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Small
is
big

The big differences in marketing to smaller businesses

The biggest target segment for marketers today isn't GenX, GenY, or Baby Boomers; it's small-business owners. While iPhone, YouTube and MySpace have dominated the front page of our front pages, the business section is filled with the efforts of large enterprises and startup companies alike to appeal to the vast small-and-midsize-business category, known as SMBs.

More than ever — and more than any other single business type — the SMB sector is producing a tremendously large and fast-growing impact on our economy. Large companies have grown by strategically adopting and shaping technology as well as globalizing their supply chain. These same factors, however, have promoted the success of small businesses, as well. Innovators today have easy access to the technology tools they need to transform bright ideas into brilliant products and services. Moreover, even a tiny group of garage-based engineers, creative professionals or consultants can compete globally on a level playing field with their largest competitors — often at a fraction of the overhead cost.

Small businesses long have been the primary source of new jobs in America, contributing about 50 percent of the nation's gross domestic product, according to the Small Business Administration. Innovation has its foundation in small companies, and entire supply chains of SMBs spring up when an innovation takes root. According to a report from Georgetown University Adjunct Professor Derek Leebaert, small businesses produce 13 to 14 times more patents per employee than do large firms.

The surprising news is that, while many SMBs do continue to flourish and impact the economy as they become increasingly larger organizations, data from the U.S. Census Bureau indicate that it's the smallest of the small businesses — sometimes referred to as "micro businesses" — that may be the most influential within America's grassroots.

Only 10.7 percent of all firms in the United States have 20

or fewer employees, and only 0.3 percent of U.S. companies have 500 or more, although the latter category accounts for half of all employment. SMBs clearly are a prime market for both enterprises and entrepreneurs, with firms having fewer than 100 employees accounting for more than \$1.3 trillion in annual payrolls. Sangeev Agrawal, an analyst from AMI Partners, which provides strategic consulting to SMBs, affirmed to Airfoil Public Relations, "Small and medium businesses are growing more than enterprises now. The interest of all the (IT) vendors in SMBs has increased, and even smaller vendors are focusing a good amount on SMBs compared to five or even three years ago."

Big businesses begin to think small

Recognition has dawned in the business world that, not only the needs of SMBs, but also the way they learn about new products, the way they make decisions, and the way they operate their businesses, are very different from the concerns of large enterprises.

As a result, large companies — and SMBs themselves — have begun building products and services that fit the specific needs of small businesses, especially in the technology arena.

- Microsoft's Small Business Server brings together the specific functions that SMB owners need to work from both their offices and their homes.
- A new Microsoft IP-based office phone system, called Response Point, was created to allow small businesses to call anyone by pushing a single button and using voice-recognition technology, and to add phones to a system with just a few mouse clicks.
- PayPal's Website Payments Pro enables SMBs to accept online payments in a secure fashion and at an appealing cost.
- Best Buy has developed a specialized unit called Best Buy for Business that targets the particular equipment, networking and software needs of SMBs.

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- Dell has dedicated a section of its e-commerce site to small businesses, offering computers, servers and other equipment that are most appropriate for the requirements and budgets of smaller companies.
- YouSendIt.com has created an innovative way to deliver extremely large files (up to 2 GB) online in just minutes, and it's targeting business professionals (such as architects, graphic designers, media producers and others) who operate in an SMB environment.
- OnForce.com allows SMBs across America to find, evaluate and hire IT technicians in their own localities to install, upgrade and repair office-based technology.
Increasingly, large companies now are creating a small-business segment within their marketing channels, spending dedicated public relations and marketing dollars to focus on the needs of small businesses. SMBs no longer are simply part of the overall marketing pie but, rather, a prized slice of the marketplace.

New attention from news media

The same type of evolving attitude toward SMBs applies to publishers of leading newspapers and magazines. No longer is small-business news simply sprinkled across the business page. The growing importance of SMBs to the economy is reflected by the fact that many print outlets have begun writing separate sections devoted to small business, with reporters covering the small-business beat as a specialty.

The old gray lady, housed in the global center of big business, The New York Times, recently added a small-business section on its Web site, covering topics such as management, innovation, entrepreneurship, careers and legal matters. It carries entrepreneurial news from Inc.com, tips from AllBusiness.com, and its own advice on starting and running a small business, among other features.

USA Today runs an extensive small-business section in its online edition, as do The Boston Globe and even The Honolulu

Advertiser, Hawaii's largest paper. The Wall Street Journal, previously the exclusive icon of large, public companies, now publishes not only a small business section but also the Startup Journal, a massive Web site with advice and news for entrepreneurs.

The journalists who cover small business in these types of publications see a number of ways that the concerns of SMB owners differ from those of large corporations. Marton Dunai, a small-business reporter for California's Contra Costa Times, notes the implications of these differences recently in discussions with Airfoil. Dunai asserts that small businesses are more sensitive to price than are larger firms, but they also favor suppliers in their own geographic area, "both to better communicate and to better be able to fix things that go wrong." They often will choose a supplier who already knows their business, rather than one with a better overall offer, Dunai says. As a result, marketers who focus their communications on proximity and length of service to clients may fare better than those who simply promote low prices.

Furthermore, according to Dunai, "mass marketing doesn't work all that well" with SMBs. He advises that vendors carefully consider the local market and competitors. "Know thy market" is much more important with small businesses, and consequently to anyone doing business with them, than in the corporate world," he says.

Dunai's warning against mass marketing is supported from a media perspective by Airfoil Senior Vice President Tracey Parry, who suggests there really is no clearly defined list of the top ten publications read by small-business executives. Rather, they gain most of their information from vertical trade media and peer references.

"Our anecdotal research, as well as a considerable amount of primary research, shows that SMBs look to other businesses in their industry as a key source of information," Parry says, "and the best vehicle for that resource is trade magazines. Furthermore, editors and thought leaders within those magazines are defining the news in their industry for the general media."

Parry notes, as well, that the Web sites for trade magazines are becoming more robust and that industry-specific bloggers are gaining greater credibility.

Where small businesses seek advice

Trade media are one resource for small businesses trying to resolve their “pain points.” Others were highlighted by secondary research compiled by Airfoil from the Small Business Administration and other sources. This data indicate 52 percent of small-and-midsize-business owners turns to individual mentors for advice, while nearly an equal proportion, 51 percent, relies on social networks.

Entrepreneur magazine Editorial Director Rieva Lesonsky asserts that the three top ways that small businesses get information about technology are word of mouth, magazines and the Internet. She was surprised to discover, in fact, that a lot of word of mouth comes from college alumni associations to which these entrepreneurs belong.

Trade associations are another important related resource, with 44 percent of SMBs seeking advice from these groups. Even more important are such trusted advisors as family members, accountants, lawyers and peers.

In fact, “trust” is the common thread that SMBs hang on to with all these sources — word of mouth from friends, college groups, their own industries’ specialists and advisers who have proven to be reliable in the past.

Therefore, marketing to these trusted sources — professional advisors, industry trades, associations and the like — may prove to be an effective strategy to gain their endorsement for products or services.

Dealing with small-business owners

Those who want to market directly to SMBs should keep several points foremost in their thinking when designing their offerings and approaching the SMB owner. Shelly Davenport,

general manager of the small business unit of San Mateo, California-based SuccessFactors, notes that the majority of small businesses want the same functionality and processes in their operations as larger businesses have, but they don’t have the funds to buy them.

“Any company marketing to small and midsize businesses should avoid trying to push stripped-down versions of enterprise-size products and services, where reduced functionality is apparent,” Davenport says. “Instead, they should define and develop small-business versions that meet the specific needs of smaller-business people. This is what Microsoft has done with its Small Business Server. It’s what American Express has done in negotiating discounted airfares for small businesses that don’t have the sway of larger corporations. It’s what we do at SuccessFactors in hosting a special package of performance and compensation software for small companies that want the HR capabilities of larger firms but can only afford to spend a few dollars per employee on these resources.”

On the other hand, eCommerce Best Practices Editor Scott Kogler remarks, “Small businesses have discretionary income to spend without limitations.” They do not have a purchasing department to hold them to a purchasing policy, he points out, “so they are open to influence, which may be good or bad.”

Advice from Airfoil’s SMB practice

The extensive experience of Airfoil Public Relations in marketing to SMBs, both on behalf of large enterprises and for offerings of other small companies, has generated a number of observations and best practices for working with an SMB customer base and the media that cover these companies. These tips from Airfoil’s SMB practice group provide a framework for building a marketing effort to the small-and-midsize-business sector.

SMBs do not want to be viewed as startups or small businesses. Rather, they want to compete on a par with larger enterprises and work to do so based on their innovations.

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They are great fans of e-commerce because, online, they can compete as equals with anyone, anywhere.

One of the most significant differences between small and large businesses is the specialization of employees — or lack thereof. Small businesses don't have the luxury of sharply limited job descriptions — each employee likely wears many hats and badges. Therefore, SMBs have less flexibility regarding what they can commit their attention and availability to.

For example, small-business owners usually don't have time to go to a conference for a day to try out new products or services; and if they have the time, they may not be able to afford the travel expenses. So marketers should bring their offerings to the SMB's doorstep. That's what Microsoft literally did with its Microsoft Across America program, in which a dozen trucks were outfitted with the latest Office applications and operating systems for SMBs. The trucks then went to sites in cities throughout the United States to allow SMB owners to try hands-on demonstrations of a variety of software in just a few minutes' time.

A related caution is to avoid promoting a product or service to SMBs through special events. These businesses don't have time to spend in the field. If you can't bring your innovation to their desk in person, do so online, with Web-based guides to running their businesses more effectively. Offer downloadable tips in the form of advice pages, or produce an e-newsletter that those who provide you permission can pick up easily from their e-mail.

Be certain to segment your customer base so you are presenting the most impactful message to the various sectors of your audience. Know your customers really well, understand what's most important to them currently, and lead with the product or service feature that resolves the SMB owner's top-of-mind issues.

SMB owners don't have a lot of time to wade through marketing materials and convoluted arguments. A marketing message to SMBs must be simple and straightforward, identifying a problem or pain point and providing a direct solu-

tion. Airfoil has found the most important ongoing pain points for SMBs are finding new customers, increasing revenue and reducing operating costs — similar to the problems of businesses of any size. But whereas these factors may impact the rate of growth of a larger company, they often determine the very survival of an SMB.

SMBs want to avoid risk. They want reliability with guarantees, transparent pricing, simplicity and strong customer service. These points all should be part of any SMB message. Don't "dumb down" the message in an attempt to simplify it, but rather tell SMB executives what the impact of your offering will be and how you will make it easy for them to adopt, use and maintain. "What's in it for me" should be the target message.

Focus less on how a product or service works, but instead describe how you will implement your offering for the customer. Services must be turnkey and easy to understand, learn and deploy. SMBs aren't interested in tools or instructions; they want to know how you will carry out your solution for them.

Avoid "teasers" and other formats that require an SMB owner to read a string of messages over a period of time. Straightforward content is the most successful.

Also avoid buzzwords, many of which emerge from the ranks of large companies as a shorthand that SMBs neither understand nor care to learn.

Focus on the ROI. Small-business owners are very savvy in relation to spending, because every dollar they lay out for one product means they have less ability to invest in other areas. So they weigh the return on their investments carefully.

Customer testimonials should be part of every communication program aimed at SMBs, demonstrating how a local business in the target market is benefiting from the product or service. "Customers are your greatest communication asset," Parry declares. "Recruit them in advance of approaching the media and your market."

Media aspects of targeting SMBs

Media play an important role in serving as a conduit, filter and interpreter for reaching SMBs, and media sources can be crucial to a company's marketing success. Awareness generated through media coverage, for instance, can provide a substantial boost to a local or regional direct-marketing program and to networking with local groups.

SMBs rely more than large businesses on traditional types of media outlets — newspapers, radio and TV, along with the Web sites for these media. Generally, they don't have time to sort through, find and read blogs, even though many blogs are interested in SMBs. It is important, however, for SMBs to have a presence on community-directory portals that offer links to local products, services and companies.

A big story in The Wall Street Journal is far less effective in reaching small businesses than is coverage in the company's local newspaper or a story on the early-morning TV news. Since most SMBs are focused only on a regional market, regional media are more important to them than are large national publications. Moreover, most SMBs don't have the budget required to invest in obtaining national coverage in the first place. Nor are they likely to be able to generate the kind of news that would sustain national coverage over time to elevate their marketplace presence.

AM radio is a hot medium for SMBs. Broadcast networks such as USA Radio, along with industry-specific programs that also are aired over the Web, are popular with SMBs because they can become better educated about new products and services without the time and expense involved in attending an event.

Expert reviews of products rank higher for small-business owners than do general user reviews, asserts Jupiter Research analyst Sonal Gandhi. Just as the SMB owner calls on a professional for evaluating his or her financial condition or legal obligations, he or she is looking for professional advice before buying a product or service.

Industry analysts can be important to success in marketing to SMBs, but in a more indirect fashion than for large enterprises. When an analyst mentions a product or service in an analyst report, those comments often are picked up by major media, leading to broad news coverage that can persuade regional and trade media to enhance their own coverage of the offering. In this way, analyst support can build advocacy for a product without the target audience's having read the report firsthand.

The Web site of the SMB can play an important role as its own media outlet as well as an e-commerce resource. Therefore, services designed to support and mine information from that site can generate interest across the SMB marketplace.

The point of sale

In short, those who market to small businesses would be well advised to answer the questions, "Why now?" and "What are the implications of not buying now?" Remember that each SMB owner must choose between buying a new product or service and upgrading capital equipment, hiring additional support, expanding facilities or in many cases, their own bonuses. Every investment, therefore, is weighed in terms of cost versus increased capability.

SMB owners are rarely interested in hearing about ease of administration or other technical features. They simply want to know why the product is important. Does it save a certain amount of time, which they can translate to a given amount of dollars? What's the ROI?

Marketers must understand the immediate crisis or pain point confronting the SMB owner. This may vary by geography or business sector, but marketers must determine the top issues that keep the owner awake at night, then focus on one of them, and communicate its value in dollars and sense terms.

Thousands of companies are doing exactly that, which is why small is big — and growing larger.

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