

Big-B to Little-B Marketing

America's small businesses represent a big business opportunity for marketers who know how to reach, motivate and build relationships with them.

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How to define “small businesses” is one of the greatest challenges facing big businesses today. If you put two marketers in a room and ask them the question, you’ll probably get three different answers. It seems that no two companies define “small business” exactly the same way. In fact, it seems that very few people within the same company see eye-to-eye on this issue.

The United States Small Business Association defines “small business” as companies with up to 500 employees, including the self-employed. A major computer manufacturer says small businesses are companies with up to 200 employees, and doesn’t include the self-employed.

A large NYC money center bank, meanwhile, identifies small businesses as those having a checking account that’s domicile and in the branch (*i.e.*, if your checking account isn’t in the branch, you’re a big business). At Pitney Bowes Direct, we believe that if a company has fewer than 20 employees and/or uses one of our small machines, then it’s a small business.

That’s perhaps a somewhat imperfect definition of a small business, as well.

Clearly, a primary challenge of marketers is to define the market for small business. We all know it’s important. In the United States today, there are 23 million small businesses with fewer than 20 employees, totaling some 38 million people. If you define small businesses as companies with up to 100 employees, the total number of people employed reaches about 55 million.

The number of small businesses is growing, too. Yes, a good number of small businesses close, but the total population of small businesses has grown by about 11 percent over the past five years. All told, small businesses generate some \$4 trillion in revenues each year. Small business truly is big business in America today.

“Prosumer” Marketing

Marketing to a small business assumes many of the attributes of both consumer *and* business marketing. We like to refer to the intersection between the two as *prosumers*—or “professional consumers”—meaning professional business people who are also partly consumers.

To be an effective Big-B to Little-B marketer, it is imperative to figure out how to segment and market to these *prosumers*. Of course, many differences exist between marketing to consumers and marketing to small businesses, such as:

► **Credit History.** Most consumers have credit histories, while many small businesses do not. In fact, very small businesses generally do not show up in Dun & Bradstreet reports. When you provide credit to a small business, it’s almost a blind credit, which is why so few small businesses are able to get credit that’s not secured. Most banks will require a personal guarantee to provide credit to a small business.

When a consumer goes bankrupt, typically they carry on in some fashion. However, when a business goes bankrupt, it ceases to exist. The enterprise may start up again as another entity in the future, but not under the exact same name and address, etc., as they were before. In addition, consumers all have Social Security numbers, while many small businesses do not. Some of them have Tax ID numbers, but not all of them.

► **Location.** Consumers usually have a single address, while businesses can have multiple addresses. There may be different offices, or a ship-to address that’s different from the bill to address. That’s complicated for direct marketers. Where, exactly, do you send the solicitation?

On top of that, it’s now possible to

transact on a 24/7 basis thanks to the web. While small businesses primarily transact during normal business hours, the internet is now enabling them to behave more like consumers. In other words, a small-business person can now transact for his or her business at-home, at-night, on-line, and that changes how we market to them.

► **Shopping Behavior.** We believe that consumers often are spontaneous in their purchasing behavior. What we notice is that small businesses are more contemplative. Impulse buying does not seem to be as prevalent in small business as it is to a consumer. Consumers are more emotional while small businesses are more rational.

When consumers buy things it's because they *want* what we're selling, while small businesses buy because they *need* what we're selling. So, the buying response of a small business is much more like that of a big business than it is like that of a consumer.

► **Decision-Making.** Typically, there is one decision-maker in the consumer market. A consumer may discuss a buying

decision with a spouse or a friend, but at the end of the day there is one decision-maker. In a sense, that's similar to Big-B marketing, where we are primarily dealing with a procurement officer, whose job is to buy things. However, a small business may have partners who must consult with one another before making a decision.

In fact, you may have an owner, a business manager, an administrator, a human resources executive, and so on. So, you must understand all of your constituents in a small business, and keep them satisfied. If you make one of them upset—the buyer, the user, the payer, the owner—you could lose the customer.

Understanding Lifestages

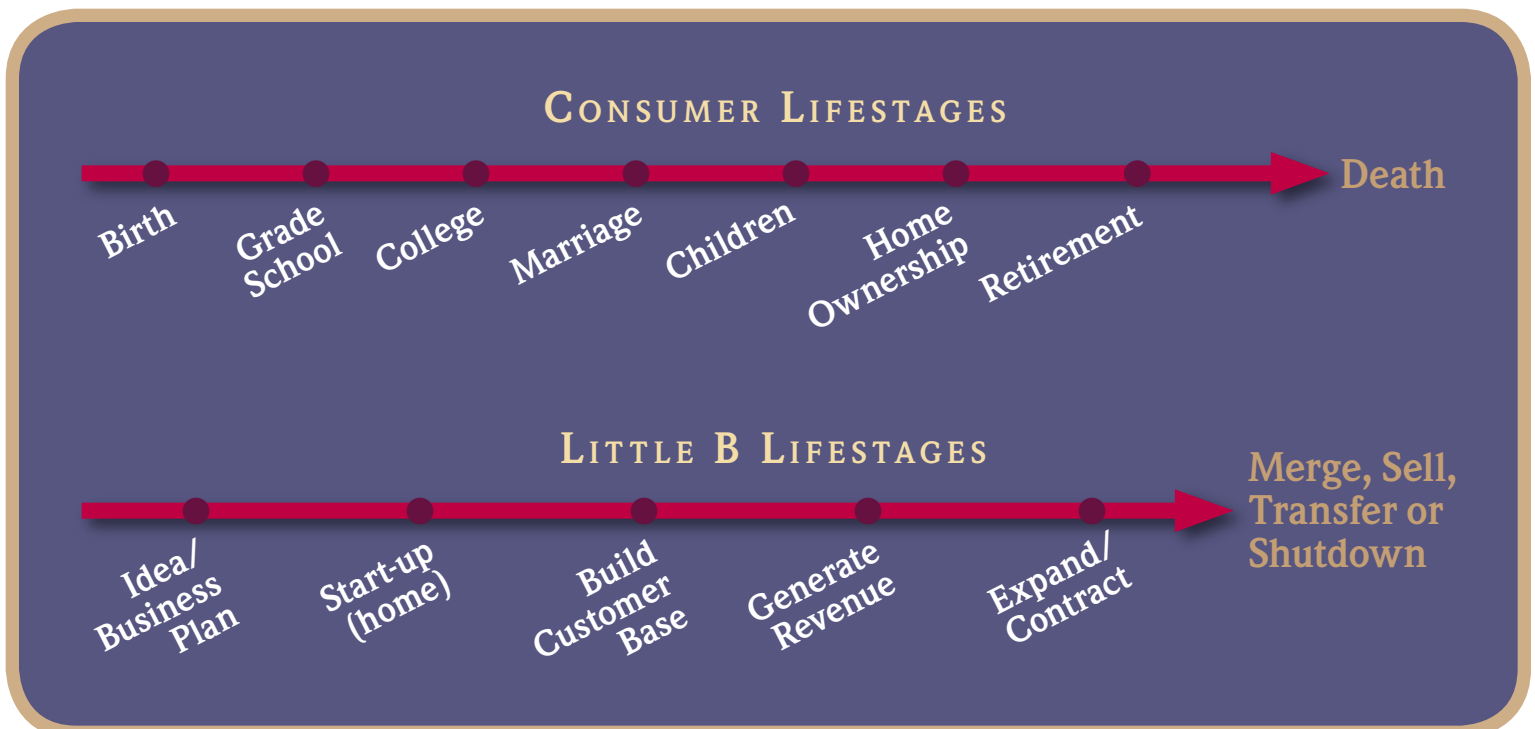
The key question, then, is: To whom are we really marketing? And, ultimately, why do they buy from us? This challenge is especially vexing because we are, in effect, "faceless" direct marketers. Most small businesses are local businesses, and they buy things locally, which puts the Big-B's at a distinct disadvantage when marketing to Little-B's.

A key to the answer is the knowledge that, despite many differences, small businesses, much like consumers, also pass through distinct lifestages. Of course, consumer marketers have embraced the concept of "lifestage marketing" for many years, particularly credit card companies and banks.

For example, when a baby is born, many banks will send a letter to the parents encouraging them to start a college savings account. When the child is in elementary school, they might invite him or her to open a savings account, and then in college the banks market to students for loans. Then it's onto mortgages, and so forth. Clearly, consumer marketers understand consumer lifestages from cradle to grave.

Small businesses have lifestages, too—beginning with a business plan to start up, to building a customer base, generating revenue, expanding and contracting. Finally, they end their lifestages either by merging, selling, transferring or shutting down. The point is that we can learn from consumer marketers about how to market →

Little-B, similar to consumers, has predictable lifestages, leading to buying events.



Understanding the lifestages and identifying triggers is key to successfully marketing against both bases.

← to small businesses by acknowledging that they have lifestages as well.

For example, at Pitney Bowes Direct, we understand and manage the lifestages of the customer experience. We first acquire a customer who has been attracted via a “trial offer.” At first they’re a prospect, then they start using one of our machines on a trial basis, and then they receive their first invoice. That’s usually a vulnerable period where they could potentially cancel, because we give them that option.

We actually have a “Welcome Experience Manager” who manages our customers through their first bill. We also have people who are responsible for the relationship after that point.

Assuming the customer is satisfied, he or she starts purchasing supplies, continues to use the machine, and eventually renews the contract. We offer the customer different postage financing options along the way, or upgrade them to bigger machines. We overlay that process with the general lifestage of the customer: Are they a start-up company? Are they building a customer base? And so on.

Connecting with Touchpoints

At Pitney Bowes Direct, creating and nurturing positive customer experiences lies in integrating our competencies. That means that marketing is too important to be left to the marketing department. We integrate retention and product support, inventory management, etc., along with marketing. We drive our business in an integrated fashion.

It’s incredibly important for any company to map out their many “touchpoints” with every one of their customers. A touchpoint could be anytime you interact with the customer. It could be online when they come to your website or when they go to your voice-response unit, when you send them a bill, or when you send them a change-of-terms notification. It could be a welcome kit. It could be anything—phone, mail, internet, face-to-face.

Many companies make the mistake of viewing their touchpoints as transactions: Send out an invoice; get a payment. Answer an inquiry. Change an address. Those are all transactions but we don’t strengthen the customer relationship or build revenue

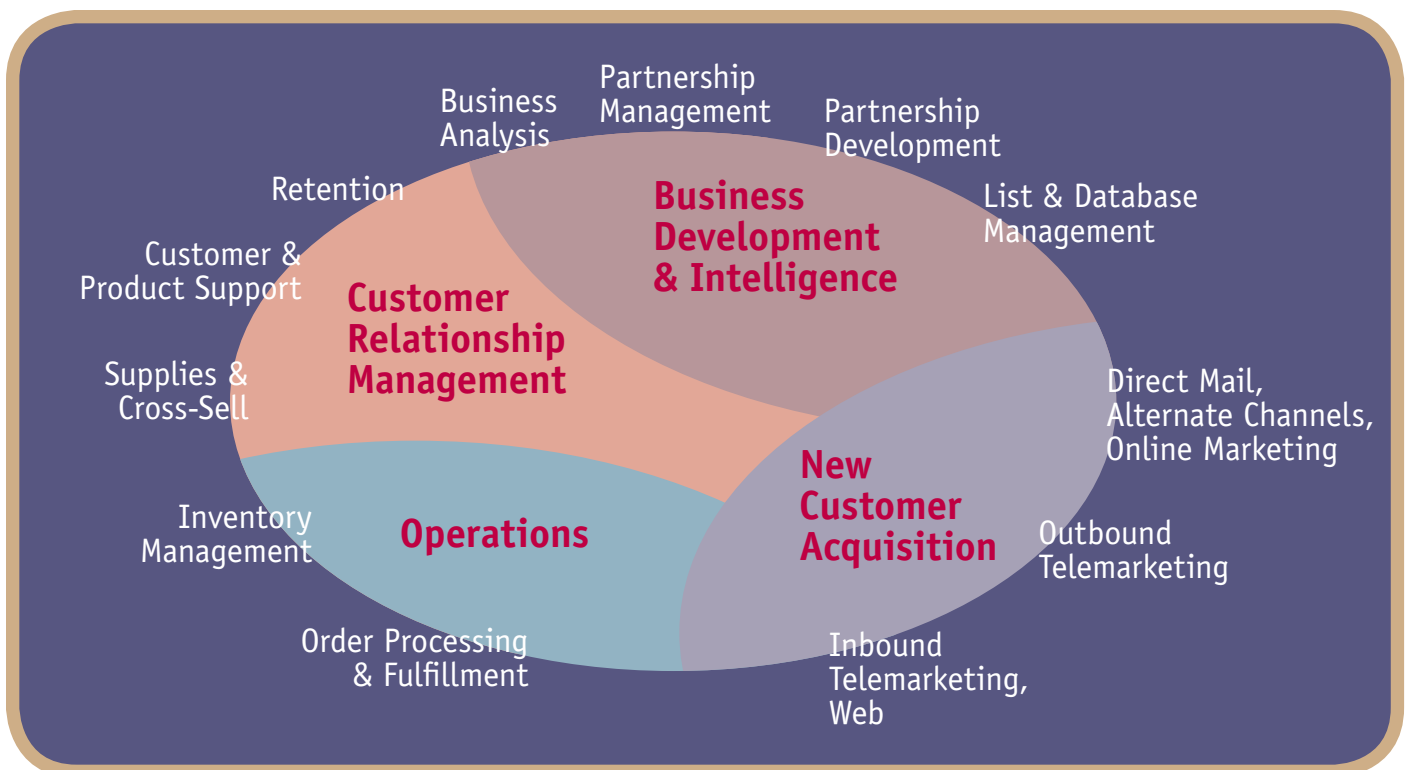
until we understand these as touchpoints and start marketing through them.

A touchpoint should have two outcomes: We either sell the customer more things, or we solidify the relationship. No touchpoint should simply be transactional. Every touchpoint is part of the customer experience.

To achieve that, it’s essential to understand how the touchpoints are now integrated. In the past, a marketer might simply send out a solicitation, and prospects would simply send back a card. It’s not that easy anymore. Sometimes the customer might use three different channels: They might be solicited through the mail, after which they’ll research the offer online, and ultimately they’ll call to talk to us.

Today, at Pitney Bowes Direct, only 10 to 20 percent of all our direct mail solicitations actually result in a sale that happens only with mail. A business-reply envelope or card is becoming a progressively less attractive means of acquiring a customer. It’s a combination of direct mail, the phone and the web.

Creating & nurturing winning customer experiences lies in the integration of competencies & activities by the providing party.



The Loyalty Factor

Small businesses do talk to—and seek references from—each other. There is a viral marketing effect in play, so marketers must deliver value. If you have products critical to running a small business, you must make sure that the product has great reliability. If your product is not critical, you must have a great value proposition or the customer will cancel.

It costs a lot of money to get a customer in a small business. It is hard. You need to spend money keeping your customers not only happy, but also loyal to you so that you are not viewed as a commodity. That means you must continuously offer value.

That can be accomplished by matching your offerings to a business's lifecycle changes. Be more than just a provider of a product; provide a solution. Most things that you sell to a small business are not being used by that small business to directly run their business, particularly in the service sector.

How many products does a dentist buy that are actually involved with dentistry? Sure, the dentist buys certain equipment that is specific to the practice, but also buys a telephone system, a computer system, and a payroll system. The last thing in the world a dentist wants to deal with is not being able to send out bills. So convenience, peace of mind, trust and reliability are incredibly important.

Remember, small business owners are stressed out. They don't have enough time to deal with the PC not working, or the coffee pot not working, or running out of stamps. Big-B's role is to make it easier for them to do what they're in business to do—to be a dentist, an ad agency, an accountant.

The Bottom Line

Big-B to Little-B marketing is difficult, and while many of the rules of consumer marketing apply, not all of them do. In summary, here are some of the key points to remember to keep your relationships strong and the sales and profits growing:

Relationship-Building

- ▶ Unlike consumers, of which there are several hundred million (in the U.S.), there are finite Little B's. Generating profits from them requires developing their loyalty.
- ▶ Customer retention is both proactive and reactive.
- ▶ It is critical to keep each constituent satisfied—the buyer, the user, the payer, the owner.
- ▶ Every touchpoint is an opportunity to satisfy or dissatisfy a constituent.
- ▶ Like consumers, small business owners talk to and seek references from each other.
- ▶ If your product is critical to running their business, then someone else's livelihood depends on your delivery and service.
- ▶ If your product is not critical, then you need to have a strong value proposition and create a world-class customer experience.
- ▶ It is critical to view the value proposition from the customer's perspective.

Sales-Building

- ▶ Create need, not demand.
- ▶ Create marketing partnerships to leverage brands, strengthen value propositions, and gain access and touchpoints.
- ▶ Segmentation rules: Little-B is too diverse for one-size-fits-all.
- ▶ Lowering price attracts those who think your product is worth less or worthless—positive elasticity on the front end may mask negative loyalty on the back end.
- ▶ Expect multiple sales calls, and learn from them.
- ▶ Today many prospects depend on the web to research and transact.
- ▶ You can solicit in one channel and close in another, if you connect them.



- ▶ Businesses respond differently on different days and times.
- ▶ Knowing your gatekeepers and decision makers is critical.
- ▶ Understand your customer to identify your prospects. ■

Neil Metviner is President of **Pitney Bowes Direct**, a Division of Pitney Bowes Inc., with responsibility for Pitney Bowes' rapidly growing global small business customer base, its supplies operations and its U.S. customer care functions.

In November 2003, Neil received the Direct Marketing Club of New York's Silver Apple Award and in March 2004, he was named "B-to-B Marketer of the Year" by the Direct Marketing Association.

Prior to his current assignment, Neil served as President of Pitney Bowes Small Business Solutions, with responsibility for the management of 800,000 small business customers in the United States, including customers with its Internet postage product ("Click-Stamp") and the award-winning Personal Post™, the world's first Postage Meter for the small office. Neil joined Pitney Bowes in July 2000 as President of its Office Direct Division, where he implemented creative ways of acquiring customers through direct response and media marketing.

Before joining Pitney Bowes, Neil was a Senior Vice President with Cendant Corporation (formerly CUC International) where he led its Sales and Account Management unit and later its Protection Products Group.

Before joining CUC, Neil spent 12 years with National Westminster Bank. He held a number of senior executive positions, including Senior Vice President and Division Head of its Credit Card Business; SVP of its Commercial Banking Division; SVP of Business Strategies; and Regional Executive in charge of the New York City Retail Branch Network.