



# PLÉSONA

## BUSINESS ADVISORS

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### Do I spend enough on Marketing?

Marketing spend is a difficult subject for many small businesses. Many spend too little, some spend unwisely and others do not spend consistently. There are many businesses that do not spend anything on marketing and that is not necessarily wrong. If you don't have unfulfilled ambitions for your business then why would marketing be something that you want to spend time and money on? But it will mean that it is very likely that your business will not grow in any significant way and may even decline over an extended period of time as your current customers fall away and you are not replacing them with new customers. It is also true that many businesses can get away with spending very small amounts of money if they are already part of a fantastic network providing a rich feeding ground for their sales efforts. But the quality of networks tends to ebb and flow, so what might be working well right now will probably need to change in the future. But for those who are willing to invest in marketing, the most important point is to understand why you are doing it and who you want to target. The biggest mistake that many businesses make is that they are unclear about who they are trying to target. As a result, they may end up using an inappropriate placement. As an extreme example, there is no point advertising in the Longford Leader when your audience is in the Western Algarve. Nothing wrong with the Longford Leader, by the way. Usually, the mistakes are more subtle than this. In today's world, there are many segments to the population. The first thing you need to define is who is your target customer. Then you need to figure out what they do, where they meet, what they read and how they read it. So if you are reggae music themed clothing, you have probably figured out that your target group is lovers of reggae music they will meet in music clubs, specialist radio stations and social media groups, read books about reggae and do a lot of stuff online. So spending money on a Saturday night prime time TV advert would probably be a horrible waste of money, but organising meetings at music clubs and getting radio spots on specialist stations to talk about your products and their reggae heritage while promoting the products to specialist social media groups is probably going to cost less money and be much more focused on your desired outcome. And it is important that you have a realistic desired outcome. Not everyone will buy your product or service the first time they hear about it. You might need to start with the goal of creating awareness of your brand. Marketing spend is not a fair-weather expenditure. Once you decide on your strategy and you sense that it is working, you need to be consistent in your future efforts even when times are tougher. Repetition is key to marketing success.





## Supply Chain Finance

There are several forms of supply chain finance called things like reverse factoring and dynamic discounting, that very broadly allow suppliers to be paid early for a fee. The fee is usually equivalent to the cost of credit of the customer in the transaction. These schemes are usually run by large companies that are publicly quoted and have full access to the myriad of market funding. For small companies that either do not have access to loans and overdrafts or those who have to pay very high rates for credit, these schemes can offer an excellent way to get paid very quickly at a very low cost of finance. Increasingly big multinationals and supermarket groups are offering supply chain finance to their small suppliers because they recognize that it takes good cash flow to survive in tough markets. And these same large companies have the cash flow that can sustain the entire supply chain. So if you do deal with any of these large companies, feel free to ask them if they have such schemes running within their company. It may not be that they make such schemes available to all companies and it may be the conditions of such a scheme are not to your liking. But if you don't ask, you certainly won't get. And it may be that you spur an idea within your customer's organisation of how they might help to support your business.



## Finding Investors

Many business start-ups can be naive about what is required to get an outsider to invest their hard-earned cash in their business. Even to get a small initial investment it will be necessary to show that there is a great concept, a clearly thought out business plan, a proven business model and a solid and motivated management team. Bad ideas will be unlikely to attract the punters. The usual test is how difficult is it to explain what you are trying to do. If it cannot be explained simply, it is unlikely that many others will understand the concept. A clear business plan will be an expression of the ambition of the business and that the idea has a viable market to go after. Without a good plan, it will be difficult to show the expected plan of growth that will lead to profitability and positive cash flow. The last vital component is the management team. They need to show passion for the concept and a commitment to the personal sacrifices that are usually required for a business to succeed. It is very rare that business start-ups go without a hitch. There will be problems and it will be down to the determination of the managers of the business whether the business can survive these storms. The last piece is that a seed or angel investor will require a certain percentage of ownership of the business to balance the risk they will be taking with their investment. Investors rarely invest simply because the founders have a great idea. They want to see a solid path to creating a return on their investment.



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