 4th Edition

Site Selection (cont'd)

- Legal Considerations
 - Is zoning compatible with your firm?
 - Does the building meet building codes?
 - Will your external signs be compatible with zoning ordinances?
 - Can you get any special licenses you will need?

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Source: Hatten, Small Business Management, 4th Edition

Site Selection (cont'd)

- Going Global
 - Information Resources
 - Magazines and newspapers
 - American Management Association and the American Marketing Association
 - U.S. Department of State
 - Internet
 - CIA World Factbook (online)

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Source: Hatten, Small Business Management, 4th Edition

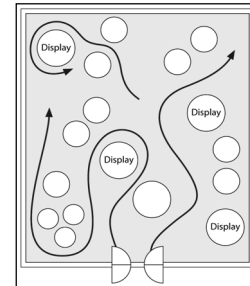
Incubator Benefits

- Support Services
 - Tenants share office machines, computers and other equipment and pay only when they use it.
 - Receptionists, secretarial support, and shipping and receiving services are available on a shared basis.
- Professional Assistance
 - Reduced rates with accountants and lawyers.
 - Training in cash flow management, marketing practices, obtaining financing, and other areas.

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Source: Hatten, Small Business Management, 4th Edition

Figure 13.3: The Free-Flow Layout



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Source: Hatten, Small Business Management, 4th Edition

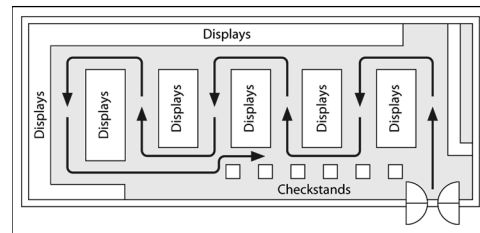
Layout and Design

- Legal Requirements
 - Cost of accessibility requirements of the Americans with Disabilities Act (ADA) of 1990.

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Source: Hatten, Small Business Management, 4th Edition

Figure 13.4: The Grid Layout



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Source: Hatten, Small Business Management, 4th Edition

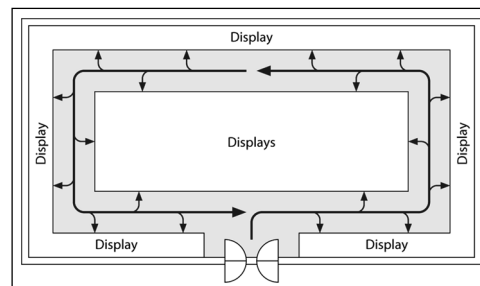
Layout and Design (cont'd)

- Retail
 - Free-flow layout
 - Encourages customers to wander and browse through the store.
 - Grid layout
 - Moves customers past merchandise arranged on rows of shelves or fixtures.
 - Loop layout
 - Has a predominant aisle running through the store which quickly leads customers to their desired department.

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Source: Hatten, Small Business Management, 4th Edition

Figure 13.5: The Loop Layout



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Source: Hatten, Small Business Management, 4th Edition

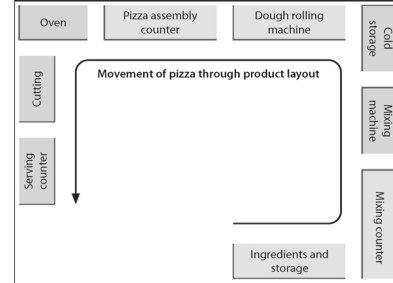
Layout and Design (cont'd)

- Service
 - Customer convenience is important.
 - Workflow promotes speed and efficiency of service providers.



25 Source: Hatten, Small Business Management, 4th Edition

Figure 13.7: Product Layout in a Pizza Kitchen



28 Source: Hatten, Small Business Management, 4th Edition

Layout and Design (cont'd)

- Manufacturing
 - Process layout
 - Places all comparable equipment together in the same area.
 - Product layout
 - Places equipment in an assembly line.
 - Fixed layout
 - Is used when the product must stay stationary while workers and equipment are brought to it.

26 Source: Hatten, Small Business Management, 4th Edition

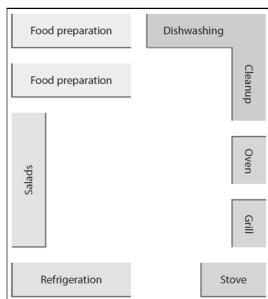
Layout and Design (cont'd)

- Home Office

<p>Advantages</p> <ul style="list-style-type: none"> • Flexibility in scheduling personal, family, and business obligations • Low overhead expenses • No commute time • Independence • No office distractions 	<p>Disadvantages</p> <ul style="list-style-type: none"> • Interruptions • Isolation • Credibility • Work space • Zoning issues
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29 Source: Hatten, Small Business Management, 4th Edition

Figure 13.6: Process Layout in a Restaurant Kitchen



27 Source: Hatten, Small Business Management, 4th Edition

Lease, Buy, or Build? (cont'd)

- Information Needed Before Entering a Lease
 - How long will the lease run?
 - How much is the rent?
 - How much will the rent go up?
 - Can you sublease?
 - Can you renew?
 - What happens if your landlord goes broke?
 - Who is responsible for the insurance?
 - What building services do you get?
 - Who else can move in?
 - Who pays for improvements?

30 Source: Hatten, Small Business Management, 4th Edition

Lease, Buy, or Build? (cont'd)

- Purchasing a Facility
 - Advantages
 - Right to customize the property
 - Fixed payments
 - Increase in property
 - Disadvantages
 - Upfront expenses and capital investment
 - Ties business to location
 - Depreciation is not a business expense
 - Decrease in property value

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Source: Hatten, Small Business Management,
4th Edition

Lease, Buy, or Build? (cont'd)

- Building a New Facility
 - Advantages
 - Meets necessary specifications for business
 - Enables incorporation of new technology or features that will lower operating costs compared to older, existing building
 - Disadvantages
 - Significantly increased fixed expenses

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Source: Hatten, Small Business Management,
4th Edition