

Small Business Advertising: Uses, Motivations and Missteps

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ABSTRACT

The use of advertising by small businesses is largely misunderstood by many people involved with small business activities. A proper understanding of how entrepreneurs and small business owners view and use advertising will help those who study this area and those who advise and guide small business owners working to develop their own enterprises.

This study addresses how small business owners in a mid-sized metropolitan area in a largely rural state use advertising in their ventures. Using Internet-based surveys the researchers in this project sought to develop a better understanding of how small business owners develop messages, understand target audiences and regard advertising as a successful part of their businesses.

INTRODUCTION

Entrepreneurship and Advertising are fields rich in theoretical research, case studies and other forms of scholarship, yet surprisingly little work exists in how these two areas are combined. For small businesses to be successful some amount of promotion work must be done by those engaged in the business. A study in the *Journal of Small Business Management* found that in fact very little planning of any kind goes into small business activities, yet those who do some amount of planning are less likely to fail (Perry 2001).

For small businesses to succeed some marketing activities must take place. Small firms can gain advantage over the obstacles to success through the use of appropriate planning activities (Harris and Reece 2003). One potential reason for the reluctance of some small business owners to engage in any type of advertising may be the perception that advertising clutter could negatively impact their businesses. Ha and Litman (1997) found that while there was in fact a negative correlation with advertising clutter the effects were limited to certain vehicles within distinctive advertising media. One thing is abundantly clear: businesses that fail to engage in some form of marketing to promote their businesses will eventually fail.

While some entrepreneurs may feel that money spent on advertising is wasted, evidence shows that consumers often value advertising that is believable, credible and ethical (Ducoffe 1995). Given the number of individuals starting businesses that offer services over goods, advertising will be an essential key to the success of those types of businesses. In their 1995 study Stafford and Day found that advertising which is both informative and rational works best for service retail firms; but how many business owners specializing in this area are aware of this?

Many experts acknowledge the fact that the greatest marketing challenge facing small business owners is limited resources for effective advertising (Lipput 1995, Harris and Reece 2003). Other experts (e.g. McCarthy 1999) suggest that effectively written and placed advertisements will have a positive effect on business growth. A 1984 paper by Dart & Pendleton even suggests that advertising agencies have a means to act as both educator and facilitator to small business owners, yet given the high fees often charged by these agencies many entrepreneurs may feel as if they are at a disadvantage for using the services of an ad agency.

The issues we seek to address in this study relate to how, why and by what means small businesses owners are using advertising in their businesses. We also seek to address attitudes relating to whether or not small business owners feel that advertising is a successful component of their businesses.

DISCUSSION

The design of the questions, and the data collected as a part of this survey, was an attempt to identify how well-versed business owners are in regard to allocating finite advertisement dollars, and specifically targeting those dollars in the most cost effective and audience specific manner.

Though on the surface it does not appear that any of the responses are totally surprising there are a number of issues that need to be further examined. One of those issues is that 28% of the respondents were planning to spend \$1,000.00 or less on advertising for the year 2007. Though over the years surveyed, the percentage of those businesses allocating \$1,000.00 or less has steadily declined, the number appears to be surprisingly high. There also appears to be a disconnect between the businesses' perceived level of advertising planning and their depth of knowledge in regard to their target customers.

It was surprising to have 37% of the respondents indicate that they knew best what type of advertising could benefit their business. This was further complicated by 32% indicating that they selected their advertising based on the "lowest cost alternative" while 39% said that they used advertising that reached the "broadest number of people".

The survey was very encouraging in regard to the overall response rates and the broad dispersion of respondents across businesses and industries. And though it was interesting to observe that an average of time in business was 7.7 years, a rather successful group of respondents, some additional time and analysis needs to be allocated, as a few long lived businesses could well have skewed the results. And again, the 65% female participation in the business as a principle seems to be a little high in regard to what the national numbers may actually look like.

SUMMARY AND CONCLUSION

The purpose of this study was to gain a better understanding of the knowledge and practice small business owners and entrepreneurs exercise over their marketing and advertising choices. While it appears that the survey respondents are willing to in fact spend money on advertising, it is not clear that they are wholly aware of the best use for their advertising expenditures. Also given the number of responses regarding target audience profiles, it is clear that a number of survey respondents are unable or unwilling to describe their customers. If the former is the case, then entrepreneurs and small business owners are gambling with the future success of their endeavors. Without knowing who to target messages to, they will not be able to use advertising effectively in the future.

Our study has sought to better understand the advertising practices of small business ventures. With the knowledge gained here, it is our hope that academics, practitioners and consultants may use this information in providing superior guidance and expanding knowledge in the interactive area of entrepreneurship and advertising. The potential for future and duplicate comparative studies in other geographic or demographic regions is strong and it is our hope that this research will serve as a catalyst for greater awareness in this area.

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