

MARKETING FOR THE MICRO-BUSINESS

How your small business can find and
keep customers by using effective marketing



Jack Roberts

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6. Existing Customers

What happens after your prospect has purchased? Hopefully they will be happy with what they have. For many companies, the process ends there. They move on and try to find the next customer.

But you've spent time, energy and money on getting that customer. They've purchased from you and are presumably happy with you. Doesn't it make sense to try and sell more to them? That has to be easier than starting the process all over again with someone new. You need to keep a regular flow of new customers for your company, but you also have the opportunity to develop sales from those you already have.

New or existing customers?

Consider the process of acquiring new customers. It can be seen as a Funnel of Activity, as shown in Figure 5 below:

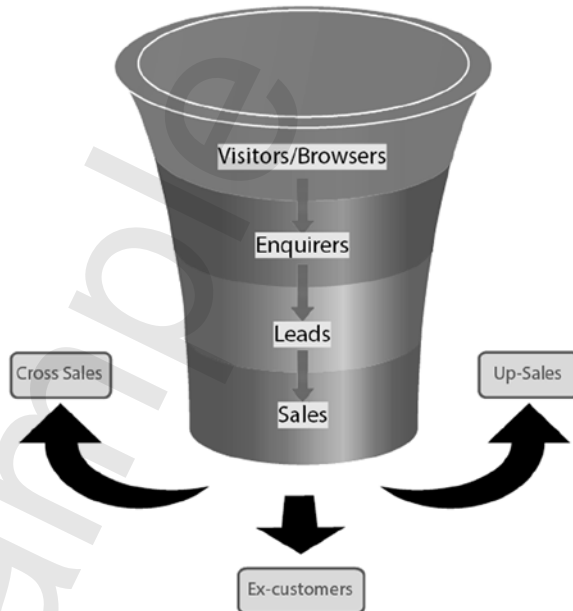


Figure 5; The Funnel of Activity

Although prospects move through the process at varying speeds, you don't make any money until the point when they purchase. In fact, before then they **cost** you money, either as advertising or time spent in dealing with their enquiry and trying to convert them to a purchaser.

A sensible marketing strategy will seek to increase the volume of sales from existing customers. They already know you and are satisfied with you as a provider – they are a much easier sale than finding a new customer. But first of all you have to keep them.

'Moments of truth'

Your new customer has already gone through a number of steps and contacts with you. During their long and hopefully fruitful life with you, they will go through a number of other steps and contacts, each of which can be considered as a 'moment of truth'. Some of these moments of truth are shown in Figure 6 below. How you handle these moments can determine whether they become a loyal customer, or leave at the earliest opportunity.

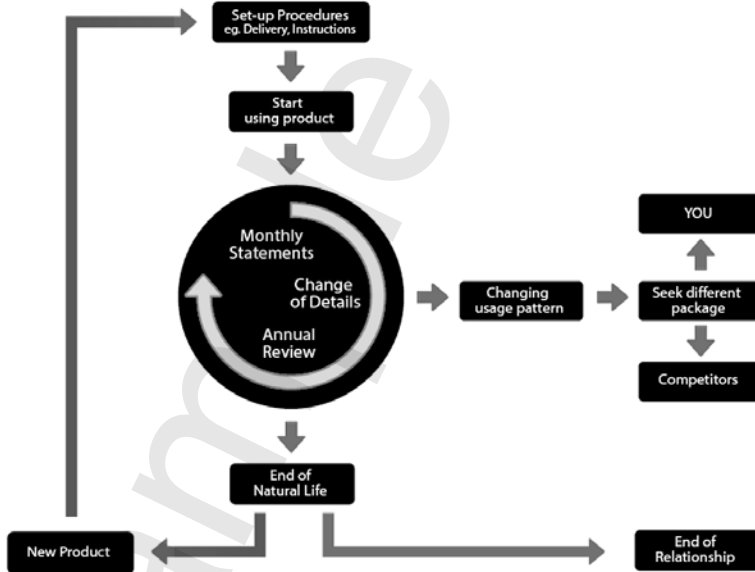


Figure 6; Customer Life Cycles and Moments of Truth

Customers will interact in a variety of ways at different stages in their life with your business. The installation instructions or advice you provide may give them the confidence to start using the product regularly. At some point they may contact you to change their details - perhaps they move address, change their telephone number or get married and change their name. Have you thought about your processes for dealing with these events?

Sometimes a customer's usage pattern will change. They may start using your product or service more often or less than they used to. Not because there is anything wrong with your product, it's just circumstances. Perhaps they've got married or separated, have had children or the children have left home. All of these instances will change the way people buy food, for example.

Now imagine the contract you have with your mobile phone provider. You may use it more or less than you did two years ago, perhaps you send less text messages now but use it for browsing websites more. Is your package still the best you can get? Has your provider contacted you to suggest a different package more suited to your current needs? Your customers may also appreciate this kind of proactive contact to ensure you are continuing to meet their needs.

You may also send out regular statement or invoices. Do they convey the overall impression of your company the way you want to be seen? How about promoting additional products with the communication?

At some stage they may want to upgrade their product or change to something different. Do you acknowledge that they've been with you a long time and offer them a deal? Or do they start the search process all over again and seek out suitable providers? How you've handled the 'moments of truth' up until this point may determine whether they'll consider you on this occasion or not.

Case Study

Real Foods is an organic farmer and smallholder co-operative who provide weekly fruit and vegetable boxes to customers.

Customers select the size of box they want and Real Foods deliver it, but the customer will not know exactly what's in the box until it is delivered. Payment is by monthly standing order. Customers can also make specific orders from a limited product range.

Real Foods look at how much these specific orders are and, more importantly, how it changes on a monthly basis. If they spot a customer who is buying more goods than previously, they contact them and arrange a specific size and type of box, more in keeping with what they need.

They also contact customers who do not seem to be ordering as much as they used to. They have identified this as the first sign of a customer who may be leaving them, so they would rather proactively arrange a smaller order than lose them.

Encouraging loyalty

When someone buys something from you for the first time, they may be testing you out before purchasing a greater volume. Ultimately, they may use you so often and appreciate your service so much that they even recommend you to other people. You can imagine them moving upwards through the stages in Figure 7 below:

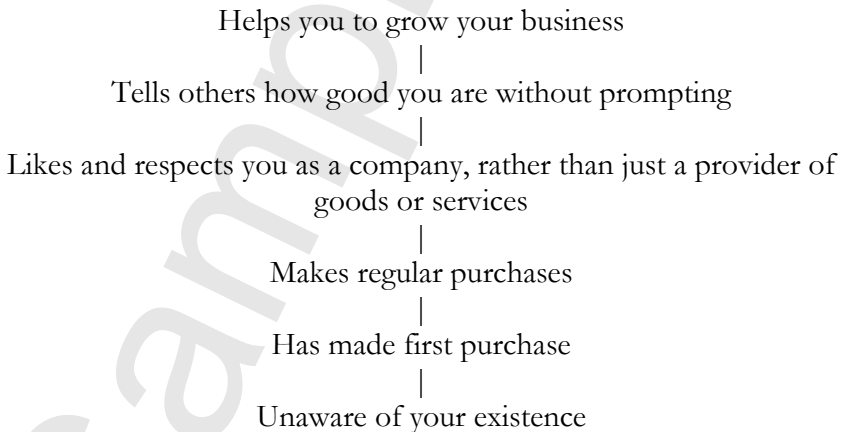


Figure 7; Ladder of Loyalty

You might want to seek ways of moving your customers up this ‘ladder of loyalty’. At each step they are both likely to be buying more from you and recommending you to other people. This is how networking business clubs operate – by creating advocates and partners for your company who will pass your name on to other companies. It takes time and effort to create this level of support, but businesses that can do it are able to create success on the basis of word-of-mouth, which is a very powerful marketing position.

There are six principles you can apply to your micro-business to help you retain customers.

1. *You can't buy a customer's loyalty.* But the good news is that they'll gladly give it to you for free – so long as you keep giving them what they want. Once you stop, they're gone.
2. *Put time and attention into retention activities.* An existing customer is an easier and cheaper sale than a new one. How do you split your time and marketing budget? Do you focus on getting new customers but not have the time to spend on retention activities?
3. *Sort your service out.* Remember the moments of truth – they are what will determine whether a customer stays and buys more, or leaves. More information on how to do this is given in the Efficient Processes section in Chapter 8 – The Marketing Mix.
4. *Make the customer **want** to stay and buy from you.* Get them to bond with you where possible. There are four types of bonding:
 - Financially – they are tied in through credit agreements, monthly payment plans, retainers, maintenance contracts, etc.
 - Socially – it suits their social standing to be associated with you, or your company represents brand values they share. This is how luxury or ‘status’ products create loyalty.
 - Structurally – your offering is a fundamental part of their lives or business. It is important to them to continue to have your products. Why would they risk going anywhere

else when they rely on you to meet their needs? Maintenance contracts for IT and property also work in this way, as do retainers.

- Incentivised – will stay with you so long as you continue to offer incentives and sales promotions. But these are fickle customers and may cost you in the long run – their bond with you is fundamentally weak.
5. *Use what you know about them.* This doesn't just mean getting their name right. If you don't get it right they'll leave anyway as you failed at a moment of truth. Instead, make offers to them based on what they've purchased in the past. Amazon use a good technique for this; 'Other people who've bought XX have also bought YY. We thought you might be interested.' Supermarkets also use it well for online shopping. Customers can save previous orders and then update it as required when placing their next order.
 6. *Reward Schemes (Sales Promotion) are not always loyalty schemes (creating bonds).* Tesco Clubcard gives you points for purchases which you can use as money off other purchases. What this creates is loyalty to the card. You'll be sure to remember your card any time you visit Tesco. And when you visit Sainsbury's you'll have a Nectar card too. What it does not create is loyalty to the shop, as that comes from whether the shop suits your needs or not.

True Loyalty Schemes, on the other hand, make people feel special. Because they're a customer, they get valuable benefits from you not available elsewhere, or they receive things they wouldn't get if they weren't one of your customers. For example, holding special preview evenings by invitation only and making all special offers available to them, rather than for new customers only.

Case Study

We met Doggy-goodies in Chapter 4 – Deciding Which Media To Use. Doggy-goodies customers receive regular

communication in the media format selected by the customer, such as email or post. Customers are asked during their first purchase how they would prefer Doggy-goodies to communicate with them in the future.

The first communication contains a questionnaire asking for details of their pet and themselves, with a prize draw entry for a £25 Doggy-goodies voucher for each completed response. The information gathered is recorded in a database and the information is used in future communications. A recent communication said; ‘We know just what your Golden Retriever, Jools, would love for her birthday’.

Obviously they don’t know what the dog really wants, but it makes for a very powerful communication and, as a result, Doggy-goodies customers rarely go anywhere else when buying things for their pets.

Identifying loyal customers

A sign of loyal customers is that they buy frequently from you and your marketing activity can help to generate this. We first discussed segmentation in Chapter 2 – Finding Customers, but let’s return to it now as it can be a very useful way of generating more sales from existing customers.

One useful method is to look at the recency and frequency of purchase. You can use a diagram such as that in Figure 8 below to compare how recently and how often customers have purchased from you.

In this example, customers fit into five categories, each with a different marketing approach.

- *Group 1 – First timers.* They have bought recently but haven’t purchased often so could be new or first-time customers, perhaps trying you out. Maybe they can be encouraged to buy again and become regulars.

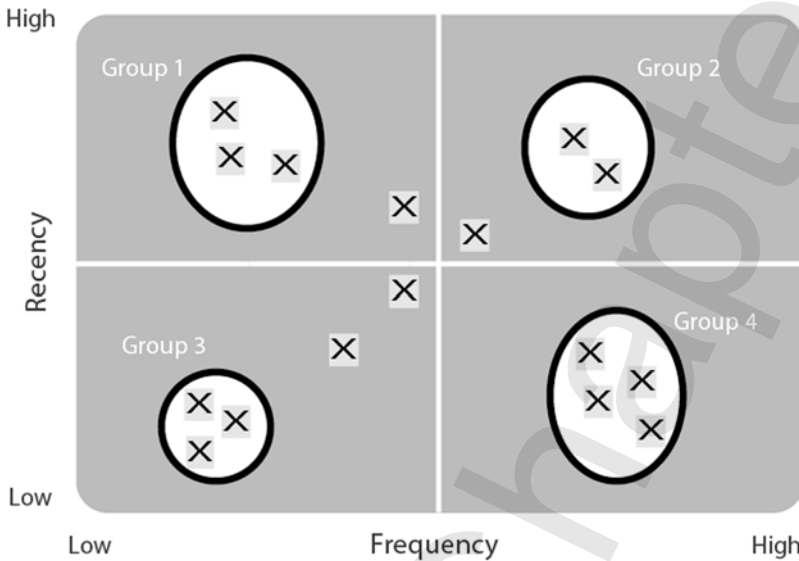


Figure 8; Recency and Frequency

- *Group 2 – Top customers.* They buy a lot and have purchased recently, so look after them to make sure they keep buying. Consider inviting them to special preview evenings or join a club.
- *Group 3 – Occasional Purchasers.* This group do not buy a lot and haven't bought for a long time. But they may be customers of a competitor, so keep in touch to encourage them to increase the amount they buy from you. If they are genuine occasional purchasers, keeping in touch will encourage them to consider your products the next time they buy. However, you may want to consider the profitability of purchases they make from you to determine if it's worthwhile spending additional time and money on them.
- *Group 4 – Lapsed customers.* These people have historically purchased a lot, but not for a while. As they've purchased from you before, is there anything you can do to bring them back? For example, a 10% welcome back discount?

- *All Others.* These are the customers who don't fit neatly into any other category. You will have to make your own decision about what you might want to do with them. They could have been genuine one-off purchases where there isn't much opportunity for further sales. Alternatively, they could be a goldmine for you, but you don't know it yet. They could also form a group of small but regular purchasers who make up a sizeable portion of your company's income.

Selling to existing customers

There are two ways to think about generating more sales from existing customers: *cross-selling* (selling additional products to them) and *up-selling* (selling more of the same product or a higher-value version). Depending on your business, one or both may be appropriate. You may even want to consider adding new products to your range to aid this (see Chapter 8 – The Marketing Mix).

You can use an approach known as profiling to help establish whether to promote cross-selling or up-selling. Imagine your customers make purchases from you valued at between £500 and £10,000 per year. Finding all customers with sales values of more than £7,000 and identifying common features between them will indicate a type of customer. Remember the Target Audience Description from Chapter 2 – Finding Customers? It's a similar approach.

Now try and find other customers on your database who have the same features as that group but who have sales values of *less than* £5,000. These customers could be worthy of a direct marketing campaign to encourage either cross-sales or up-sales, depending on how the £7,000 product portfolio was made up.

You can also use the same principle if sales of one of the products in your portfolio are slow, or you want to encourage sales because it is a profitable product. Using a database, identify those customers who already have the product, find similar customers who don't have it and then contact them with an offer.

Having customers who have more products or higher value products creates structural bonds with you, which is one of the six principles of keeping customers discussed earlier.

You could, of course, also use these profiles for campaigns to attract non-customers. In this case you would target people that had the same features but who were not currently customers.

Case Study

Builders Inc provide a one-stop-shop for companies to meet all their building trade construction and maintenance requirements. Having been trading for three years, the owner wanted to review his customer base to decide where to go next. He realised he had the following groups of customers:

1. Householders and small businesses who had major work carried out but who were unlikely to need much work in the future.
2. Companies with occasional large projects.
3. Estate agents and property companies who need frequent, small maintenance jobs on an ongoing basis.

He also identified that he gained most business from the latter group. As a result, he changed his strategy so that he focused on the property companies to give them excellent service but also looked for more companies of that nature. He also changed his processes so that their jobs received attention more quickly when they needed it.

He set up a programme of regular communication with Group 2 so they remembered his company any time they needed future work. Group 1 received a reminder six, twelve and 24 months after carrying out the work, so that they would have a note of his name if they knew anyone else who might need similar work.

Lapsed customers, i.e. previous purchasers, can also present useful opportunities. Because they used you previously, they know what you offer so may be amenable to another approach. Perhaps they stopped buying from you because they were not in the market but circumstances may have changed, meaning they are ready to buy again. It's worth staying in touch to keep your name in their minds.

You can overlay these concepts of cross-selling and up-selling with the existing customer groupings we looked at in Figure 8 earlier when discussing recency and frequency. For first time customers, you might send a 'Welcome' email then follow it up with further communications to encourage cross-sales. For Occasional Purchasers it might be about cross-sales and up-selling as you may be able to encourage them to use the product more often or in different ways.

Word-of-mouth and testimonials

Human beings have been talking about what they like and don't like, including products and services and their providers, ever since they first started communicating with each other. The concept of testimonials and reviews is nothing new but the advent of the internet and digital communications has allowed it to happen in different ways. Word-of-mouth has always been very powerful as we tend to listen to people we trust, such as family and friends, more than advertisers or other commercial organisations.

Existing customers are our source for these word-of-mouth communications. Encouraging customers to give reviews also helps build loyalty as people don't like to feel they have given bad advice to someone else in case it reflects badly on them.

You can encourage customers to leave reviews on a discussion area of your own website, online directories which offer the facility, sites set up specifically for the purpose such as TripAdvisor, or invite them to write to you directly either via mail or email. You can then use these testimonials on other marketing literature such as your website, leaflets or adverts to highlight to prospective customers how other people similar to them feel about you. However, if you do want to use a testimonial publicly you will need permission from the provider.

Reviews published on public forums should be fine for this, but if someone writes to you then it is wise to check whether you can use their comments or if they are just paying you a compliment and saying thanks.

Techniques to encourage and use testimonials include:

- Ask specifically on any packaging you send out. Tell customers the sites on which they can leave reviews so they can go directly to it.
- If you send out any post-purchase questionnaires you can ask for permission in the survey to use any comments they leave.
- Promote links to review sites on your own website and at the bottom of emails so that you create a link-building effect (which can aid search engine optimisation). This also allows prospective customers to see what people are saying about your organisation and its products.

Summary

Existing customers have already gone through the buying process with you. They know who you are, what you have to offer, your brand values and how to contact you. They should be willing to buy again if the original buying process was a satisfactory experience and also be happy to pass your details on to other people who may be interested.

Action points:

- Look for cross-sales and up-selling opportunities.
- Use retention techniques to keep customers with you.
- Don't neglect existing customers in favour of finding new ones.
- Profile your customers to identify other potential purchasers.
- Ask for, and use, testimonials and reviews.