

Marketing to Small and Mid-Sized Businesses in the New “Normal”

by Dan Logan

Much has been written about the consumer and their behavioral changes in what is often referred to as the new “normal”. There is evidence to suggest consumers are learning to live with less, focus on the essentials, reduce the use of credit cards and save more. Much has also been written about big businesses such as AIG and General Motors and how the federal government has had to rescue them to save jobs, preserve pensions and stabilize the American economy.

Perhaps what we haven’t heard as much about is small businesses, those firms that employ less than 10 people but account for half the jobs in this country, or mid-sized businesses, generally firms with 10–499 people. However, I think most experts would agree that if America is going to create jobs and strengthen the economy long-term, the small business sector is where it will happen. Over the last twenty years small businesses have created 10 times as many jobs as large businesses, defined as those firms with more than 500 employees.

So if you are a firm or business whose long-term success depends on marketing to small and mid-sized businesses in the era of the new “normal”, what do you need to know?

1 UNDERSTAND THE PAIN THAT SMALL BUSINESSES ARE STILL IN

Unlike some big businesses, small businesses have not benefited in any significant way in 2009 from government loans, guarantees or bailouts. More than 600,000 small businesses have closed and 2,500,000 jobs have been lost. For the most part, small business revenues are flat or negative, serious cost cutting or cost shifting to employees has occurred and profit margins have been reduced. Credit is harder to come by, the cost of healthcare is going up every year and the work required and risks involved to a small business have increased considerably. This reality suggests that for most small businesses growth or survival in 2010 will depend on their own ingenuity, work ethic, business smarts and some luck.



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2. CUT COSTS AND JUST THE ESSENTIALS IS THE MINDSET

The dilemma that most small businesses face today and in turn the American economy faces long-term is that without the confidence, human advice and resources to invest wisely in new products, services and markets, sufficient growth will not occur. The mindset of most small businesses today is still about cost cutting and risk aversion. So regardless of whether your company competes in the technology, financial manufacturing or professional services sector to name a few, targeting small to mid-sized organizations requires a robust value proposition that includes lower costs and a differentiated product and/or service offering.

3. NEW MEDIA AND TECHNOLOGY CAN HELP BUT THEY ARE SELDOM THE SILVER BULLET

We often hear about the role of the Internet, websites, email marketing, social media and business networking tools liked LinkedIn. All can help a business market itself to clients and prospects and for some, these tools are essential. But the buzz around social media and online tools needs to be assessed in terms of the time and cost it takes to be effective and how accurate and valuable the market intelligence received ends up being. For most companies, this issue is still unresolved. More importantly, the true reason why most firms are chosen for business has little to do with social media and much to do with the value they deliver through their products and services

4. REDEFINING VALUE IN THE NEW “NORMAL” WITHIN THE B2B SPACE IS THE KEY

For B2B organizations, defining value ranges from the simple to the complex. Yet value wrapped in simplicity and transparency will win over complexity for the successful small business company in the long run.

In the 401(k) business arena, Vanguard is clear and upfront about their asset management fee structure. Basically, it compares very favorably at 20 basis points to an industry average of 120 basis points. Vanguard delivers value in the complex 401(k) business in several ways but their commitment to cost savings often carries the day. Needless to say, other companies in that market are less upfront or transparent on this important metric. Vanguard should do well in the new “normal”.

Within the document and printing market, both FedEx and UPS, two shipping giants, now recognize the value small businesses derive in terms of time and cost savings from online web based printing and not shipping. Web based printing is estimated to grow from 14% of U.S printing in 2008 to 25% in 2011. FedEx and UPS have adapted to the new “normal” even if that means cannibalizing their core business—shipping—to a certain degree.

In the direct marketing arena, Constant Contact is but one of a number of email marketing companies that have made it easy and more affordable for small businesses to engage and market with their customers and prospects. Their growth over the last few years is a direct result not only of the cost and time savings of sending electronic communications versus traditional mail, but also due to enhancing their core offering. By offering tracking data that provides market intelligence that small businesses can quickly understand and adapt to, Constant Contact is helping many small businesses grow their revenue base.

SUMMARY

Redefining value in the B2B space in the era of the new “normal” is certainly about helping clients save money. If your firm has had a hard time delivering savings to its clients, it is time to gain some key market insights that will help retool and reposition your offerings. Short of this, you are demonstrating that you do not understand the pain of most small and mid-size businesses and are not helping to solve their business challenges. Equally important is the fact that cost savings alone while essential is rarely enough. Instead, value must be delivered in other ways whether it is time, accuracy or customer or prospect insight.