

Express methodology for predicting the effectiveness of promotional activities for small businesses

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Abstract. In this article the Express methodology for forecasting of promotional activities is recommended for use by the enterprises of small and micro business. This technique provides adequate and understandable indicators that SME' entrepreneurs can focus on.

Keywords — prediction of effectiveness, SME' promotional activity, the effectiveness of promotional activities, methodology of forecasting, small business, problems of forecasting.

Currently, small businesses in Moldova face new challenges in the realities of the market economy and the need for active promotional and marketing activities. The practice of working with small businesses has revealed the problems faced by small businesses, planning advertising activities and other activities to promote their products and services in the market. The need to elaborate a methodology for predicting the effectiveness of such activities determined the actuality of this issue.

From the economic point of view, the SME sector of the Republic of Moldova is a stable segment of the national economy. According to NBS RM as of 01.01.2017, the number of enterprises in the sector amounted to 98.7% of the total, the level of involvement of employable population is 61.2%. They create a real income of 41.2% of the total income produced. Along with this, of the total: microenterprises – 85.1%; small businesses – 11.0%; medium – sized enterprises- 2.5%. [1] (Table 1)

TABEL 1. THE SHARE OF SME SECTOR IN THE ECONOMY OF MOLDOVA (ACCORDING TO THE NSB ON 01.01.2017)

Group of enterprises	% enterprises'	% employed	% in sales
Total SME, incl.	98.7	61.2	41.5
Medium – sized enterprises	2.5	19.8	13.7
Small businesses	11.1	20.9	16.7
Microenterprises	85.1	20.5	11.2

However, not all enterprises in the sector are economically sustainable, creating a balance sheet profit as a result of their activities. Microenterprises revealed unprofitability in the processing industry, hotel and restaurant business, electricity, gas and water supply. Small enterprises - in the water supply,

hotel and restaurant business, information and communications industries. This is a negative factor, as 5 years ago the SME sector has been profitable in almost all sectors of the economy. Moreover, the indicators of the balance sheet profit showed significant growth. [1]

The need to operate and develop small enterprises in a competitive market environment causes the need not only to improve technologies and production processes, but also to improve the skills of personnel, improve marketing activities.

Most of these issues are constantly discussed at special SME's events. In recent years, an important place is steadily occupied by the personnel problem, which consist of the lack / shortage of qualified personnel (57.8%), difficulties in finding the necessary personnel (37.8%), as well as high labor costs- 34.8% [5].

To study the problems faced by small businesses in marketing, has revealed one of the most important - lack of skills relevant to a market economy, especially marketing activities. The lack of knowledge in the field of economic disciplines, as well as marketing, is often mentioned at various events within the framework of the work of professional Associations, including the Association of small business RM (AMB RM) – seminars, conferences, meetings, personal consultations. [6]

Taking into account the economic importance of the sector, methodological assistance in this area is relevant immediately for a large number of enterprises.

It should be noted that in the conditions of minimal financial resources owners of small enterprises are interested in real and transparent forecasts, planning advertising and other promotional activities. As noted above, more than 80% of enterprises in this sector are microenterprises, so they do not have a marketing Department or a marketer. In fact, the owners themselves carry out these functions with a minimum knowledge of marketing.

Accordingly, considerable efforts have been made to find and propose a clear and simple methodology that could help entrepreneurs to calculate in advance the possible effectiveness of the planned promotional activities. As a result, it turned out that such methodology does not exist neither in domestic nor foreign practice. [2]

The most common method of forecasting is based on the experience of previous advertising and/or other promotional events. [2] However, Moldovan entrepreneurs often find themselves in a situation where such events are held for the

first time, so they can not use this method.

Taking into account several criteria of requests of small business entrepreneurs – availability of execution in real conditions of practical activity, clarity and explanation from the point of view of marketing, as well as low cost – the author – Vinokurova M. proposed her own method of forecasting the effectiveness of promotional activities, called "Express method of combining the Pareto principle and the formula AIDA" or "cross Pareto/Aida".

The main goal is the proposal of methods of predicting which entrepreneurs could use their own planning as a separate promotional events and advertising campaigns.

The basis of the technique is the classical, well-known in marketing concepts. The essence of the Pareto principle is that of the total number of any effort or activity usually only 20% are effective (bring 80% success). [3] AIDA formula reflects the structure of effective psychological impact of advertising on consumers: A – attention, I – interest, D – desire to buy, A – action, that is, purchase. Both of these components have been widely used in marketing and Pareto principle in other Sciences for several decades. [4]

In the calculation of forecasting is also used known in marketing concepts - communicative effect and economic effect. The communicative effect is the number of contacts, i.e. real and potential buyers who will receive information about the product/service. An economic benefit is an increase in sales over a period (for example, during an advertising campaign).

The innovation of this technique is inseparable joint application of these elements to predict the effectiveness of promotional activities. The positive aspects of the methodology presented in the form of a schema in figure 1.

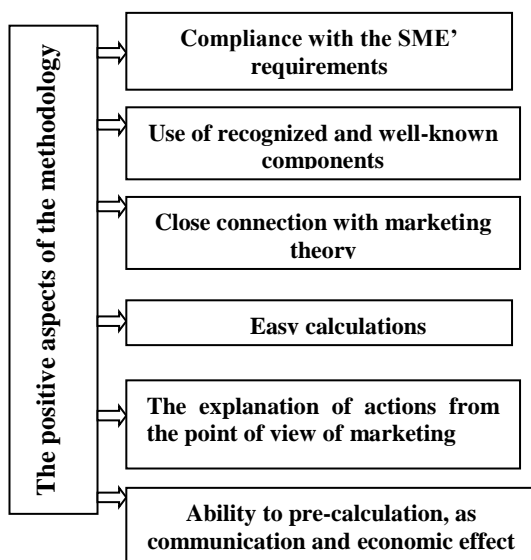


Fig.1 The positive aspects of the methodology

The essence of the technique is as follows. As the basic number it is necessary to determine the total quantity of contacts (TQC) during the period of promotional event. This

number is usually a General communication effect, that is, the number of contacts where advertising information will be presented. This indicator is determined individually for each event and / or advertisement and depends on:

- the rating of TV or radio time translations;
- the number of repetitions;
- circulation of a newspaper or magazine;
- the number of visitors to exhibitions, tastings, etc.;
- the number of visitors to the site during the period.

The definition of this indicator requires information search, and some marketing research. However, all these indicators can be found in different sources of information and/or with the help of the staff associated with these advertising media.

The indicator TQC is the starting point for subsequent calculations. Taken as a basis, that advertising affects to consumers according to the AIDA formula. For further calculation, the AIDA formula is divided into 4 stages (what corresponds to the stages of psychological impact of advertising). In this case, they also reflect subgroups of consumers experiencing different levels of psychological impact. Each subgroup is defined according to the Pareto principle.

Assume that TQC = N contacts. Respectively:

A – will pay attention to the ads 20% $N = N_1$

I – will show interest in advertising 20% $N_1 = N_2$

D – will wish to make a purchase 20% $N_2 = N_3$

A – will make a purchase in the short term 20% $N_3 = N_4$

The received indicator N_4 can serve as a basis for calculations of the forecast of economic efficiency of advertising action, that is increase in additional volume of sales of the advertised goods. Respectively:

$$\text{Economic Efficiency/Additional sales} = N_4 \times P, \quad (1)$$

where N_4 - the estimated predicted number of buyers who will make purchase in the short term under the influence of advertising;

P – the retail price of the advertised product.

Significantly, that on the basis of this calculation structure, the entrepreneur can see the approximate number of buyers in the long term. These buyers are represented by the number N_3 , those who wanted to make a purchase, but for some reason have abstained.

Thus, a clear and simple method of calculating the projected effect of advertising events was offered to small entrepreneurs. Thanks to this method, it is possible to predict the results of an advertising event in the short term.

From the point of view of marketing theory, there are, of course, a number of factors that in reality complicates the impact of an advertisement on the consumer. These factors include:

- the correct definition of the target audience,
- the choice of advertising tools for the target audience,
- a well-designed advertising message,
- the time of the event,

- possible interference (e.g., advertising campaign of a competitor).

All these factors also affect the accuracy of forecasts. This is necessarily drawn the attention of entrepreneurs who are given advisory/consulting service by authors. However, this technique provides adequate and understandable indicators that entrepreneurs can focus on.

According to the responses, received by authors, from various small enterprises that sought advice and applied such calculation methods (about 50 enterprises for the period 2011-2017), practically in 80 per cent of cases, the actual economic impact was close to the estimated indicators. These data allow to recommend such a technique in the working conditions of micro and small enterprises that don't have the money to attract competent consultants. Correct forecasting of the results of promotional activities will allow efficient use of funds and strengthen the market position of entrepreneurs.

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