8 Building a Powerful Bootstrap Marketing Plan

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Learning Objectives

On completion of this chapter, you will be able to:

1. Describe the principles of building a bootstrap marketing plan, and explain the benefits of preparing one.
2. Explain how small businesses can pinpoint their target markets.
3. Discuss the role of market research in building a bootstrap marketing plan and outline the market research process.
4. Describe how a small business can build a competitive edge in the marketplace using bootstrap marketing strategies.

As you learned in Chapters 4 and 5, creating a solid business model and business plan improves an entrepreneur's odds of building a successful company. The business model and business plan are valuable tools that help define *what* an entrepreneur plans to accomplish in both quantitative and qualitative terms and *how* he or she plans to accomplish it. The plan consolidates many of the topics we have discussed in preceding chapters with those in this section to produce a concise statement of how an entrepreneur plans to achieve success in the marketplace. This section focuses on building two major components of every business plan: the marketing plan and the financial plan.

Too many business plans describe in great detail what entrepreneurs intend to accomplish (e.g., "the financials") and pay little, if any, attention to the strategies to achieve those targets. Too often, entrepreneurs squander enormous effort pulling together capital, people, and other resources to sell their products and services because they fail to determine what it will take to attract and keep a profitable customer base. Sometimes they fail to determine whether a profitable customer base even exists! To be effective, a solid business plan must contain both a financial plan *and* a marketing plan. Like the financial plan, an effective marketing plan projects numbers and analyzes them but from a different perspective. Rather than focus on cash flow, net income, and owner's equity, a marketing plan concentrates on the *customer*.

This chapter is devoted to creating an effective marketing plan, which is a subset of a total business plan. Before producing reams of computer-generated spreadsheets of financial projections, an entrepreneur must determine what to sell, to whom and how, and on what terms and at what price and how to get the product or service to the customer. In short, a marketing plan identifies a company's target customers and describes how that business will attract and keep them. Its primary focus is cultivating and maintaining a competitive edge for a small business. Table 8.1 explains how to build a seven-sentence bootstrap (also sometimes called "guerrilla") marketing strategy.

Building a Bootstrap Marketing Plan

LO1

Describe the principles of building a bootstrap marketing plan, and explain the benefits of preparing one.

Marketing is the process of creating and delivering desired goods and services to customers and involves all of the activities associated with winning and retaining loyal customers. The "secret" to successful marketing is to understand what your target customers' needs, demands, and wants are before your competitors can; to offer them the products and services that will satisfy those needs, demands, and wants; and to provide customer service, convenience, and value so that they will keep coming back.

marketing
the process of creating and delivering desired goods and services to customers; involves all of the activities associated with winning and retaining loyal customers.

The marketing function cuts across the entire company, affecting every aspect of its operation—from finance and production to hiring and purchasing—as well as the company's ultimate success. As competition for customers becomes more intense, entrepreneurs must understand the importance of developing creative marketing strategies. Their success and survival depend on it. Traditional marketing techniques emphasize pushing messages out to potential customers. However, modern technology gives consumers the ability to filter and block many of these messages, limiting the effectiveness of "push" techniques. Successful entrepreneurs recognize that modern marketing strategies also must include techniques such as social media and cause marketing that pull customers into their companies' sphere of influence. The good news is that many of these "pull" strategies are relatively inexpensive and, when infused with a healthy dose of creativity, are extremely effective.

Although they may be small and cannot match their larger rivals' marketing budgets, entrepreneurial companies are not powerless when it comes to developing effective marketing strategies. By using **bootstrap marketing strategies**—unconventional, low-cost, creative techniques—small companies can wring as much or more "bang" from their marketing bucks. For instance, facing the power of discount giants such as Wal-Mart, Target, and "category killer" superstores such as Best Buy and Home Depot that are determined to increase their market shares, small retail shops are turning to bootstrap marketing tactics to attract new customers and to keep existing ones. Jay Conrad Levinson, the late guerrilla and bootstrap marketing guru, said bootstrap marketing is all about maximizing the efficiency of a small company's marketing budget.

bootstrap marketing strategies
unconventional, low-cost, creative marketing strategies designed to give small companies an edge over their larger, richer, more powerful rivals.

An effective bootstrap marketing campaign does *not* require an entrepreneur to spend large amounts of money, but it does demand creativity, ingenuity, and an understanding of customers'

TABLE 8.1 A Seven-Sentence Bootstrap (Guerrilla) Marketing Strategy

Building a successful bootstrap marketing plan does not have to be complex. Bootstrap marketing expert Jay Conrad Levinson advised entrepreneurs to create a bootstrap marketing plan with just seven sentences:

1. ***What is the purpose of your marketing?*** In other words, what action do you want customers or prospective customers to take as a result of your marketing efforts? Should they visit your store? Go to your company's Web site? Call a toll-free number for more information?
2. ***What primary benefit can you offer customers?*** What is your company's competitive advantage, and what does it do for customers? Bootstrap marketers express their companies' competitive advantage as a solution to a customer's problem, which is easier to market than just a positive benefit. Successful bootstrap marketing requires an entrepreneur to have a clear understanding of a company's unique selling proposition, a key customer benefit of a product or service that sets it apart from its competition.
3. ***Who is your target market?*** At whom are you aiming your marketing efforts? Answering this question often requires some basic research about your target customers, their characteristics, their habits, and their preferences. Bootstrap marketers know that broadcasting is old school; they realize that narrowcasting—focusing their marketing efforts on those people who are most interested in and are likely to purchase their goods and services—is much more efficient and effective. Most small companies have more than one target market; be sure to identify all of them.
4. ***Which marketing tools will you use to reach your target audience?*** This list should include only those tools your company understands, knows how to use effectively, and can afford. The good news is that marketing tools do not have to be costly to be effective. In fact, bootstrap marketers are experts at using low-cost methods to market their companies.
5. ***What is your company's niche in the marketplace?*** How do you intend to position your company against your competition? Bootstrap marketers understand that their markets are crowded with competitors, some of them much larger with gigantic marketing budgets that dwarf their own, and that finding a profitable niche to occupy can be highly profitable. Recall from Chapter 4 that many successful entrepreneurs position their companies in profitable niches. One insurance agent markets his agency as specializing in serving the needs of small businesses. It'Sugar, a company founded in 2006 by Jeff Rubin, a veteran of the candy industry, sells many types of candy, ranging from Jelly Belly jelly beans to five-pound Hershey chocolate bars through its Web site and its 70 retail stores. Not a typical candy store aimed at children, It'Sugar stores mainly target adults and resemble Victoria's Secret shops, with mannequins dressed in candy, unique displays, and vibrant colors. Like It'Sugar, the key is to carve out a position that allows your company to differentiate itself from all of its competitors.
6. ***What is your company's identity in the marketplace?*** A company's identity is a reflection of its personality, its DNA. Small companies often have an advantage over large businesses when it comes to communicating their identities because of the interesting, unique stories behind their creation and the enthusiasm and passion of their founders. Customers enjoy doing business with small companies that have a clear, meaningful, and compelling identity in the marketplace. Southwest Airlines built its business by attracting customers who were drawn to its fun-loving, somewhat irreverent culture and its reputation for taking care of its customers.
7. ***How much money will you spend on your marketing?*** What is your marketing budget? Entrepreneurs should decide how much they intend to invest in their marketing efforts, an amount usually expressed as a percentage of sales. The average company in the United States devotes 4 percent of its sales revenue to marketing. Small companies should allocate a portion of their budget to marketing; after all, it drives sales. The good news is that many of the bootstrap marketing techniques that small companies can use (and that are described in this chapter) are either low cost or no cost. When allocating their budgets, bootstrap marketers recognize the importance of putting their money where they will get the greatest "bang."

Answering these seven questions will give you an outline of your company's marketing plan. *Implementing* a bootstrap marketing plan boils down to two essentials:

1. Having a thorough understanding of your target market, including what customers want and expect from your company and its products and services.
2. Identifying the obstacles that stand in your way of satisfying customers (competitors, barriers to entry, processes, outside influences, budgets, knowledge, and others) and eliminating them.

Sources: Based on Jay Conrad Levinson and Jeannie Levinson, "Here's the Plan," *Entrepreneur*, February 2008, pp. 92–97; and Alan Lautenslager, "Write a Creative Marketing Plan in Seven Sentences," *Entrepreneur*, April 24, 2006, http://www.entrepreneur.com/marketing/marketingideas/guerrillamarketingcolumnistallautenslager/article159486.html.

buying habits. Levinson estimated that bootstrap marketers spend between 4 percent and 8 percent of sales on marketing, but they put their money into clever, creative marketing efforts that reach their target customers and raise the profile of their products, services, and companies.[1]

ENTREPRENEURIAL PROFILE: Kimberly Causey: Home Décor Press After spending ten years working in the wholesale home furnishings industry, Kimberly Causey realized consumers wanted information on home furnishing bargains. She took her knowledge of the industry and set out to self-publish a home furnishings buying guide. Causey could not afford to get her guide professionally printed, so she made her first run of books in her kitchen. She printed the interior pages on her home printer, folded them by hand, and glued them inside professionally printed covers using a glue gun and a butter knife. She promoted the books by driving all over the Southeast to appear on local morning television shows. Causey used the profits from her homemade books to buy a professionally printed run of books and an RV and began promoting her books across the country. She was able to secure a nationwide contract with Barnes & Noble. Her story eventually caught the attention of the *Today* show. Her appearance on that show pushed her book to a top 10 title on Amazon. Causey continues to promote her books through appearances on both local and national media outlets.[2] ■

A sound bootstrap marketing plan reflects a company's understanding of its customers and acknowledges that satisfying them is the foundation of every business. It recognizes that the customer is the central player in the cast of every business venture. According to marketing expert Ted Levitt, the primary purpose of a business is not to earn a profit; instead, it is to identify and attract customers. If an entrepreneur focuses on this purpose and uses good sense to run the business, profits will follow.[3] In other words, profits are the outcome of creating value for your target customers. Every area of the business must practice putting the customer first in planning and actions.

A bootstrap marketing plan should accomplish three objectives:

1. It should pinpoint the specific target markets the small company will serve.
2. It should determine customer needs and wants through market research.
3. It should analyze the firm's competitive advantages and build a bootstrap marketing strategy around them to communicate its value proposition to the target market.

This chapter focuses on these three objectives of the small company's marketing plan.

Pinpointing the Target Market

LO2

Explain how small businesses can pinpoint their target markets.

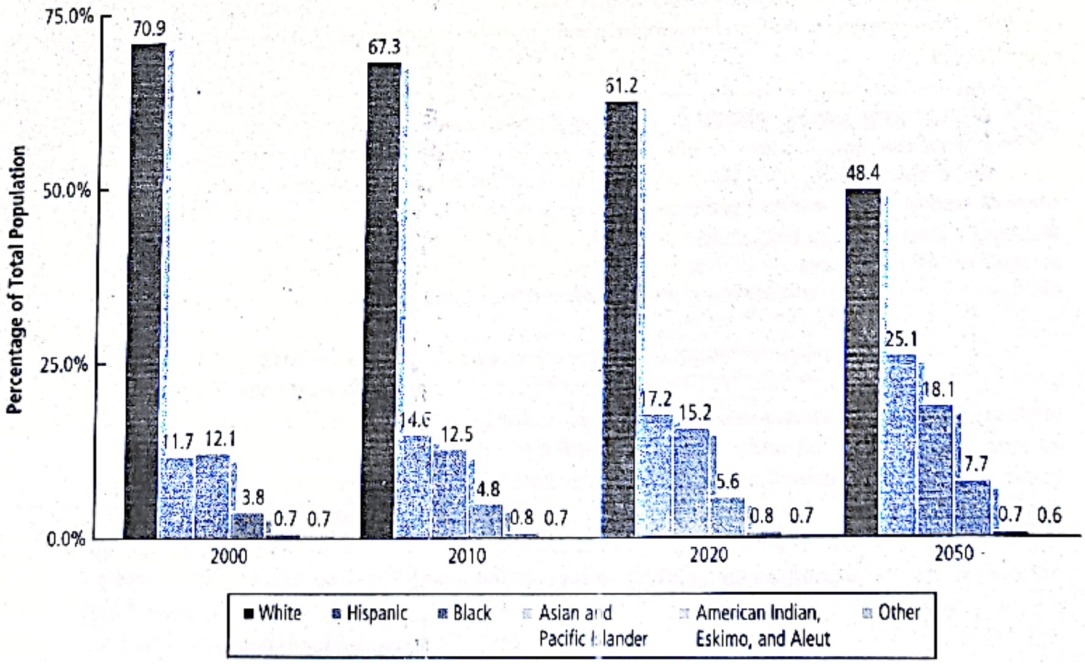
target market
the specific group of customers at whom a company aims its goods or services.

One of the first steps in building a bootstrap marketing plan is to identify a small company's **target market**—the specific group of customers at whom the company aims its goods or services. The more a business knows about its local markets and its customers and their buying habits and preferences, the more precisely it can focus its marketing efforts on the group(s) of customers who are most likely to buy its products or services. Most marketing experts contend that the greatest marketing mistake small businesses make is failing to define clearly the target markets they serve. These entrepreneurs develop new products that do not sell because they are not targeted at a specific audience's needs. They broadcast ads that attempt to reach everyone and end up reaching no one. They spend precious time and money trying to reach customers who are not the most profitable, and many of the customers they attract leave because they do not know what the company stands for. Why, then, do so many small companies make this mistake? Because it is easy and does not require market research or a marketing plan! Smart entrepreneurs know they do not have the luxury of wasting resources. They must follow a more focused, laserlike approach to marketing. Entrepreneurs must identify a specific market niche that has a specific need or "pain point" and tailor a solution, be it a product or a service, to address this need. As you learned in Chapter 4, an effective value proposition offers a specific solution to a specific market segment. "It is amazing how many people assume they know what customers want without actually asking customers," says Hunter Phillips, CEO, PRSM Healthcare in Nashville, Tennessee. "Present it as if you are trying to solve a problem for them. Remember, this is about their needs rather than your idea."[4]

To be customer driven, an effective marketing strategy must be based on a clear, comprehensive understanding of a company's target customers and their needs. A customer-driven marketing strategy is a powerful weapon for any company that lacks the financial and physical resources of its competitors. Customers respond when companies take the time to learn about their unique needs and offer products and services designed to satisfy them.

ENTREPRENEURIAL PROFILE: Ron Henry: BlackRapid Ron Henry, a professional photographer for more than fifteen years, never was able to find a camera strap that was both comfortable and designed to make quick shots easier. Using parts purchased at a hardware store, Henry constructed a strap that allowed his camera to hang comfortably at his side until he was ready to take a photograph, when it would glide quickly and easily into place. Henry borrowed $5,000 from a friend to launch BlackRapid to produce and sell camera straps based on his new design. At first Henry bought banner ads at wedding Web sites to promote his camera straps. However, that proved to be an expensive strategy that resulted in very few sales. Henry changed his strategy to promoting BlackRapid through photography blogs. He sent each blogger a free strap hoping that they would spread the word about his product. The strategy worked. After only four years in business, BlackRapid's revenues grew to more than $6 million a year.[5] ■

Most successful businesses have well-defined portraits of the customers they are seeking to attract. From market research, they know their customers' income levels, lifestyles, buying patterns, likes and dislikes, and even their psychological profiles—why they buy. These companies offer prices that are appropriate to their target customers' buying power, product lines that appeal to their tastes, and service they expect. The payoff comes in the form of higher sales, profits, and customer loyalty. For entrepreneurs, pinpointing target customers has become more important than ever before as markets in the United States have become increasingly fragmented and diverse. Mass marketing techniques no longer reach customers the way they did 30 years ago because of the splintering of the population and the influence exerted on the nation's purchasing patterns by what were once minority groups such as Hispanic, Asian, and African Americans (see Figure 8.1). Peter Francese, marketing consultant and author of the research report *2010 America*, says "the average American" no longer exists.[6] The United States is a multicultural nation in



JRE 8.1

Population by Race, 2000, 2010, 2020, and 2050

Based on data from the U.S. Census Bureau.

which no race or ethnicity comprises a majority in its two most populous states, California and Texas. In addition, racial and ethnic minorities accounted for 92 percent of the population growth in the United States between 2000 and 2010.[7] The U.S. Census Bureau predicts that whites will no longer constitute the majority in America by 2043.[8] By 2020, baby boomers' spending will be in decline, the most economically disadvantaged market segments will expand, and household spending will grow at a slow pace, all of which will create a very different world for marketers.[9]

When companies follow a customer-driven marketing strategy, they ensure that their target customers permeate the entire business—from the merchandise sold and the music played on the sound system to the location, layout, and decor of the store. These entrepreneurs have an advantage over their larger rivals because the buying experience they create resonates with their target customers. That's why they prosper.

ENTREPRENEURIAL PROFILE: Orlin Sorensen and Brett Carlile: Woodinville Whiskey Company The Woodinville Whiskey Company, a microdistillery in Woodinville, Washington, founded by Orlin Sorensen and Brett Carlile, builds relationships with its customers by putting them to work. Customers help bottle, label, cork, and case whiskey. During the nightly bottling parties, the company gives 16 customers T-shirts, food, and discounts on any whiskey they buy that evening in return for their efforts. The bottling parties are posted on the company's Facebook page, where the listed parties fill up within a few minutes of posting. Sorenson says the bottling parties build brand awareness and increase customer loyalty. Although it would be less expensive to hire employees to do the bottling, the company has no plans to abandon the parties. The relationship the company has built with its customers far offsets the higher costs associated with the bottling party method of production.[10] ■

Determining Customer Needs and Wants through Market Research

LO3

Discuss the role of market research in building a bootstrap marketing plan and outline the market research process.

The changing nature of the U.S. population is a potent force altering the landscape of business. Shifting patterns in age, income, education, race, and other population characteristics (which are the subject of **demographics**) have a major impact on new opportunities in the market and on existing small businesses. Entrepreneurs who ignore demographic trends and fail to adjust their strategies accordingly run the risk of becoming competitively obsolete. Entrepreneurs who stay in tune with demographic, social, and economic trends are able to spot growing and emerging market opportunities.

demographics
the study of important population characteristics, such as age, income, education, race, and others.

ENTREPRENEURIAL PROFILE: Jennifer Lopez: Viva Móvil Celebrity Jennifer Lopez started the mobile phone reseller, Viva Móvil, to target the growing Latino market. In addition to its online store, Viva Móvil operates brick and mortar locations in New York City, Los Angeles, and Miami. The stores promise a retail experience that caters to the Latino market. Each store has a PlayStation to keep children entertained while their parents shop for new phones and accessories. All employees are bilingual, and the stores offer accessories designed by Lopez to go along with the iPhones and Samsung phones offered through a partnership with Verizon.[11] ■

A demographic trend is like a train: A business owner must find out early on where it's going and decide whether to get on board. Waiting until the train is roaring down the tracks and gaining speed means it's too late to get on board. However, by checking the schedule early and planning ahead, an entrepreneur may find himself or herself at the train's controls wearing the engineer's hat! Similarly, small companies that spot demographic trends early and act on them can gain a distinctive edge in the market. An entrepreneur's goal is to make sure that his or her company's marketing plan is on track with the most significant trends that are shaping the industry. Trend tracking not only keeps a company on the pathway to success but also helps it avoid losing its focus by pursuing opportunities that are out of favor.

Trends are powerful forces and can be an entrepreneur's greatest friend or greatest foe. For entrepreneurs who are observant and position their companies to intercept them, trends can be to their companies what the perfect wave is to a surfer. For entrepreneurs who ignore them or discount their importance, trends can leave their companies stranded like a boat stuck in the mud at low tide.

You Be the Consultant

.CO Internet S.A.S.

Juan Diego Calle was born into an entrepreneurial family in Bogota, Colombia. His parents owned and operated a highly successful wine and beer distribution company. Because of political instability in Colombia, his parents became increasingly worried about the safety of their family. When he was 15 years old, his parents moved Juan and his siblings to Miami. However, his parents chose to stay behind in Colombia to manage the family business.

In 1998 while in college, Calle studied abroad in France. There he became intrigued by the opportunity offered by the Internet. When he returned to Miami, Calle launched an Internet-based business that failed when the Internet bubble burst in 2001. However, Calle continued to pursue Internet-related businesses after the failure of his first endeavor. He had great success with a business that acquired and developed travel domains that matched keywords, such as New York Hotels and London Hotels.

While growing his domain name business, Calle recognized that available domain names ending in .com extensions were becoming scarce. A friend suggested he look into .co extension, which was the domain name designation for his native country of Colombia. After many false starts, Calle was able to convince the government of Colombia to accept his bid to manage the .co extension through his new company called .CO Internet S.A.S.

Calle made the decision to brand the .co extension as a place for start-ups to build their Internet presence. Calle was able to convince trend-setting tech companies to use the .co extension for their Web presence. To achieve his goal, he persuaded executives at Twitter to adopt t.co as its shortened URL address in Colombia. Calle also sold AngelList, the service for connecting entrepreneurs and angel investors, the domain name Angel.co as its Internet address. By associating the .co brand with successful ventures such as these, .CO Internet helped reinforce its branding efforts as the domain of choice for tech start-ups.

The company seeks to position its brand as having more value than just a URL address. .CO Internet offers all businesses that adopt the .co extension "membership," which includes discounts on books and admission to events and forums to connect with other entrepreneurs. To measure the success of its branding efforts, the company conducted a survey after it had been operating for only one year. The results indicated that 80 percent of people thought .co meant "company," while only 3 percent identified it with the country of Colombia

.CO Internet has more than 1.6 million domain names under management in 200 countries, with revenues of more than $21 million. In 2014, Neustar, a publicly-traded company specializing in Internet analytics, agreed to purchase .CO Internet S.A.S. for $109 million.

1. Visit the company's Web site to learn more about the business, the services it offers, and its culture. Work with a team of your classmates to develop a list of bootstrap marketing techniques that the company can use to promote its services and its brand around the globe.
2. What steps can the company take to enhance its brand and build customer recognition of it? Refer to Figure 8.2 on page 303 (the connection between branding and a unique selling proposition) and use the table below to do the following:
   a. List threshold, performance, and excitement attributes for .CO Internet S.A.S.
   b. Identify "proof points" (reasons for customers to believe in the brand) that support each of the attributes you list.
   c. Use the attributes and their proof points to develop a unique selling proposition for .CO Internet.

Threshold Attributes	Performance Attributes	Excitement Attributes
Threshold Proof Points	**Performance Proof Points**	**Excitement Proof Points**
Unique selling proposition:-		

Sources: Ron Jackson, "The Juan Diego Calle Story: How the .CO CEO Is Turning a Seldom Used ccTLD into a Booming Global Brand," *DN Journal*, December 5, 2010, www.dnjournal.com/cover/2010/november-december.htm; Paul Sloan, ".CO Internet is a Company Cool Enough for Brooklyn Hipsters," *CNET*, March 13, 2012, www.cnet.com/news/co-internet-is-a-company-cool-enough-for-brooklyn-hipsters/; Nancy Dahlberg, "Miami Tech Company .CO Internet to be Acquired for $109 Million," *Miami Herald*, March 22, 2014, www.miamiherald.com/2014/03/21/4009212/miami-tech-company-co-internet.html.

market research
the vehicle for gathering the information that serves as the foundation for the marketing plan; it involves systematically collecting, analyzing, and interpreting data pertaining to a company's market, customers, and competitors.

The Value of Market Research

By performing some basic market research, aspiring entrepreneurs and owners of existing small business can detect key demographic and market trends. Marketing consultants argue that information is just as much a business asset as equipment, machinery, and inventory. **Market research** is the vehicle for gathering the information that serves as the foundation for the marketing plan. It involves systematically collecting, analyzing, and interpreting data pertaining to a company's

market, customers, and competitors. The objective of market research is to learn how to improve the level of satisfaction for existing customers and to find ways to attract new customers.

Small companies cannot afford to make marketing mistakes because there is little margin for error when funds are scarce and budgets are tight. Small businesses simply cannot afford to miss their target markets, and market research can help them zero in on the bull's-eye. Market research does *not* have to be time consuming, complex, or expensive to be useful. By applying the same type of creativity to market research that they display when creating their businesses, entrepreneurs can perform effective market research "on the cheap."

ENTREPRENEURIAL PROFILE: John Lusk: Rivet & Sway Before John Lusk launched the designer eyewear company, Rivet & Sway, he and his team spent evenings and weekends conducting market research. They were seeking to identify specific problems that women have when they shop for eyewear. The founding team went through industry reports; interviewed opticians, optometrists, and eyewear boutique owners; conducted surveys of the many people they had all built up in their personal social and professional networks; conducted bootstrap focus groups; and engaged in extensive competitive research. The company's budget for all of the market research was less than $5,000, with most of that being spent on buying a high quality industry report.[12] ■

Established companies also can conduct market research on the cheap. Ron Shaich, founder of Panera Bread, a chain of bakery cafés with 1,185 locations in 40 states, still visits stores regularly, where he works the cash registers and serves customers so that he can listen to their ideas and concerns.[13] Hands-on market research techniques such as these allow entrepreneurs to get past the barriers that consumers often put up and to uncover their true preferences and hidden thoughts.

Many entrepreneurs are discovering the power, the speed, the convenience, and the low cost of conducting market research over the Internet. Online surveys, customer opinion polls, and other research projects are easy to conduct, cost virtually nothing, and help companies to connect with their customers. With online surveys, businesses can get real-time feedback from customers, often using surveys they have designed themselves. Web sites such as Survey Monkey and Zoomerang allow entrepreneurs to conduct low-cost (sometimes free) online surveys of existing or prospective customers. Many companies are using social media sites such as Facebook and Twitter as market research tools. Entrepreneurs can use surveys and social media to gain insight into the market that used to require hiring a marketing research consultant.

ENTREPRENEURIAL PROFILE: Luca Daniel Lavorato and Mario Christian: Joseph Nogucci Joseph Nogucci, an online jewelry store and manufacturer founded by Luca Daniel Lavorato and Mario Christian, uses Facebook to generate customer reactions to new product offerings. The company gauges customer interest in new designs before it puts them into production. The customer feedback also helps the company determine how much inventory to carry and what demographic to target market with each of its new product offerings. In addition to promoting and managing inventory for new products, the company posts inspirational stories from customers on its Facebook fan page to build customer loyalty. Joseph Nogucci has 75,000 Facebook fans and devotes 80 percent of its marketing budget to Facebook. The company also connects with customers through Twitter, Instagram, and other social media.[14] ■

Faith Popcorn, a marketing consultant, encourages small business owners to be their own "trend-tracking sleuths." Merely by observing their customers' attitudes and actions, small business owners can shift their product lines and services to meet changing tastes in the market. To spot significant trends, Popcorn suggests the following:[15]

- Read as many current publications as possible, especially ones you normally would not read.
- Watch the top 10 television shows because they are indicators of consumers' attitudes and values and what they're going to be buying.
- See the top 10 movies. They also influence consumer behavior, from language to fashion.
- Talk to at least 150 customers a year. Make a conscious effort to spend time with some of your target customers, preferably in an informal setting, to find out what they are thinking.

Start by asking them two important questions: "Will you buy from us again?" and "Will you recommend us to your friends?"

- Talk with the 10 smartest people you know. They can offer valuable insights and fresh perspectives you may not have considered.
- Listen to your children or younger siblings.

Next, entrepreneurs should make a list of the major trends they spot and should briefly describe how well their products or services match these trends. Companies whose products or services are diverging from major social, demographic, and economic trends rather than converging with them must change their course or run the risk of failing because their markets can evaporate before their eyes. How can entrepreneurs find the right match among trends, their products or services, and the appropriate target markets? Market research!

How to Conduct Market Research

The goal of market research is to reduce the risks associated with making business decisions. For the entrepreneur, there is no bigger decision than the one to start or not start a new business. Market research can replace misinformation and assumptions with facts. Opinion and hearsay are not viable foundations on which to build a solid marketing strategy. Remember, this is a key aspect of developing a sound business model (see Chapter 4). Successful market research consists of four steps: define the problem, collect the data, analyze and interpret the data, and draw conclusions, including how you may need to pivot your business model.

Step 1. *Define the objective.* The first—and most crucial—step in market research is to define the research objective clearly and concisely. For a new business, the objective is to test the assumptions made while developing the business model. For an existing business, the objective is to better understand changes occurring in its business or in its market. A common error at this stage is to confuse a symptom with the true problem. For example, dwindling sales is not a problem; it is a symptom. To get to the heart of the matter, entrepreneurs must list all the possible factors that could have caused it. Do we face new competition? Are our sales representatives impolite or unknowledgeable? Have customer tastes changed? Is our product line too narrow? Do customers have trouble finding what they want? Is our Web site giving customers what they want? Is it easy to navigate?

individualized (one-to-one) marketing
a system based on gathering data on individual customers and developing a marketing program designed to appeal specifically to their needs, tastes, and preferences.

Step 2. *Collect the data.* The marketing approach that dominates today is **individualized (one-to-one) marketing**, which involves gathering data on individual customers and then developing a marketing program designed specifically to appeal to their needs, tastes, and preferences. In a society in which people feel so isolated and interactions are so impersonal, one-to-one marketing gives a business a competitive edge. Companies following this approach know their customers, understand how to give them the value they want, and, perhaps most important, know how to make them feel special and valued. The idea is to treat each customer as an individual, and the goal is to transform a company's best and most profitable customers into loyal, lifetime customers.

Individualized marketing requires business owners to gather and assimilate detailed information about their customers. Fortunately, owners of even the smallest companies now have access to affordable technology that creates and manages computerized databases, allowing them to develop close, one-to-one relationships with their customers. Much like gold nuggets waiting to be discovered, significant amounts of valuable information about customers and their buying habits are hidden *inside* many small businesses, tucked away in computerized databases. For most business owners, collecting useful information about their customers and potential new products and markets is simply a matter of sorting and organizing data that are already floating around somewhere in their companies.

The key is to mine the data that most companies have at their disposal and turn them into useful information that allows the company to "court" its customers with special products, services, ads, and offers that appeal most to them. How can entrepreneurs gather valuable market and

customer information? Two basic methods are available: conducting *primary research*, data you collect and analyze yourself, and gathering *secondary research*, data that have already been compiled and that are available, often at a reasonable cost or even free. Primary research techniques include the following:

- ***Customer surveys and questionnaires.*** Keep them short. Word your questions carefully so that you do not bias the results and use a simple ranking system (e.g., a 1-to-5 scale, with 1 representing "unacceptable" and 5 representing "excellent"). Test your survey for problems on a small number of people before putting it to use. Online surveys are inexpensive, are easy to conduct, and provide feedback fast. VerticalResponse, a self-service marketing firm for small businesses, regularly sends out e-mail surveys to its customers. Because the company relies on word-of-mouth for much of its new business, knowing what its customers like and don't like about how they are doing business and the products it offers is critical to adding new customers.[16]
- ***Focus groups.*** Enlist a small number of customers to give you feedback on specific issues in your business—quality, convenience, hours of operation, service, and so on. Listen carefully for new marketing opportunities as customers or potential customers tell you what is on their minds. Once again, consider using the Internet; one small bicycle company conducts 10 online focus groups each year at virtually no cost and gains valuable marketing information from them.
- ***Social media conversations and monitoring.*** With social media, companies have the opportunity to engage in direct conversations with their customers. In addition, monitoring social media for comments about a business and its products or services can provide useful feedback from customers. Many companies use the Google Alerts feature of the leading search engine to track and receive e-mail updates whenever someone writes about their brands online. Most social networking sites, including Facebook and Twitter, offer search features that allow users to track what people are saying about a company and its products or services. Shari's Berries ships more than 5 million gourmet berries every Valentine's Day. When the weather forecast showed that a major snow storm would be sweeping across the country on Valentine's Day, the company proactively e-mailed customers and sent messages on Twitter warning of delivery delays. As the storm hit, the company monitored Facebook and Twitter, responding to every customer who posted comments. Although there was quite a bit of negative chatter in social media about the company when the storm first hit, within four days positive comments significantly outnumbered negative comments throughout social media.[17]
- ***Test market.*** One of the best ways to gauge customer response to a new product or service is to set up a test market. When Smooth Fitness launched its new unobtrusive, low-cost exercise bicycle designed for aging baby boomers, the company test-marketed the new product on QVC. The company sold 33,000 bikes in one day on QVC, which convinced its managers that the new product would be successful.[18]
- ***Daily transactions.*** Sift as much data as possible from existing company records and daily transactions—customer warranty cards, personal checks, frequent-buyer clubs, credit applications, and others.
- ***Other ideas.*** Set up a suggestion system (for customers and employees) and use it. Establish a customer advisory panel to determine how well your company is meeting needs. Talk with suppliers about trends they have spotted in the industry. Contact customers who have not bought anything in a long time and find out why. Contact people who are not customers and find out why. Teach employees to be good listeners and then ask them what they hear.

Secondary research, which is usually less expensive to collect than primary data, includes the following sources:

- ***Business directories.*** To locate a trade association, use *Business Information Sources* (University of California Press) or the *Encyclopedia of Associations* (Gale Research). To find suppliers, use the *Thomas Register of American Manufacturers* (Thomas Publishing

Company) or *Standard & Poor's Register of Corporations, Executives, and Industries* (Standard & Poor's Corporation). *The American Wholesalers and Distributors Directory* includes details on more than 18,000 wholesalers and distributors.

- ***Direct mail lists.*** You can buy mailing lists for practically any type of business. The *Standard Rates and Data Service Directory of Mailing Lists* (Standard Rates and Data) is a good place to start looking.
- ***Demographic data.*** Profiles of more specific regions are available in the *State and Metropolitan Data Book* (Government Printing Office). The *Sourcebook of ZIP Code Demographics* (CACI, Inc.) provides detailed breakdowns of the population in every ZIP code in the country. *Sales and Marketing Management's Survey of Buying Power* (Bill Communications) has statistics on consumer, retail, and industrial buying.
- ***Census data.*** The Bureau of the Census publishes a wide variety of reports that summarize the wealth of data found in its census database, which is available at most libraries and at the Census Bureau's Web site (www.census.gov).
- ***Forecasts.*** The *U.S. Global Outlook* tracks the growth of 200 industries and gives a five-year forecast for each one. Many government agencies, including the U.S. Department of Commerce, offer forecasts on everything from interest rates to the number of housing starts. A government librarian can help you find what you need.
- ***Market research.*** Someone may already have compiled the market research you need. The *FINDex Worldwide Directory of Market Research Reports, Studies, and Surveys* (Cambridge Information Group) lists more than 10,600 studies available for purchase. Other directories of business research include the *Simmons Study of Media and Markets* (Simmons Market Research Bureau Inc.) and the *A. C. Nielsen Retail Index* (A. C. Nielsen Company).
- ***Articles.*** Magazine and journal articles pertinent to your business are a great source of information. Use the *Reader's Guide to Periodical Literature*, the *Business Periodicals Index* (similar to the *Reader's Guide* but focusing on business periodicals), and *Ulrich's Guide to International Periodicals* to locate the ones you need.
- ***Local data.*** Your state department of commerce and your local chamber of commerce will very likely have useful data on the local market of interest to you. Call to find out what is available.
- ***The Internet.*** Most entrepreneurs are astounded at the marketing information that is available on the Internet. Using one of the search engines, you can gain access to a world of information—literally!

data mining
a process in which computer software that uses statistical analysis, database technology, and artificial intelligence finds hidden patterns, trends, and connections in data so that business owners can make better marketing decisions and predictions about customers' behavior.

Thanks to advances in computer hardware and software, data mining, once available only to large companies with vast computer power and large market research budgets, is now possible for even very small businesses. **Data mining** is a process in which computer software that uses statistical analysis, database technology, and artificial intelligence finds hidden patterns, trends, and connections in data so that business owners can make better marketing decisions and predictions about customers' behavior. By finding relationships among the many components of a data set, identifying clusters of customers with similar buying habits, and predicting customers' buying patterns, data mining gives entrepreneurs incredible marketing power.

Step 3. ***Analyze and interpret the data.*** The results of market research alone do not provide a solution to the problem; business owners must interpret them. What do the data tell you? Is there a common thread running through the responses? Do the results suggest any changes needed in the way the business operates? Can the entrepreneur can take advantage of new opportunities? There are no hard-and-fast rules for interpreting market research results. Entrepreneurs must use judgment and common sense to determine what the results of their research mean.

Step 4. *Draw conclusions and act.* The market research process is not complete until the business owner acts on the information collected. In many cases, the conclusion is obvious once a small business owner interprets the results of the market research. Based on an understanding of what the facts really mean, the owner must then decide how to use the information in the business. For example, the owner of a small ladies' clothing boutique discovered from a survey that her customers preferred evening shopping hours over early morning hours. She made the schedule adjustment, and sales began to climb.

Plotting a Bootstrap Marketing Strategy: How to Build a Competitive Edge

LO4

Describe how a small business can build a competitive edge in the marketplace using bootstrap marketing strategies.

To be successful bootstrap marketers, entrepreneurs must be as innovative in creating their marketing strategies as they are in developing new product and service ideas. Table 8.2 describes several low-cost, creative, and highly effective bootstrap marketing tactics small businesses have used to outperform their larger rivals.

Bootstrap Marketing Principles

The following 14 principles can help business owners create powerful, effective bootstrap marketing strategies.

FIND A NICHE AND FILL IT As you learned in Chapter 4, many successful small companies choose their niches carefully and defend them fiercely rather than compete head-to-head with larger rivals. A focus (niche) strategy allows a small company to maximize the advantages of its size and to compete effectively even in industries dominated by giants by serving its target customers better than its competitors. Focusing on niches that are too small to be attractive to large companies is a common recipe for success among thriving small companies.

ENTREPRENEURIAL PROFILE: Craig Rowe: ClearRisk ClearRisk, founded by Craig Rowe, is a St. Johns, Newfoundland, company that develops risk and claims management apps for government entities and insurance companies around the globe. The company operates in a geographically diverse business-to-business market and relies on social media to reach customers within its narrowly defined niche strategy. The company uses Facebook to connect with its clients and its potential customers and does not use hard sell tactics with social media. Instead, ClearRisk uses Facebook to disseminate valuable information to its niche market. It uses the contacts it generates on Facebook to make calls on potential customers, which is how the company measures its return on its Facebook marketing budget.[19] ■

USE THE POWER OF PUBLICITY **Publicity** is any commercial news covered by the media that boosts sales but for which a small company does not pay. Publicity has power; because it is from an unbiased source, a news feature about a company or a product that appears in a newspaper or magazine has more impact on people's buying decisions than an advertisement does. Exposure in any medium raises a company's visibility and boosts sales, and, best of all, publicity is free! It does require some creativity and effort, however.

publicity
any commercial news covered by the media that boosts sales but for which a small company does not pay.

The following tactics can help entrepreneurs stimulate publicity for their companies:

Write an article that will interest your customers or potential customers. One marketing and advertising consultant writes a twice-monthly column for the local newspaper on useful topics such as "Unlocking the Mysteries of Big Data," "Advertising Strategies for Small Retailers," and "How CEOs Can Use Social Media." Not only do the articles help build his credibility as an expert, but they also have attracted new customers to his business. Do not focus all your writing on traditional media outlets. Outlets such as blogs provide a wide reach to a very targeted market.

Sponsor an event designed to attract attention. Divurgent Healthcare Advisors, located in Dallas, Texas, sponsors local charitable events for children's healthcare. For example, the company raises $5,000 a year for a children's hospital at an annual trade show and its employees participate in other fundraisers for children's healthcare systems.

TABLE 8.2 Bootstrap Marketing Tactics

- Help organize and sponsor a service- or community-oriented project.
- Sponsor offbeat, memorable events. Build a giant banana split or rent a theater for a morning and invite kids for a free viewing.
- Always be on the lookout for new niches to enter. Try to develop multiple niches.
- Offer to speak about your business, industry, product, or service to local organizations.
- Launch a loyalty program that gives customers a reason to return. Be sure to provide loyalty program members with benefits, such as special offers, discounts, shopping previews, and others.
- Reward existing customers for referring new customers to your company. When customers refer business to Choice Translating, a language translation company in Charlotte, North Carolina, they receive a special gift.
- Sell at every opportunity. One brewery includes a minicatalog advertising T-shirts and mugs in every six-pack it sells. Orders for catalog items are climbing fast.
- Develop a sales "script" that asks customers a series of questions to hone in on what they are looking for and what will lead them to the conclusion that your product or service is *it*!
- Sell gift certificates. They really boost your cash flow.
- Create samples of your product and give them to customers. You'll increase sales later.
- Offer a 100%, money-back, no-hassles guarantee. By removing the customer's risk of buying, you increase your product's attractiveness.
- Create a frequent-buyer program. Remember how valuable existing customers are. Work hard to keep the customers you have! One coffee shop kept its customers coming back with a punch-card promotion that gave a free pound of coffee after a customer purchased nine pounds.
- Clip articles that feature your business and send reprints to customers and potential customers. Keep reminding them of who you are and why you're valuable to them.
- Test how well your ads "pull" with coded coupons that customers bring in. Focus your ad expenditures on those media that produce the best results for you.
- Create "tip sheets" to pass out to customers and potential customers (e.g., landscape tips on lawn maintenance).
- Find ways to make your product or service irresistible to your customers. One furniture company e-mails photos of big-ticket items customers are considering, and sales closing rates have climbed 25 percent.
- Create an award for your community (e.g., a landscape company presented a "best yard" award each season).
- Create a big event of your own: "January is Customer Appreciation Month. Buy one suit and get a second one at 50 percent off."
- Conduct a contest in the community (e.g., a photographer sponsored a juried photo contest for different age groups). One restaurant that targeted the business crowd for lunch encouraged customers to leave their business cards (which gave the restaurateur the ability to e-mail them daily lunch specials) to enter a drawing for a free $50 iTunes gift card.
- Collect testimonials from satisfied customers and use them in ads, brochures, and so on. Testimonials are one of the most effective forms of advertising!
- Purchase customized postage stamps that feature your company's logo (see PhotoStamps at http://photo.stamps.com) and use them on business correspondence.
- Get a former journalist to help you write a story "pitch" for local media.
- Show an interest in your customers' needs. If you spot a seminar that would be of interest to them, tell them! Become a valuable resource for them.
- Find unique ways to thank customers, especially first-time buyers, for their business (e.g., a note, a lunch, a gift basket, and so on).
- Give loyal customers a "freebie" occasionally. You might be surprised at how long they will remember it.
- Create a newsletter that features your customers or clients and their businesses (e.g., a photo of a client using your product in his or her business).
- Cooperate with other businesses selling complementary products and services in marketing efforts and campaigns, a process called fusion marketing. Share mailing lists and advertising time or space or work together on a special promotion.
- Use major competitors' coupons against them. The owner of an independent sandwich shop routinely pulled business from a nearby national chain by advertising that he would accept its coupons.
- Market your company's uniqueness. Many customers enjoy buying from small companies that are different and unique. The owners of the only tea plantation in the United States used that fact to their advantage in establishing a customer base.

Sources: Based on Mickey Meece, "How to Keep Momentum Going for Customers and Employees," *New York Times*, January 3, 2008, http://www.nytimes.com/2008/01/03/business/smallbusiness/03tips.html; Jay Conrad Levinson, "Attention Getters," *Entrepreneur*, March 1998, p. 88; Lynn Beresford, Janean Chun, Cynthia E. Griffin, Heather Page, and Debra Phillips, "Marketing 101," *Entrepreneur*, May 1996, pp. 104–114; Guen Sublette, "Marketing 101," *Entrepreneur*, May 1995, pp. 86–98; Denise Osburn, "Bringing Them Back for More," *Nation's Business*, August 1995, p. 31R; Jay Conrad Levinson, "Survival Tactics," *Entrepreneur*, March 1996, p. 84; Tom Stein, "Outselling the Giants," *Success*, May 1996, pp. 38–41; and Gwen Moran, "Get Noticed," *Entrepreneur*, October 2008, pp. 58–61.

Involve celebrities "on the cheap." Few small businesses can afford to hire celebrities as spokespersons for their companies. Some companies have discovered other ways to get celebrities to promote their products, however. For instance, when the founders of Lookout Mobile Security were launching their company, they went to the Academy Awards and set up hardware to extend their Bluetooth signal to more than a mile. Using this technology, they identified all of the celebrities whose mobile devices were vulnerable to being hacked. The stunt got the new company considerable attention in the media. The company has since grown to more than 20 million customers.[20]

Contact local television and radio stations and offer to be interviewed. Many local news or talk shows are looking for guests to talk about topics of interest to their audiences (especially in January and February). Even local shows can reach new customers.

Publish a newsletter. With a personal computer and desktop publishing software, any entrepreneur can publish a professional-looking newsletter. Freelancers can offer design and editing advice. Use the newsletter to reach present and potential customers, providing them with timely and useful information.

Contact local business and civic organizations and offer to speak to them. A powerful, informative presentation can win new business. (Be sure your public speaking skills are up to par first! If not, consider joining Toastmasters.)

Offer or sponsor a seminar. Teaching people about a subject you know a great deal about builds confidence and goodwill among potential customers. The owner of a landscaping service and nursery offers a short course in landscape architecture and always sees sales climb afterward.

Write news releases and fax or e-mail them to the media. The key to having a news release picked up and printed is finding a unique angle on your business or industry that would interest an editor. Keep it short, simple, and interesting. E-mail press releases should be shorter than printed ones—typically four or five paragraphs rather than one or two pages—and they should include a link to the company's Web site.

Volunteer to serve on community and industry boards and committees. You can make your town a better place to live and work and raise your company's visibility at the same time.

Sponsor a community project or support a nonprofit organization or charity. Not only will you be giving something back to the community, but you will also gain recognition, goodwill, and, perhaps, customers for your business. The key is to partner with charities that match the company's values and mission, whether that involves rescuing homeless pets or providing back-to-school supplies for underprivileged kids. Sweetwater Brewery in Atlanta, Georgia, sponsors an annual bike ride that raises money for Camp Twin Lake, a camp providing life-changing experiences to children facing serious illnesses, disabilities, and other life challenges.[21]

Participants in bike ride for Camp Twin Lake sponsored by Sweetwater Brewing Company.
Courtesy of Sweetwater Brewing Co.

Promote a cause. According to the Cone Communications Social Impact Study, 89 percent of customers (compared to only 66 percent of customers in the study conducted twenty years earlier) say that, other things being equal, they are likely to switch from one brand to another if the other brand is associated with a good cause.[22] By engaging in cause marketing, entrepreneurs can support a worthy cause that is important to them and generate publicity and goodwill for their companies at the same time. The key is choosing a cause that is important to your customers. One marketing expert offers the following formula for selecting the right cause: mission statement + personal passion + customer demographics = ideal cause.[23]

ENTREPRENEURIAL PROFILE: Michael Houlihan and Bonnie Harvey: Barefoot Cellars When Michael Houlihan and Bonnie Harvey first launched their San Francisco, California, winemaking company, Barefoot Cellars, they did not have the minimum of $100,000 to commit to advertising that the bigger retail stores require to stock a new brand. To help gain awareness, Barefoot Cellars began to give away free wine to local nonprofits to support their fundraising events. The strategy worked. People enjoyed the new wine and appreciated the company supporting their favorite causes. As the company grew into new markets, it continued to use the same strategy. As its primary market entry strategy, Barefoot Cellars hired staff to find nonprofits to support in each new market. After becoming a national brand, the founders sold Barefoot Cellars to E&J Gallo.[24] ■

Blendtec

DON'T JUST SELL; ENTERTAIN Today, gaining word-of-mouth support via social media is essential to a company's marketing success. However, accomplishing this requires entrepreneurs to engage and even entertain their customers. Companies spend more than $4 billion each year for online video advertising. A video that stands out, is "liked," and is shared with others must be entertaining. For instance, Tom Dickson, CEO and founder of Blendtec, stars in a series of YouTube videos where he sticks a variety of objects into a Blendtec blender. Dickson has put an iPhone, a glow stick, a crowbar, golf balls, an iPad, Bic lighters, and a can of Spam in a Blendtec Total Blender to answer the question, "Will it blend?" Many of the videos receive millions of views. The ads have helped grow the company from a start-up to an industry leader employing more than 450 people.[25]

STRIVE TO BE UNIQUE One of the most effective bootstrap marketing tactics is to create an image of uniqueness for your business. As you learned in Chapter 5, entrepreneurs can achieve a unique place in the market in a variety of ways, including through the products and services they offer, the marketing and promotional campaigns they use, the store layouts they design, and the business strategies they employ. The goal is to stand out from the crowd. Few things are as uninspiring to customers as a "me-too" business that offers nothing unique. Table 8.3 offers suggestions on ways that a retail store can stand out from the competition.

BUILD A COMMUNITY WITH CUSTOMERS Some of the most successful companies interact with their customers regularly, intentionally, and purposefully to create meaningful, lasting relationships with them. Etsy, an e-commerce Web site that offers handmade or vintage items and art and craft supplies, has fueled growth by connecting its customers into communities referred to as "teams." Etsy has teams that include artists with a common interest (one team of almost 400 is focused on painting miniatures), customers from a common city (the Little Rock, Arkansas, team has more than 400 members), or teams that cross interests and locations (fashion designers in Miami, Florida). The teams help each other promote their goods and expand their offerings sold through the Etsy Web site.[26]

Company Web sites and social media also are important tools for building a community with customers. Brendan's Irish Pub used Facebook to build a list of 3,500 fans before the restaurant opened. Tyler Rex, owner of Brenan's, uses Facebook to generate "buzz" for parties, sell merchandise, and promote various events. Burt's Bees uses Facebook to create new products interactively with its customers. Pacific Bioscience Laboratories, the maker of Clarisonic face brushes, shows customers how to use the product on its Facebook page and conducts a contest to encourage customers to send photos of themselves using a Clarisonic. Pacific Bioscience pledged to donate $1 to charity each new "like" on Facebook, which raised $30,000 to help women with cancer.[27]

CONNECT WITH CUSTOMERS ON AN EMOTIONAL LEVEL Closely linked to building a community with customers is the strategy of creating an emotional attachment with them. Companies that establish a deeper relationship with their customers than one based merely on making a sale have the capacity to be exceptional bootstrap marketers. These businesses win because customers receive an emotional boost every time they buy these companies' products or services. They connect with their customers emotionally by providing captivating products, supporting causes that are important to their customer base, taking exceptional care of their customers, surpassing customers' expectations in quality and service, or making doing business with them a fun and

TABLE 8.3 Seven Principles That Make Your Shop Pop

Pamela Danziger, president of the marketing consulting firm Unity Marketing, offers seven principles that can transform any store into a shop that "pops."

1. ***Offer high levels of customer involvement and interaction.*** When customers have the opportunity to interact with a product, they spend more time in the store, which increases the probability that they will buy something. That's the guiding principle behind Barnes & Noble's decision to incorporate chairs and couches as well as coffee and snack bars into its bookstores.
2. ***Evoke shoppers' curiosity to explore with a unique displays, store layout, and selection of merchandise.*** One jewelry store captured the attention of passersby with a window display that featured not only unique pieces of jewelry but also a collection of interesting fossils, crystals, geodes, and unusual rock formations. The display increased the number of walk-in shoppers and sales.
3. ***Exude a contagious air of excitement, energy, and "electricity."*** Apple Stores generate an astonishing volume of sales per square foot by creating an energized atmosphere. The decor is modern and minimalist so that products stand out. iPads located next to every product on display provide interactive product, service, and support information and allow shoppers to summon a salesperson in a flash. Shoppers who have questions or technical problems can ask a highly trained expert at the Genius Bar. Employees periodically offer free classes on using Apple products.
4. ***Create a synergistic convergence of atmosphere, store design, and merchandise that results in a special place for customers.*** The goal is to create a "paradox environment," one that offers customers displays and products they expect but also surprises them with something that is unique and unusual, even bizarre. To promote a new loyalty card program called Sprize with the tagline "Turning shopping on its head," a Gap store in London surprised shoppers by displaying 32 mannequins suspended from the ceiling upside down and arranged for three cars and a hot dog stand parked in front of the store to be flipped on their tops.
5. ***Provide an authentic values-driven experience.*** Godfrey's Welcome to Dogdom, a pet boutique located in Mohnton, Pennsylvania, sees the world from a dog's point of view and stocks a full line of dog-related products, ranging from essentials such as specialty foods, health-related products, and pet care items to luxuries such as hand-cast stone sculptures, cast bronze statues, dog apparel, and healthy fresh-baked dog biscuits in a multitude of flavors. Customers can book their pets for a doggie play group or schedule family time with their pets at one of the store's play parks. Special events such as a Valentine's Day Whine and Dine Brunch, a Pooch Smooch Easter photography session, and a Howl-o-ween Pawrade and Pawty keep customers and their beloved pets coming back to Godfrey's.
6. ***Provide a price-value model that customers understand and support.*** The Great Recession has made shoppers value conscious, but that does not mean discounting is the best way to attract customers. Businesses that show customers the value their products provide create a good value proposition without having to resort to price cuts. "Our focus is on solutions to our customers' problems and issues with their dogs and is not based on commodity price and product selling," says Barb Emmett of Godfrey's Welcome to Dogdom.
7. ***Maintain a friendly, welcoming store that gives customers a reason to return.*** In some stores, salespeople act as if they are doing customers a favor by waiting on them. Stores that pop take the opposite approach, welcoming customers and treating them as if they are important (because they are!). At an Arby's franchise in Camp Hill, Pennsylvania, 89-year-old Pearl Weaver greets customers with waving pom-poms, a big smile, and a happy "Welcome to Arby's." The store's manager, Christian Stakes, says not a week goes by without "Miz Pearl," as customers affectionately call her, being mentioned in online and in-store customer satisfaction surveys. "If she's off for a week, people ask about her," he says.

The goal is to create a store with "soul" that engages customers on many different levels; that creates a fun, festive atmosphere; and that has a mission that goes far beyond merely selling products.

Sources: Based on Paula Holewa, "Does Your Shop Pop?," *JCK*, January 13, 2011, http://www.jckonline.com/blogs/retail-details/2011/01/13/does-your-shop-pop; Kerry Bodine, "Apple Store 2.0: Why Customer Experience Leaders Should Care," *Forbes*, May 26, 2011, http://www.forbes.com/sites/forrester/2011/05/26/apple-store-2-0-why-customer-experience-leaders-should-care; Pam Danziger, "A Shop That Pops: How Godfrey's, a Pet Boutique, Creates the Ultimate Customer Experience," Unity Marketing, Shops That Pop, http://www.shopsthatpop.com/cms/Home_Page/White_Papers_Articles.php; Pam Danzinger, "Does Your Shop Pop?," Unity Marketing, Shops That Pop, http://www.shopsthatpop.com/cms/Home_Page/White_Papers_Articles.php; Glen Stansberry, "10 Examples of Shockingly-Excellent Customer Service," *American Express OPEN Forum*, May 4, 2010, http://www.openforum.com/idea-hub/topics/managing/article/10-examples-of-shockingly-excellent-customer-service-1; and Lara Brenckle, "Camp Hill Woman, 89, Hands Out Cheers with Sandwiches at Fast-Food Restaurant," *PennLive*, August 10, 2009, http://www.pennlive.com/midstate/index.ssf/2009/08/camp_hill_woman_89_hands_out_c.html.

enjoyable experience. Building and nurturing an ongoing relationship with customers establishes a relationship of trust, a vital component of every marketing effort. The Cone Communications Social Impact Study reports that 82 percent of Americans (84 percent of those in Millennial generation) consider a company's business practices when making purchase decisions.[28]

The goal is not only to create lifelong, loyal customers but also to transform customers into passionate brand advocates, people who promote a company's products or services to friends, family members, and others. Although many companies manufacture tablet PCs, few have achieved the iconic status of Apple's iPad, which allows customers to perform a variety of tasks, ranging from word processing and downloading e-books and music to accessing the Internet and making

face-to-face video calls. Its sleek, lightweight, touch-screen design resonates with customers because it reflects the way they want to use a tablet PC and evokes an image of "cool." The result of this emotional connection with customers: sales of 25 million units in a little more than a year and a base of loyal fans who happily promote the company to their friends—at no cost to the company.

unique selling proposition (USP)
a key customer benefit of a product or service that sets it apart from the competition; it answers the critical question every customer asks: "What's in it for me?"

One important aspect of connecting with customers is defining the company's **unique selling proposition (USP)**, a key customer benefit of a product or service that sets it apart from its competition. To be effective, a USP must actually *be* unique—something the competition does not (or cannot) provide—as well as compelling enough to encourage customers to buy. Unfortunately, many business owners never define their companies' USP, and the result is an uninspiring me-too message that cries out "buy from us" without offering customers any compelling reason to do so.

A successful USP answers the critical question that every customer asks: "What's in it for me?" A USP should express in no more than 10 words what a business can do for its customers. Can your product or service save your customers time or money, make their lives easier or more convenient, improve their self-esteem, or make them feel better? If so, you have the foundation for building a USP. For instance, Toms donates a pair of shoes to an impoverished child for every pair of shoes it sells. Toms also sells eyewear and donates to a charity that helps restore sight to people in developing countries. Toms has a simple but clear USP: "One for one." Saddleback Leather, a maker of high-end leather bags, has a USP that communicates the quality of its products: "They'll Fight Over It When You're Dead." Naomi Dunford, founder of IttyBiz, a marketing consulting firm that helps small companies with no more than five employees create bootstrap marketing strategies, says her company's USP is "Marketing for businesses without marketing departments."[29]

The best way to identify a meaningful USP that connects a company to its target customers is to describe the primary benefit(s) its product or service offers customers and then to list other, secondary benefits it provides. A business is unlikely to have more than three primary benefits, which should be unique and able to set it apart. When describing the top benefits the company offers its customers, entrepreneurs must look beyond just the physical characteristics of the product or service. Sometimes the most powerful USP emphasizes the *intangible, psychological, and emotional* benefits a product or service offers customers—for example, safety, "coolness," security, acceptance, and status. The goal is to use the USP to enable a company to stand out in customers' minds.

It is also important to develop a brief list of the facts that support your company's USP, such as 24-hour service, a fully trained staff, awards won, and so on. By focusing the message on these top benefits and the facts supporting them, business owners can communicate their USPs to their target audiences in meaningful, attention-getting ways. Building a firm's marketing message around its core USP spells out for customers the specific benefit they get if they buy that product or service and why they should do business with your company rather than with the competition. Finally, once a small company begins communicating its USP to customers, it has to fulfill the promise! Nothing erodes a company's credibility as quickly as promising customers a benefit and then failing to deliver on that promise.

Many small companies are finding common ground with their customers on an issue that is becoming increasingly important to many people: the environment. Small companies selling everything from jeans to toothpicks are emphasizing their "green" products and are making an emotional connection with their customers in the process. Companies must be truthful, however, or their marketing pitches can backfire and damage their reputations. Consumers are becoming more vigilant in their search for companies that are guilty of "greenwashing," touting unsubstantiated or misleading claims about the environmental friendliness of their products. Customers feel good about doing business with companies that manufacture products according to green principles, support environmental causes, donate a portion of their pretax earnings to philanthropic organizations, and operate with a clear sense of fulfilling their social responsibility.

branding
communicating a company's unique selling proposition (USP) to its target customers in a consistent and integrated manner.

CREATE AN IDENTITY FOR YOUR BUSINESS THROUGH BRANDING One of the most effective ways for entrepreneurs to differentiate their businesses from the competition is to create a unique identity for it through **branding**. Although they may not have the resources to build a brand name as well known as Google (Google's brand is estimated to be worth more than $159 billion), entrepreneurs can be successful in building a brand identity for their companies on a smaller

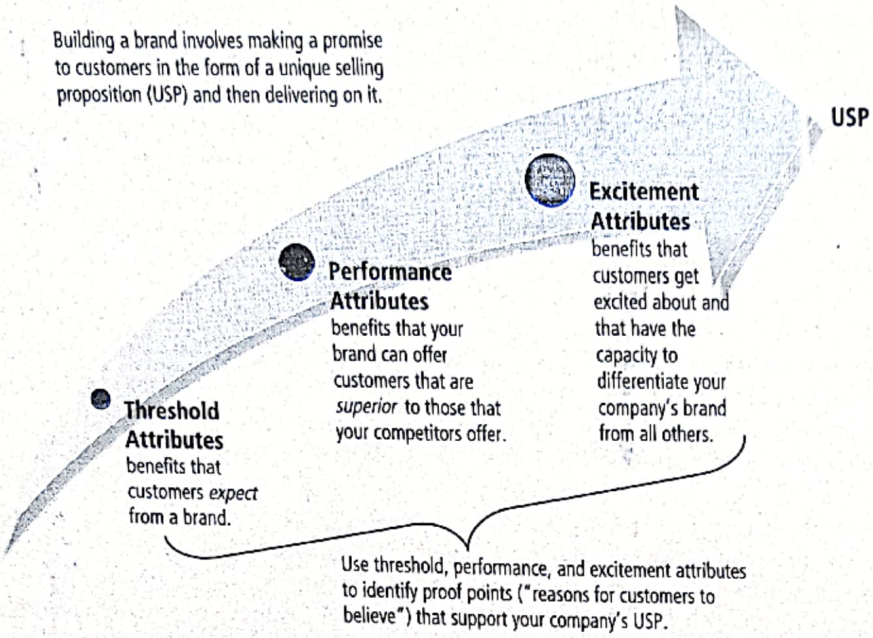


FIGURE 8.2
The Connection between Branding and a USP

Source: Based on Brand-Savvy, Highlands Rance, Colorado.

scale in the markets they serve. A large budget is not a prerequisite for building a strong brand, but creating one does take a concerted, well-coordinated effort that connects every touch point a company has with its customers with the company's desired image. A strong brand evokes the company's story in customers' minds.[30]

Branding involves communicating a company's unique selling proposition to its target customers in a consistent and integrated manner. A brand is a company's "face" in the marketplace, and it is built on a company's promise of providing quality goods or services to satisfy multiple customer needs. A brand sends an important message to customers; it signals that the benefits a company offers (which may be intangible) are worth more than those its competitors can offer. Companies that build brands successfully benefit from increased customer loyalty, the ability to command higher prices, greater visibility, and increased name recognition. Small companies that attempt to lure customers with discounts or constant sales often dilute their brands and cheapen them in the customers' eyes. Figure 8.2 shows the connection between a company's brand and its unique selling proposition.

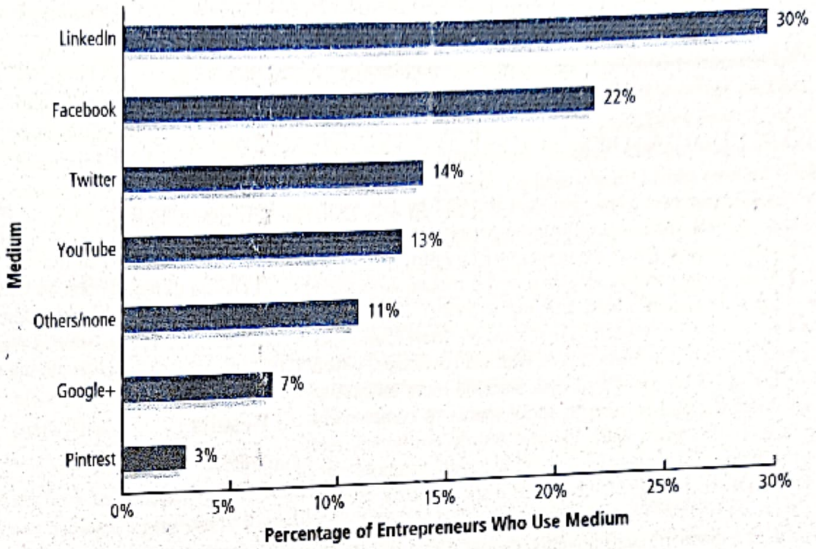
EMBRACE SOCIAL MARKETING Although social networking sites such as Facebook and Twitter are better known for their personal applications, they also have significant potential as marketing tools. Seventy-three percent of Internet users participate in at least one social networking site, more than double the 34 percent in 2008.[31] Businesses recognize that many of their current and potential customers use social networking sites and are reaching out to them with social marketing efforts. A recent survey of 600 small business owners found that 90 percent of them use social media to connect with existing and potential customers.[32] Figure 8.3 shows the most common social media tools used by small business owners. Most experts suggest that entrepreneurs find the best social media for their particular business instead of trying to use all of them at once. Keep in mind that it may take several months for social media marketing to make an impact on a small business; persistence and consistency are key.

Social networking sites are an ideal type of bootstrap marketing tool because they allow entrepreneurs to market their companies effectively and at little or no cost. One recent survey reports that 89 percent of marketers say their social media marketing efforts have generated greater exposure for their companies and many other benefits (see Figure 8.4).[33] Small companies use a variety of social networking tools to market their companies, but three of the most popular are LinkedIn, Facebook, and Twitter:

LinkedIn. LinkedIn has overtaken Facebook as the most widely used social media site by entrepreneurs. To use LinkedIn as a marketing tool, entrepreneurs should create a personal

FIGURE 8.3
Social Media Entrepreneurs Use as Marketing Tools

Source: "Small Biz Owners Say LinkedIn Offers Them More Potential Than Facebook, Twitter," *Marketing Charts*, February 1, 2013, http://www.marketingcharts.com/wp/online/small-biz-owners-say-linkedin-offers-them-more-potential-than-facebook-twitter-26648/.



profile that focuses on their role as owner of a business, send invitations to people with whom they have connections, join (or form) groups that are of interest to customers, and use Answers to demonstrate their expertise. LinkedIn is a good forum for generating leads and advice from like-minded business owners. Entrepreneurs also should create a link to their company's Web sites, blog, and Twitter feed. They also can post upcoming events at their businesses and conduct polls among other LinkedIn users. The updates feature allows users to share blog posts, newsletters, and other timely information.

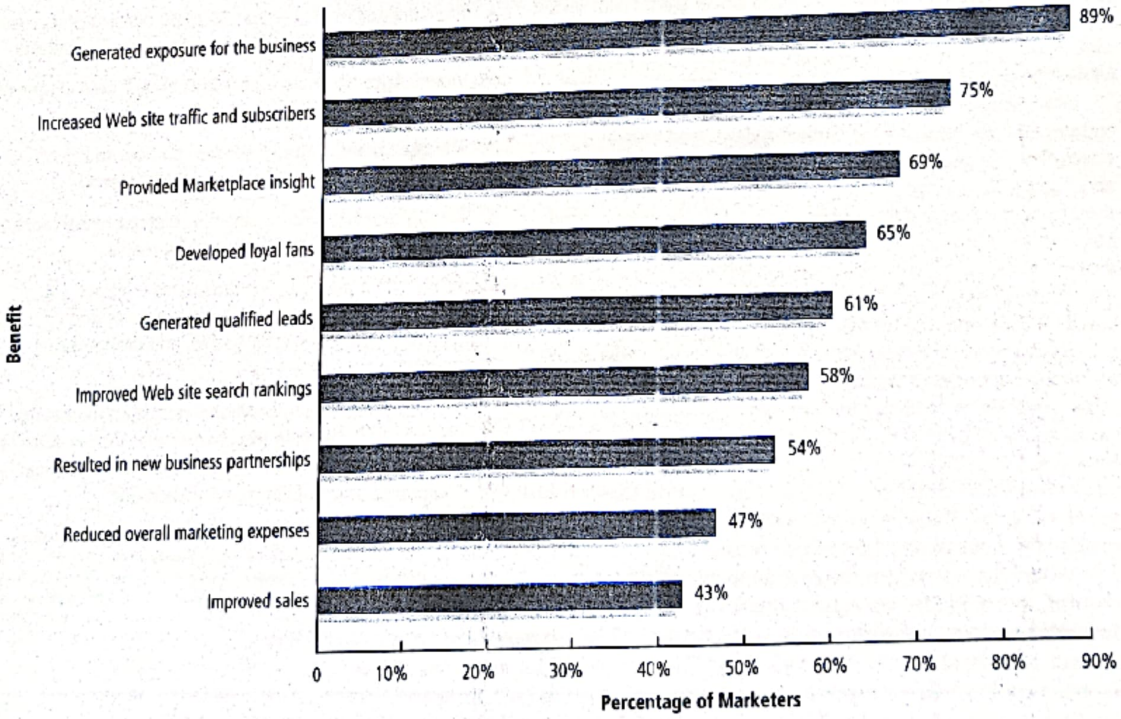


FIGURE 8.4
Benefits of Social Media Marketing

Source: "Want Social to Boost Sales? Be Prepared to Spend the Necessary Time," *Marketing Charts*, May 22, 2013, http://www.marketingcharts.com/wp/online/want-social-to-boost-sales-be-prepared-to-spend-the-necessary-time-29686/.

You Be the Consultant

Auto Repair Goes Social

Victory Auto Service and Glass, founded in 1997 by Jeff Matt, built its base of loyal customers with strong personal relationships. Personal customer service is at the heart of Victory Auto's business model. The company has five locations and a mobile auto glass service in the Minneapolis, Minnesota, metro area.

As the business grew from its first location, Matt found that maintaining the personal relationships with his customers, which was the core of his company's success, became more difficult to maintain. Matt decided to turn to social media to complement face-to-face connections with Victory Auto's customers and sought the help of Stephanie Gutierrez, a communications specialist and loyal customer, to help create a social media strategy for Victory Auto.

Gutierrez experimented with various social media tactics until she found a strategy that supported the personal connection with customers that Matt relied on to build his company. Facebook is the heart of Victory Auto's social media strategy. When Gutierrez developed the company's Facebook page, she took the time to think like the business's average customer: car owners who were not necessarily interested in cars. The typical customer interacts with Victory Auto because they have to, not because they want to. Instead of creating a page with information on cars, she adds posts related to traffic, commuting, and travel that everyone who owns a car would be interested in reading. At first, she posted longer articles with links to articles about cars. However, these posts did not seem to register with the typical customer. Now Gutierrez posts much shorter text entries that are written in a personal style with many photos.

The second major aspect of Victory Auto's social media strategy involves YouTube videos. Gutierrez developed several short videos that are geared toward people who do not know much about cars. The videos on Victory Auto's YouTube channel include short how-to videos and tours of its various store locations around Minneapolis. For example, the most popular video is one that shows how to top off windshield wiper fluid!

Matt believes that success in the auto service business is based on trust, and that trust is built by getting to know the people who work at Victory Auto. Many of the social media posts are about employees of Victory Auto, focusing on their birthdays, other celebrations, and day-to-day casual interactions while at work. About 20 percent of Victory Auto employees are active on Facebook. When they become Facebook and sometimes even personal friends with customers, they are encouraged to share photos on Facebook. These photos can then be tagged to help build more traffic at the Victory Auto Facebook page.

Victory Auto Glass uses social media to promote the various charities, including Mothers Against Drunk Drivers and Toys for Tots. A local charity that Victory Auto is heavily involved with is Free2Be, which provides auto care and donated cars for economically disadvantaged people in Anoka County, Minnesota. Volunteers with Free2Be can use the repair bays at Victory Auto free of charge to repair donated cars. Victory Auto also gives free or discounted car repairs for people helped by the Free2Be program. Gutierrez then posts some of these stories on the company's Facebook page to help promote the charity.

Results

Victory Auto has seen significant returns on its investment in social media:

- The company opened two of its five locations since implementing its social media strategy.
- Most of the customers of the two newest locations heard about Victory Auto from word of mouth or online.
- More than 60% of fans and people "talking about" the company's Facebook page are female.
- Victory Auto became a certified female-friendly auto repair shop with AskPatty, a Web site that provides automotive advice for women.
- The company estimates that 50 to 60 percent of its customers are female, which is far above the industry average.
- Victory Auto has more than 1,200 "likes" on its Facebook page.
- The most popular YouTube video, on how to top off windshield wiper fluid, has more than 6,500 views.

1. Identify at least three lessons that entrepreneurs can learn from the Victory Auto's use of social media.
2. Work with a team of your classmates to select a local business that has no social media presence and develop a plan to boost its visibility, sales, and profits with a social media strategy.
3. Identify at least three additional bootstrap marketing strategies discussed in this chapter that Victory Auto can use to increase its visibility, sales, and profits. Explain how the company should implement each one.

Sources: Based on Louise Julig, "How an Auto Repair Shop Is Winning Female Customers with Social Media," *Social Media Examiner*, September 25, 2013, www.socialmediaexaminer.com/social-media-case-study-victory-auto/; "About Us," Victory Auto Service and Glass, n.d., www.victoryautoservice.com/AboutUs.html; "Victory Auto Service and Glass," Facebook, n.d., www.facebook.com/VictoryAutoService; "Victory Auto Service," YouTube, n.d., www.youtube.com/channel/UCsBv4zmSqaa4CrLXmN0jMTQ.

Facebook. People spend nearly 12 *billion* hours per month on Facebook, the world's largest social network. Creating a Facebook business page is not the same as creating a personal profile page, however. On Facebook, an entrepreneur should create a Welcome page that is designed to create interest in the company's products or services and that encourages visitors to "like" the business. Businesses can generate likes by posting the Facebook URL on in-store signs, business cards, shopping bags, and anything else customers are likely to see. E-mail and "refer-a-friend" campaigns and links to Facebook from a company's Web site and blog also increase the number of likes the company receives. One key to using Facebook successfully as a marketing tool is to keep a company's page fresh, just like the merchandise displays in a physical store. Adding photographs, announcements of upcoming events, polls and surveys, and games and contests or promoting a cause the company supports are excellent ways to create buzz and keep fans coming back. Entrepreneurs must invest time in their social media marketing effort; nearly 58 percent of marketers spend at least six hours a week on social media marketing.[34]

Twitter. Twitter users send more than 1 billion tweets per week, and 42 percent of users look to Twitter for information about the products and services they buy.[35] Twitter, a microblogging (no more than 140 characters) service, is ideal for interacting with customers or potential customers, promoting daily specials and upcoming events, and driving traffic to a company's Web site or blog. Small business expert Steve Strauss recommends Twitter as a good way for entrepreneurs to establish their expertise. Strauss also says that 80 percent of content sent out should be about customers, while only 20 percent should promote the entrepreneur's business.[36] Weetabix, a whole-grain cereal company, used Twitter to promote a new line of On the Go Breakfast Biscuits. The company posted short videos of people going through normal morning routines. Consumers would then decide what happened next in the video by posting hashtags such as #getup, #hitsnooze, #grabbreakfast, and #leavethehouse. The videos reached more than 262,000 people on Twitter, leading to a five-fold growth in the company's followers. As part of its sponsorship of the French Open Tennis Tournament, BNP Paribas Bank offered a social media game that allowed Twitter users to play a game of tennis against Jo-Wilfried Tsonga, a French professional player. Participants dragged-and-dropped a tennis ball on a virtual screen that controlled a robot hitting balls at Tsonga live on a tennis court.[37] Twitter also is a useful tool for monitoring a company's customer service performance, something that companies are discovering is essential to preserving the quality of their brands. A recent poll from RightNow and Harris Interactive reports that 85 percent of customers who posted a negative shopping experience with a company and were subsequently contacted by that company ultimately took an action online that benefited the business (such as changing their negative review to a positive one).[38] The following tips help entrepreneurs use Twitter successfully as a bootstrap marketing tool:

- Connect with others as a person, not as a brand. Twitter users want to talk with people, not companies.
- Engage in conversations. Twitter is a two-way communication tool, not an outlet for sending one-way messages, such as press releases and marketing copy.
- Give people a reason to follow you. Reveal the "inside story" of your company, ask customers for feedback, or offer special deals to followers.
- Link Twitter to your company's Web site. Refer followers to your company's Web site, blog, or a video about your company and its products or services.[39]

ENTREPRENEURIAL PROFILE: Curtis Kimball: The Crème Brûlée Man Curtis Kimball grew his highly successful food cart, The Crème Brûlée Man, with no marketing budget. Kimball uses Twitter to promote his food cart as it travels among various neighborhoods in San Francisco. Kimball has more than 12,000 followers on Twitter, who rely on his posts to let them know where his cart will be and what flavors he is offering each day. He also uses Twitter to get customer feedback on what flavors he should offer and on new locations he should try. To engage his followers, Kimball uses humor in his posts.[40] ■

Hands On . . . How To

Make Social Media Work for Your Business

Social media, such as Facebook, Twitter, LinkedIn, YouTube, and others, can be a vital and productive component of a company's bootstrap marketing strategy. Because the typical customer sees more than 20,000 advertising and sales messages each week, small businesses' marketing efforts, particularly their social media marketing efforts, must be well planned, consistent, and focused. Otherwise, they will become lost in a sea of ads, posts, tweets, and blogs.

The first key to a successful social media marketing strategy is understanding your customers and knowing where they are in the social media universe and what they expect from you. Entrepreneurs can use the following tips and success stories to develop a social media marketing strategy that works for their businesses:

Use social media to level the playing field. One of the greatest advantages of using social media is its low cost, which means that large companies have no more of a marketing advantage than small businesses. "We've never been able to compete with larger casual dining restaurants that own the airwaves," says Jen Gulvik, vice president of marketing for Houlihan's Restaurants, a small restaurant chain based in Leawood, Kansas. "We can't outshout them with our marketing budget, but it's still essentially free to play in social media. We can be in this space and do as well, if not better, than our larger competitors."

Build your brand—and your customer base—with social media. Einstein Bros. Bagels, a bagel, sandwich, and coffee chain with nearly 450 locations across the United States, had amassed 4,700 Facebook fans before launching a social media–based bagel giveaway during the fall. Customers responded and within one week, the number of fans had increased to 300,000. When Einstein Bros. repeated the promotion on Facebook the following spring, its fan base jumped to more than 600,000! "We're not a national advertiser," says James O'Reilly, the company's chief concept officer. "We decided to make social media a pillar of our marketing efforts. It's a whole new channel for businesses to engage their customers in a two-way dialogue." Today, Einstein Bros. boasts nearly 700,000 Facebook fans who ask about new products and upcoming promotions, post photos of themselves (and their pets) enjoying an Einstein Bros. bagel, and respond to questions the company posts on its Wall ("Which bagel and shmear combination do you crave most—sweet or savory?").

Remember that no matter what media you use to promote your business, no one really cares what you do; potential customers care only about what you can do for them. One of the greatest advantages for small businesses that use social media is its ability to naturally showcase their uniqueness, their informal culture, and their staff's passion for what they do. Once prospects understand the value that a company's products or services hold for them, selling to them becomes much easier. Use social media to showcase the results your company can create for customers.

Be creative in your social media promotions. Using a creative Facebook campaign, California Tortilla, a 26-unit restaurant chain in Rockville, Maryland, increased the number of Facebook fans by 50 percent and generated a 10 percent increase in same-store sales—and spent less than $700. The company offered a free order of chips and queso to its Facebook fans but promised to upgrade the offer to a free taco if its fan base reached 13,000 people. The viral nature of social media took over, and California Tortilla ended up with more than 16,000 likes. "The people who got involved were super-passionate fans," says marketing director Stacey Kane. "Based on customer engagement, it was a win."

Listen before you talk. Success with social media marketing requires a different approach than traditional advertising, which relies primarily on one-way communication, telling your audience about your business and its products and services. Social media marketing requires that businesses *listen* before they engage their audience in a two-way conversation. Mari Luangrath, owner of Foiled Cupcakes, an upscale cupcake bakery in Chicago, has no physical storefront for her business yet manages to sell 1,000 dozen cupcakes each month at an average price of $38 per dozen. Luangrath says she developed 94 percent of her customers using social media marketing tools, especially Twitter. Her strategy is to identify online conversations about food, baking, and cupcakes that she and her employees can join naturally and build trust by providing useful content and comments. "I'm very comfortable with traditional marketing," says Luangrath, "but I don't want to market to everybody. I want to find people who want to hear what I have to say and then, at the end of the engagement, purchase my product." Luangrath also has joined groups of Chicago administrative professionals—the people who plan office parties and events—on LinkedIn and posts useful articles for them. "You want to engage people, get feedback, and start a conversation. Then you can say, 'Why don't we drop some cupcakes by and show you what we can do?'"

Use social media to reward loyal customers, fans, followers, and promoters of your brand. Jordan Zweigoron, founder and "chief psycho" of Psycho Donuts, a doughnut shop in Campbell, California, that sells uniquely flavored doughnuts served by employees wearing nurse uniforms, uses Fanminder, a mobile marketing service that allows businesses to send text messages containing special offers and promotions to customers who opt in. The company also uses Twitter to reward its loyal customers, but Zweigoron says Psycho Donuts's Fanminder offers generate a response that is three to four times greater than its Twitter promotions.

(continued)

Hands On . . . How To *(continued)*

Use online video to show off your products and services. Television advertisers have known for decades that video is the ideal way to show people how a product or service works. Social media sites such as YouTube give even the smallest businesses the opportunity to show their products and services in action at minimal cost. BBQ Guys, a store in Baton Rouge, Louisiana, that sells everything related to barbecuing, began posting videos featuring its grills on YouTube in 2006. The videos were so successful that the company recruited a local chef to host them. BBQ Guys has posted more than 400 videos on YouTube that have more than 1.4 million views. A visitor who watches a video is twice as likely to make a purchase as one who does not. "We see the videos almost like a TV commercial," says Troy Olson, the company's digital advertising manager. "We're planting our brand name."

Give customers a reason to tune in to your business. Create a destination by posting fresh content and promoting upcoming specials, sales, and events. Resist the tendency to let the hectic nature of your schedule drive out the time necessary to make social marketing work for your business. To make social media marketing pay off, entrepreneurs must make social media marketing a regular part of their work schedules.

Use social media to encourage your customers to talk—and then listen. Social media are ideal for engaging customers in two-way conversations. Beachbody, a producer of fitness videos based in Santa Monica, California, realized that many of the online conversations in which its employees participated originated from faith-based sites. It was a market niche that the company had never considered until its employees began listening to potential customers' conversations. The company introduced Body Gospel, a series of workouts set to contemporary Christian music that have been successful.

Use analytics to measure your company's social media results. Entrepreneurs should measure the results of their social media marketing efforts so that they know which ones work best. Social media marketing efforts are always evolving, and entrepreneurs need useful feedback on their results. Many tools are available to measure success, but many of the standards that fit traditional advertising media, such as sales leads, sales, Web site traffic, customer engagement and retention, and profits, apply to social media.

Sources: Based on Heidi Cohen, "How to Jump into the Social Media Pool without Drowning," *SmartBlogs*, May 10, 2011, http://smartblogs.com/socialmedia/2011/05/10/how-to-jump-into-the-social-media-pool-without-drowning; Courtney Jeffries, "How 3 Brands Generate Buzz by Employing Social Technologies," *Social Media Club*, August 24, 2011, http://socialmediaclub.org/blogs/from-the-clubhouse/social-business-snapshot-how-3-brands-generate-buzz-employing-social-techno; Jason Ankeny, "Social Climbers," *Entrepreneur*, January 2011, pp. 116–123; Lisa Nicole Bell, "3 Rules for Selling in the New Economy," *Reuters*, January 10, 2011, http://blogs.reuters.com/small-business/2011/01/10/3-rules-for-selling-in-the-new-economy; Mark Brandau, "California Tortilla: Lessons Learned from Facebook Promo," *Nation's Restaurant News*, March 30, 2011, http://www.nrn.com/article/california-tortilla-lessons-learned-facebook-promo; Brian Quinton, "Baking, Listening, and Selling," *Entrepreneur*, February 2011, pp. 60–61; Jason Ankeny, "Crazy for Mobile Deals," *Entrepreneur*, October 2010, pp. 40–41; Kermit Pattison, "Online Video Offers Low-Cost Marketing for Your Company," *New York Times*, March 16, 2011, http://www.nytimes.com/2011/03/17/business/smallbusiness/17sbiz.html; and April Joyner, "Social Networking: Who's Talking About You?," *Inc.*, September 2010, pp. 63–64.

Start a Blog A Web log ("blog") is a frequently updated online journal that contains a writer's ideas on a multitude of topics and links to related sites. A recent survey by HubSport[41] reports that:

- 62 percent of companies now use blogs as part of their marketing strategies.
- 82 percent of companies that publish blogs on a daily basis say they have acquired a customer through their blogs.
- 57 percent of companies that publish blogs monthly say they have acquired a customer through their blogs.
- 55 percent of marketers spent more time than money on blogging, reinforcing blogs as a strong tool for bootstrap marketing.

Business blogging can be an effective part of a bootstrap marketing strategy, enabling small businesses to communicate with large numbers of potential customers economically.

Blogs that attract the attention of existing and potential customers boost a company's visibility and sales. Companies post their blogs, promote them on their Web sites and in other social media, and then watch as the viral nature of the Internet takes over with visitors posting comments and telling their friends about the blog. Many small companies allow customers to contribute to their blogs, offering the potential for one of the most valuable marketing tools: unsolicited endorsements from satisfied users. Blogging's informal dialogue is an ideal match for small companies whose culture and style also are casual. Linked to a company's other social media marketing efforts (such as Facebook, LinkedIn, and Twitter), a blog can serve as its social media hub. Blogs can keep customers updated on new products, enhance customer service, and

promote the company. If monitored regularly, blogs also can give entrepreneurs keen insight into their customers' viewpoints and preferences. Creating a blog is not risk free, however. Companies must be prepared to deal with negative feedback from some visitors. Common platforms for creating blogs include WordPress, Blogger, Tumblr, Weebly, SquareSpace, and TypePad.

The following tips can help entrepreneurs implement a successful blogging strategy:

- ***Strive to cultivate the image of an expert or a trusted friend on a topic that is important to your customers.*** In his blog, the owner of a company that installs water gardens posts tips for maintaining a healthy water garden and answers questions his readers post.
- ***Be patient.*** A blog takes months to build up traffic and interest. To be successful, an entrepreneur must be willing to commit to writing regularly for a long time before the blog generates new business.
- ***Be honest, balanced, and interesting when writing a blog.*** High-pressure sales pitches do not work in the blogging world. Telling an interesting "inside story" about the company, its products or services, or some aspect of the business attracts readers. However, experts recommend the 80–20 rule for posting topics. Keep 80 percent of the posts about more general topics related to your industry or about your customers and only 20 percent of the posts about your company.
- ***Post blog entries consistently so that readers have a reason to return.*** Entrepreneurs should make blog posts at least once a week. Successful bloggers schedule time each day or several times a week to work on their blog posts.
- ***Ask customers for feedback.*** Blogs are powerful tools for collecting real-time market research inexpensively. It is easy to insert instant polls that allow readers to offer quick feedback.
- ***Use services such as Google Alerts that scan the Web for a company's name and send e-mail alerts when it finds posts about a company.*** Entrepreneurs must monitor the online "buzz" about their companies; if they discover negative comments, they can address the issues in their blogs.
- ***Be cautious.*** If you are blogging to promote your business, be careful what you write about. Avoid making negative comments about competitors, addressing controversial topics, or making unsubstantiated claims.
- ***Promote the blog via social media and e-mail.*** It is easy to push out blog posts via Twitter, Facebook LinkedIn, and e-mail marketing software. Include a link to your blog in your e-mail signature.[42]

Create Online Videos Video hosting sites such as YouTube give creative entrepreneurs the opportunity to promote their businesses at no cost by creating videos that feature their company's products and services in action. Unlike television ads, uploading a video to YouTube costs nothing, and in some cases, the videos reach millions of potential customers. Watching online videos is pervasive; YouTube reports that visitors view 3 billion videos per day.[43] Of those marketers using social media, 56 percent actively use YouTube to post videos about their company and its products.[44] Successful online video campaigns don't just educate and inform, they also entertain and engage customers. Although YouTube is still the most commonly used platform for videos, Facebook, Twitter, and Instagram offer alternative outlets for video content.

ENTREPRENEURIAL PROFILE: Dr. Irena Vaksman Dr. Irena Vaksman, a San Francisco dentist, uses a variety of social media tools to promote her practice. In addition to Twitter and Facebook, Vaksman has a YouTube channel. On her channel, she shares several educational videos about dental procedures. Vaksman says her efforts have helped her practice stand out in a crowed market.[45] ■

Host a Special Event Another effective bootstrap marketing strategy is to host a special event that reinforces the company's brand in customers' minds. Mashable, an online social-media news site, hosts events to connect with its users. The company sees a benefit in connecting with its users in

person, rather than only through its online platform. For instance, Mashable hosted an award show in Las Vegas to celebrate the best of social media. The event, which sold out all its tickets, blended online voting with a live event to feature the awardees. Mashable also hosts live meet-ups across the country to connect with users and to learn what is happening in different communities.[46]

BE DEDICATED TO SERVICE AND CUSTOMER SATISFACTION Many businesses have lost sight of the most important component of every business: the customer. Entrepreneurs must realize that everything in the business—even the business itself—depends on creating a satisfied customer. The rewards for providing excellent customer service are great, and the penalties for failing to do so are severe. Excellent customer service, as you learned in Chapter 4 is an key component of a company's business model, does not look the same for every business. Excellence in customer service means that a company must meet the expectations its business model creates for customers. Excellent customer service may mean quick, efficient service, or it may mean absolute attention to customers' specific wants and needs. A recent survey by Harris Interactive reports that 55 percent of consumers have become customers of a company just because of the company's reputation for providing outstanding customer service. The study also revealed that 85 percent of customers are willing to pay extra (as much as 25 percent more) for products that are accompanied by excellent customer service.[47] Conversely, another Harris Poll reports that 80 percent of customers say they will never return to a business after a negative customer service experience.[48]

Lost sales are only the beginning of a company's woes, however. Unhappy customers are likely to tell their poor service stories to family members and friends. The Harris Interactive survey also shows that 79 percent of customers who have negative customer service experiences tell others about them.[49] This negative word of mouth has a detrimental effect on the offending company. A study by the Jay H. Baker Retailing Initiative at the University of Pennsylvania reports that 48 percent of shoppers say they will not patronize stores where they know that other customers have had bad service experiences.[50] Most of these customers never complain; in fact, for every complaint a company receives, 17 other complaints go unspoken.[51] These disgruntled customers exact revenge over their poor treatment, however. These days, a company that provides poor service may find itself being panned on Yelp, Twitter, Facebook, a YouTube video, a blog, or a Web site. A survey by Social Media Marketing University found that 74 percent of companies receive customer complaints via social media. However, 61 percent take up to a week to respond, and 21 percent of these companies never respond to these complaints. Consumers expect a quick response to their complaints on social media. Companies that do not meet customer expectations for addressing their complaints face the potential of even more negative comments from frustrated customers. The following tips can help you to more effectively address online comments, suggestions, and complaints:[52]

- ***Consistently track all social media.*** Conduct frequent searches on Twitter, Facebook, Instagram, and on the Web to catch comments in blogs.
- ***Respond and take responsibility.*** If someone has a bad experience and tells the world through social media, post an apology and promise corrective action. Then send that person a private message to attempt to resolve the issue.
- ***The customer is always right.*** If there is a problem, fix it and let the person who complained know what you have done. Even if there is nothing to change, offer the customer his or her money back or a discount in the future.
- ***Never be defensive.*** Think about the situation from the customer's perspective and empathize with his or her frustrations. Don't argue. Let the customer know you feel his or her frustration.
- ***Keep a database of all complaints and suggestions.*** Rather than read and delete them, keep all complaints and suggestions and organize them into a database, which can help show trends and consistent issues. Organize the database by specific issue addressed in the complaint, date, employee responsible for that part of the business, and other relevant facts.

Smart companies are rediscovering that unexpected, innovative, customized service can be a powerful marketing weapon. Perhaps the most effective marketing tool is a satisfied customer who

becomes a passionate brand evangelist for a company. Providing incomparable service—not necessarily low prices—is one of the most effective ways to attract and maintain a growing customer base. Successful businesses recognize that superior customer service is only an intermediate step toward the goal of customer *satisfaction*. The best companies seek to go beyond customer satisfaction, striving for *customer astonishment*! One way to achieve customer astonishment is to "underpromise and overdeliver." Smart entrepreneurs create reasonable expectations among their customers and then exceed them, knowing that those customers will generate positive "buzz" for the companies, which is more valuable and more effective than the most expensive advertising campaign.

Certainly the least expensive—and the most effective—way to achieve customer satisfaction is through friendly, personal service. Numerous surveys of customers in a wide diversity of industries—from manufacturing and services to banking and high tech—conclude that the most important element of service is "the personal touch." Calling customers by name; making attentive, friendly contact; and truly caring about their needs and wants is much more essential than any other factor—even convenience, quality, and speed! In our society, business transactions have become so automated that the typical customer is starved for personal attention. Genuine customer service requires that a business bridge that service gap, treat each customer as an individual, and transform "high-tech" applications into a "high-touch" attitude.

How can a company achieve stellar customer service and satisfaction?

Listen to customers. The best companies constantly listen to their customers and respond to what they hear! This allows them to keep up with customers' changing needs and expectations. The best way to find out what customers really want and value is to ask them. Businesses rely on a number of techniques, including surveys, focus groups, telephone interviews, comment cards, suggestion boxes, toll-free hotlines, and regular one-on-one conversations (perhaps the best technique). The Internet is another useful tool for getting feedback from customers; many companies solicit complaints, suggestions, and ideas through their Web sites.

Keeping customer feedback in its proper perspective is important, however. Although listening to customers produces valuable feedback for business owners in many areas, it is *not* a substitute for an innovative company culture, solid market research, and a well-devised marketing plan. Companies that rely solely on their customers to guide their marketing efforts often find themselves lagging the competition. Customers rarely have the foresight to anticipate market trends and do not always have a clear view of how new products or services could satisfy their needs.

Define superior service. Based on what customers say, managers and employees must decide exactly what "superior service" means in the company. Such a statement should (1) be a strong statement of intent, (2) differentiate the company from others, and (3) have value to customers. This is a critical component of any successful business model. Deluxe Corporation, a printer of personal checks, defines superior service quite simply; the company promises 48 hour turnaround with zero defects.[53]

Set standards and measure performance. To be able to deliver on its promise of superior service, a business must establish specific standards and measure overall performance against them. Satisfied customers should exhibit at least one of three behaviors: loyalty (increased customer retention rate), increased purchases (rising sales and sales per customer), and resistance to rivals' attempts to lure them away with lower prices (market share and price tolerance).[54] Companies must track their performance on these and other service standards and reward employees accordingly.

Examine your company's service cycle. What steps must a customer go through to purchase your product or service? Business owners often are surprised at the complexity that has seeped into their customer service systems as they have evolved over time. One of the most effective techniques is to work with employees to flowchart each component in the company's service cycle, including *everything* a customer has to do to buy your product or service. The goal is to look for steps, policies, and procedures that are unnecessary, redundant, or unreasonable and then to eliminate them.

See customer complaints as a mechanism for improving customer service. Smart entrepreneurs see customer complaints as an important tool for improving their businesses and as a bridge to long-term customer relationships. Ignoring customers leads to disastrous outcomes. Netflix, the movie rental company, made the decision to split its DVD rental business from its online streaming video business. Netflix made this business decision despite negative reactions from customer focus groups. Customers liked the flexibility of being able to get video content from either format. The other negative impact for customers was a 40 percent average increase in monthly cost of using Netflix services. The result was the loss of 800,000 subscribers during the first three months after the split.[55]

When you create a negative customer experience, apologize and fix it—fast. No customer service system is perfect, and companies can recover from creating a negative customer experience. A recent survey shows that 92 percent of customers say they would return to a company after a negative customer experience if the company offered an apology, a discount, or proof that its customer service would be better.[56]

Hire the right employees. A company's customer service process is important, but the key ingredient in the superior service equation is the *people* who make it work. There is no substitute for friendly, courteous sales and service representatives, and hiring them requires a sound selection process. Business owners must always be on the lookout for employees who emanate a customer service attitude and are empathetic, flexible, articulate, creative, and able to think for themselves. Four Seasons Hotels and Resorts, a company with a business model based on customer service, hires people for their attitudes toward other people. The company's philosophy on hiring is that skills and processes can be taught, but attitude is ingrained in people's character.[57]

Train employees to deliver superior service. Successful businesses train *every* employee who deals directly with customers; they don't leave customer service to chance. Superior service companies devote 1 to 5 percent of their employees' work hours to training, concentrating on how to meet, greet, and serve customers. Apple spends as much time training its technicians who work in its retail stores on communication skills as it does on processes and technical knowledge.[58]

Empower employees to offer superior service. One of the most important variables that determines whether employees deliver superior service is the degree to which they perceive they have permission to do so. The goal is to push decision making down the organization to the employees who have contact with customers. This includes giving them the latitude to circumvent "company policy" if it means improving customer satisfaction. If frontline workers don't have the power to solve disgruntled customers' problems, they fear being punished for overstepping their boundaries and become frustrated, and the superior service cycle breaks down. Zytec, a manufacturing company in southern Minnesota, authorizes all employees to spend up to $1,000 without any approval to improve their work processes or satisfy a customer. The CEO of Zytec says employees are prudent with these funds and use

Dilbert cartoon from 3/20/14 used by permission of Universal UClick

them responsibly.[59] To be empowered, employees need knowledge and information, adequate resources, and managerial support.

Treat employees with respect and demonstrate to them how valuable they are. Creating a positive work environment, good work-life balance through policies such as flextime and vacation, and meaningful work leads to satisfied workers. Satisfied employees tend to create satisfied customers. In fact, a recent Gallup survey finds that although work environment is important, creating engaging work is the strongest predictor of satisfaction among employees.[60]

ENTREPRENEURIAL PROFILE: Caitlin McCabe, Real Bullets Branding Caitlin McCabe, founder of Real Bullets Branding, a market research and strategy agency in Boston, asks her employees how they want to be rewarded when they have done exceptional work. She says this is an advantage a small business has over a large corporation that has to follow consistent policies. Her employees have asked for things such as funding to attend a conference, a more flexible schedule, and the latest iPhone. McCage says her employees appreciate their personalized rewards. McCabe's personal approach shows she has taken the time to get to know what each one of them really wants for a job well done.[61] ■

Real Bullets Branding

Use technology to provide improved service. The role of technology is not to create a rigid bureaucracy but to free employees from routine clerical tasks, giving them more time and better tools to serve customers more effectively. Ideally, technology gives workers the information they need to help customers and the time to serve them.

Reward superior service. What gets rewarded gets done. Companies that want employees to provide stellar service must offer rewards for doing so. However, pay is not always the most powerful reward for recognizing employees who provide outstanding service. Zendesk uses weeble wobble toys as a reward for truly outstanding customer service. Although the toys have little monetary value, employees are proud of the recognition they get for being able to display weeble wobbles on their desks because everyone in the company knows what they mean.[62]

Get top managers' support. The drive toward superior customer service will fall far short of its target unless top managers support it fully. Success requires more than just a verbal commitment: It calls for managers' involvement and dedication to making service a core company value. Achieving customer satisfaction must become ingrained in the strategic planning process and work its way into every nook and cranny of the organization. Once it does, employees will be able to provide stellar customer service with or without a checklist of "dos and don'ts."

Give customers an unexpected surprise. In Louisiana, locals call it a lagniappe ("lan-yap"), a small gift that a merchant gives to a customer. The surprise does not have to be expensive to be effective. For instance, when a customer makes a sizable purchase at Wilson Creek Outfitters, a fly-fishing shop in Morganton, North Carolina, the owner includes a dozen flies in the order for free. The cost of the lagniappe is minimal, but the goodwill and loyalty it garners is significant.

View customer service as an investment, not an expense. The companies that lead the way when it comes to retaining their customers view the money they spend on customer service as an investment rather than an expense. One of the most effective ways for entrepreneurs to learn this lesson is to calculate the cost of poor customer service to their companies. Once they calculate it, the cost of lost customers due to poor service is so astonishing to most business owners that they quickly become customer service zealots. For instance, the owner of a small restaurant calculated that if every day he lost to poor service just one customer who spent just $5 per week, his business was losing $94,900 in revenue per year! The restaurateur immediately changed his approach to customer service.

RETAIN EXISTING CUSTOMERS Loyal, long-term customers are the bedrock of every business. High customer retention rates translate into superior financial performance. Earning customers' loyalty requires businesses to take customer focus and service to unprecedented levels, and that means building long-term relationships with customers. Research shows that customers who are satisfied with a company's products and customer service are more likely to be repeat customers and are less sensitive to price increases.[63]

Many studies also show that high levels of customer retention result in above-average profits and superior growth in market share.[64] Powell's Books, a Portland, Oregon, landmark known as the "City of Books" for its 68,000-square-foot store and huge inventory, has built a solid base of loyal customers in its 40-plus-year history, enabling the company to compete successfully against industry giants Amazon and Barnes & Noble. Powell's Books has hosted several weddings for customers who met there, and one customer's ashes are interred (at his request) in one of the columns that is made to look like a stack of books at the northwest entrance to the store. Now *that's* customer loyalty![65]

Because about 20 percent of a typical company's customers account for about 80 percent of its sales, focusing resources on keeping the best (and most profitable) customers is a better investment than chasing "fair-weather" customers who will defect to any better deal that comes along. Suppose a company increases its customer base by 20 percent each year but retains only 85 percent of its existing customers. Its effective growth rate is just 5 percent per year [20% − (100% − 85%) = 5%]. If this same company can raise its customer retention rate to 95 percent, its net growth rate *triples* to 15 percent [20% − (100% − 5%) = 15%].[66]

Although winning new customers keeps a company growing, keeping existing ones is essential to success. Dunnhumby, a global customer loyalty consulting firm, reports that a company must land 12 to 20 new customers to offset the impact of one lost loyal customer.[67] Research shows that repeat customers spend 67 percent more than new customers. In addition, attracting a new customer actually costs the typical business *seven to nine times* as much as keeping an existing one.[68] Therefore, small business owners would be better off asking "How can we improve customer value and service to encourage our existing customers to do more business with us?" than "How can we increase our market share by 10 percent?" One way that companies can entice current customers to keep coming back is with a loyalty program, which many companies' are linking to their social media presence.

Metal Mafia

ENTREPRENEURIAL PROFILE: Vanessa Merit Nornberg and Metal Mafia Metal Mafia, a wholesaler of body and costume jewelry, surprises customers when they call to report a problem with defective or damaged goods. Metal Mafia tells customers to throw away the defective item, rather than waste their valuable time returning it to the company. Vanessa Merit Nornberg, owner of Metal Mafia, says most customers are surprised when they are told to just throw the item away and that the company will replace it. Metal Mafia's customers are happy with the company's customer focus, which turns them into repeat customers and makes them eager to tell others about their shopping experience with the company.[69] ■

The most successful small businesses have developed a customer focus and have instilled a customer satisfaction attitude *throughout* the company. They understand that winning customers for life requires practicing **customer experience management**, systematically creating the optimum experience for their customers every time they interact with the company. Companies with world-class customer experience management attitudes set themselves apart by paying attention to "little things," such as responding to questions or complaints promptly, remembering a customer's unique product or service preferences, or sending a customer a copy of an article of interest to him or her. Small companies cannot always be leaders in creating product or technology innovations. However, because their size allows them to have more personal contact with their customers than large companies, small companies can develop *experience* innovations that keep customers coming back and create a competitive advantage. Taking care of every small interaction a company has with its customers over time adds up to a positive service experience and can create a strong bond with them.

customer experience management
the process of systematically creating the optimum experience for customers every time they interact with the company.

You Be the Consultant

A Company with Soul

In 1974, Bill Crutchfield was living in his mother's house and working as the general manager of a forklift company after an unsuccessful stint in Hollywood, where he tried to sell a screenplay he wrote to a movie studio. He took $1,000 he had saved and started a mail-order car stereo company after trying in vain to find a stereo that he could install himself in an old Porsche he was restoring for resale. Of course, Crutchfield needed far more than $1,000 to start an electronics catalog company and was able to convince a local banker to extend a $25,000 line of credit to the new company, which he named Crutchfield after himself.

Crutchfield kept his job at the forklift company and ran his business as a one-man operation. After working all day, Crutchfield would drive to the post office to pick up orders, drive to his mother's home where he was living, pack up the products with a personal thank-you note to ship to customers, and drive the packages to UPS for shipment. Unfortunately, only seven months into the venture, Crutchfield was incurring a loss and was about to run out of cash. As a last-ditch effort, he sent a one-page questionnaire to everyone who had ordered a catalog, asking customers what the company could do better and noncustomers why they had not placed an order. Crutchfield says the responses he received not only saved his company but still guide its customer service philosophy to this day. The problem was not with the catalog's products, brands, or prices; instead, customers were intimidated at the idea of installing a car stereo on their own.

That feedback inspired Crutchfield to redesign his catalog (after all, it was the 1970s, long before the Internet) into a more polished product that included easy-to-follow articles on car stereo installation techniques, step-by-step photographs, and customer testimonials. The redesigned catalog worked, and sales increased dramatically in just a few months. That simple survey taught Crutchfield the importance of listening and responding to his customers, a lesson that has stuck with him for 40 years. Crutchfield's product line has expanded to include more than 9,500 high-end audiovisual products ranging from flat-screen televisions to cameras and speaker systems. In the company's research department (yes, a retailer that manufactures no products has a research department), employees are busy dissecting the products Crutchfield sells so they can share the details of their features and designs with the members of the sales, call center, and technical support teams. The technical support department routinely takes apart products to ensure they understand exactly how they work.

Digging into the details of every product the company sells is a vital component in the company's customer service equation, but Crutchfield takes a broad view of customer service. Crutchfield does not define customer service as only fixing problems once they occur. The company tries to think like its customers and put in place customer support features to make the customer experience better. Toward that end, Crutchfield has developed detailed car stereo installation guides for more than 16,100 vehicles, many of which contain how-to photos of the technical crew as they remove a factory radio and install one from the Crutchfield catalog. To enhance customers' experience, Crutchfield also makes a significant investment in training its 500 employees. In addition to the extensive training that technical support workers receive, sales advisers spend 13 weeks of classroom and hands-on installation training before they begin fielding customers' calls.

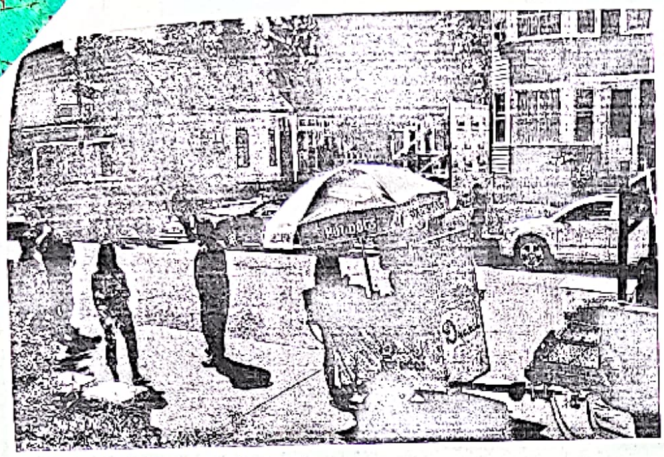
Crutchfield's focus on his customers pays off. The company generates $250 million in annual sales, is debt free, and has never experienced a layoff in its history. It has earned a five-star rating from Yelp and is the only retailer to win BizRate's Circle of Excellence award for 11 consecutive years. In 2007, Bill Crutchfield was inducted into the Consumer Electronics Hall of Fame, where he joined the ranks of notables such as Steve Jobs and Thomas Edison.

Crutchfield's passion for taking care of customers has never subsided even as the company grows. He recently penned a set of core values—including exceeding customers' expectations, passionately pursuing continuous improvement, and treating employees with respect—that he explains to every employee in face-to-face meetings. Those core values are a significant part of the company's hiring process, in which managers look for candidates who demonstrate an attitude of service. Crutchfield believes that although you can train people for technical skills, it is critical for its business model to hire people who truly enjoy helping other people.

Although Internet sales now account for 70 percent of sales, catalogs remain an important part of the business; Crutchfield mails more than 30 million of them each year. The company can never compete on price with Wal-Mart and the myriad of Internet stores. The company competes with its high level of customer service and its attention to its culture, which the Crutchfield refers to as the company's soul.

1. What impact has Crutchfield's strategy of providing superior customer service had on the company's success? In what ways does the company communicate its superior service strategy to customers?
2. Crutchfield makes it clear that his company does not compete with its rivals using low prices. What lessons can other small businesses learn from Crutchfield about the relationship between prices and customer service?

Source: Based on Kasey Wehrum, "Learning, and Relearning, to Listen," *Inc.*, March 2011, pp. 64–68.



Drexel Building Supply

ENTREPRENEURIAL PROFILE: Joel Fleishman and Drexel Building Supply Joel Fleischman, owner of Drexel Building Supply, routinely hitches a hot dog wagon to his truck and delivers lunch to construction sites where his customers' employees are working. Fleischman brings along other employees, particularly recent hires to the company, to help them learn the art of customer service and to build personal relationships between Drexel employees and construction company customers. Attention to customer service has helped Drexel Building Supply double its workforce over six years. Much of that growth is attributed to referrals from satisfied customers.[70] ■

The goal is to create a total customer experience that is so positive that customers keep coming back and tell their friends about it.

How do these companies manage their customer relationships and stay focused so intently on their customers? They constantly ask customers four basic questions and then act on what they hear:

1. What are we doing right?
2. How can we do that even better?
3. What have we done wrong?
4. What can we do in the future?

Table 8.4 offers some basic strategies for developing and retaining loyal customers.

BE DEVOTED TO QUALITY In this intensely competitive global business environment, quality goods and services are a prerequisite for success. According to one marketing axiom, the worst of all marketing catastrophes is to have great advertising and a poor-quality product. Customers have come to expect and demand quality goods and services, and those businesses that provide them consistently have a distinct competitive advantage. Today, quality is more than just a slogan posted on the company bulletin board; world-class companies treat quality as a strategic objective—an integral part of a company's strategy and culture. This philosophy is called **total quality management (TQM)**—quality not just in the product or service itself but also in *every* aspect of the business and its relationship with the customer and *continuous improvement* in the quality delivered to customers.

total quality management (TQM) the philosophy of producing a high-quality product or service and achieving quality in every aspect of the business and its relationship with the customer; the focus is on continuous improvement in the quality delivered to customers.

Companies on the cutting edge of the quality movement are developing new ways to measure quality. Manufacturers were the first to apply TQM techniques, but retail, wholesale, and service organizations have seen the benefits of becoming champions of quality. They are tracking customer complaints, contacting "lost" customers, and finding new ways to track the cost of quality and their return on quality (ROQ). ROQ recognizes that, although any improvement in quality may improve a company's competitive ability, only those improvements that produce a reasonable rate of return are worthwhile. In essence, ROQ requires managers to ensure that the quality improvements they implement will more than pay for themselves.

The key to developing a successful TQM philosophy is seeing the world from the customer's point of view. In other words, quality must reflect the needs and wants of the customer. TQM supports the value proposition of the business model. How do customers define quality? According to one survey, Americans rank the quality of a product in this order: reliability (average time between failures), durability (how long it lasts), ease of use, a known or trusted brand name, and, last, low price.[71] When buying services, customers look for similar characteristics: tangibles (equipment, facilities, and people), reliability (doing what you say you will do), responsiveness (promptness in helping customers and in solving problems), and assurance and empathy (conveying a caring attitude). For example, the owner of a very successful pest control company offers his customers a unique, unconditional guarantee: if the company fails to eliminate all insect and rodent breeding and nesting areas on a client's premises, it will refund the customer's last 12 monthly payments and will pay for one year's service by another exterminator. The company has had to honor its guarantee only once in 17 years.

Companies that excel at providing quality products and services discover tangible benefits in the form of increased sales, more repeat customers, higher customer retention, and lower costs.

TABLE 8.4 Strategies for Developing and Retaining Loyal Customers

- Identify your best customers and give them incentives to return. Focus resources on the 20 percent of customers who account for 80 percent of sales.
- When you create a dissatisfied customer, fix the problem *fast*. One study found that, given the chance to complain, 95 percent of customers will buy again *if* a business handles their complaints promptly and effectively. The worst way to handle a complaint is to ignore it, to pass it off to a subordinate, or to let a lot of time slip by before dealing with it. Shortly after luxury car maker Lexus introduced the new ES 350 model, managers discovered that about 700 cars had a small transmission problem that was the result of a factory error. Lexus contacted the affected owners and asked them to take their cars to their local dealers, where they received brand new Lexus 350s—no questions asked. Surveys of these customers that were conducted later showed that they were *more* loyal to Lexus than buyers whose cars did not have the problem in the first place.
- Make sure your business system makes it easy for customers to buy from you. Eliminate unnecessary procedures that challenge customers' patience.
- *Encourage* customer complaints. You can't fix something if you don't know it's broken. Find out what solution the customer wants and try to come as close to that as possible. Smart companies learn from customer complaints and use the feedback to make improvements in their products, services, and processes.
- Contact lost customers to find out why they left. You may uncover a problem you never knew existed.
- Ask employees for feedback on improving customer service. A study by Technical Assistance Research Programs, a customer service research firm, found that frontline service workers can predict nearly 90 percent of the cases that produce customer complaints. Emphasize that *everyone* is part of the customer satisfaction team.
- Get total commitment to superior customer service from top managers—and allocate resources appropriately.
- Allow managers to wait on customers occasionally. It's a great dose of reality. Ron Shaich, founder of Panera Bread, a chain of bakery cafés with 1,185 locations in 40 states, still visits stores regularly, working the cash registers and serving customers so that he can listen to their ideas and concerns.
- Carefully select and train *everyone* who will deal with customers. Never let rude employees work with customers.
- Develop a service theme that communicates your attitude toward customers. Customers want to feel they are getting something special.
- Empower employees to do whatever it takes to satisfy customers. At Ritz-Carlton hotels, employees are authorized to spend up to $2,000 to resolve a customer's complaint. At Zappos, the online shoe retailer, members of the Customer Loyalty Team are authorized to spend as much time as necessary on the phone with customers and to assist with anything customers need, even those that are unrelated to Zappos.
- Reward employees "caught" providing exceptional service to customers.
- Get in the habit of calling customers by name. It's one of the most meaningful ways of connecting with your customers.
- *Remember*: Customers pay the bills; without them, you have no business. Special treatment wins customers and keeps them coming back.

Sources: Based on Kasey Wehrum, "How May We Help You?" *Inc.*, March 2011, p. 63; Brandi Stewart, "Able Baker," *FSB*, December 2007/January 2008, pp. 53–58; Jerry Fisher, "The Secret's Out," *Entrepreneur*, May 1998, pp. 1112–1119; Laura M. Litvan, "Increasing Revenue with Repeat Sales," *Nation's Business*, January 1996, pp. 36–37; "Encourage Customers to Complain," *Small Business Reports*, June 1990, p. 7; Dave Zielinski, "Improving Service Doesn't Require a Big Investment;" *Small Business Reports*, February 1991, p. 20; John H. Sheridan, "Out of the Isolation Booth," *Industry Week*, June 19, 1989, pp. 18–19; Lin Grensing-Pophal, "At Your Service," *Business Start-Ups*, May 1995, pp. 72–74; and Bill Taylor, "Lessons from Lexus: Why It Pays to Do the Right Thing," Mavericks at Work, December 12, 2007, http://www.mavericksatwork.com/?p=102.

Small businesses that have succeeded in building a reputation for top-quality products and services rely on the following guidelines to "get it right the first time":

- Build quality into the process; don't rely on inspection to obtain quality.
- Foster teamwork and dismantle the barriers that divide disparate departments.

- Establish long-term ties with select suppliers; don't award contracts on low price alone.
- Provide managers and employees the training needed to participate fully in the quality improvement program.
- Empower workers at all levels of the organization; give them authority and responsibility for making decisions that determine quality.
- Get managers' commitment to the quality philosophy. Otherwise, the program is doomed. Employees look to leadership to see if quality is just talked about or actually a part of what the company does.
- Rethink the processes the company uses to get its products or services to its customers.
- Be willing to make changes in processes wherever they may be necessary.
- Reward employees for quality work. Ideally, workers' compensation is linked clearly and directly to key measures of quality and customer satisfaction.
- Develop a company-wide strategy for constant improvement of product and service quality.
- Back up the company's quality pledge with a guarantee. For instance, gSchool, a software programming school in Denver, Colorado, guarantees all students a $60,000 job in Colorado as professional web developers after completing the program. Students who do not land such a job are guaranteed a full refund of their $20,000 tuition![72]

ATTEND TO CONVENIENCE Ask customers what they want from the businesses they deal with, and one of the most common responses is "convenience." In this busy, fast-paced world of dual-career couples and lengthy commutes to and from work, customers increasingly are looking for convenience. Several studies have found that customers rank easy access to goods and services at the top of their purchase criteria. Unfortunately, too few businesses deliver adequate levels of convenience, and they fail to attract and retain customers. One print and framing shop, for instance, alienated many potential customers with its abbreviated business hours—nine to five daily, except for Wednesday afternoons, Saturdays, and Sundays, when the shop was closed! Other companies make it a chore to do business with them. In an effort to defend themselves against unscrupulous customers, these businesses have created elaborate procedures for exchanges, refunds, writing checks, and other basic transactions.

Successful companies go out of their way to make sure that it is easy for customers to do business with them. To provide their customers with a more convenient way to order, some restaurants are replacing printed menus with iPads. Stacked: Food Well Built, a southern California restaurant chain that offers 61 options just for a burger, uses iPads on every table that allow customers to drag and drop ingredients with the touch of a finger to create the perfect burger, pizza, or salad. Customers also pay their bills without having to flag a waiter.[73] At Do, an upscale pizza restaurant in Atlanta, Georgia, that uses a similar concept, customers not only order and pay for their meals using the iPads on their tables but also can control the music they listen to and alert the valet that they are ready for their cars.[74]

Other restaurants are taking their food to customers in food trucks rather than waiting for customers to come to their brick-and-mortar locations. The Milk Truck, which travels to several locations in New York City, specializes in grilled cheese sandwiches and milkshakes. Customers can purchase gourmet grilled cheese sandwiches made from a variety of cheese from Wisconsin and Vermont and add ingredients such as champagne vinegar pickled onions, caramelized Granny Smith apples, whole grain Dijon mustard, fried eggs, and applewood smoked ham. Milkshake flavors include Tahitian & Madagascar vanilla bean, dark chocolate, and crushed malted ball.[75]

Service companies are focusing on convenience as well. In Las Vegas, a couple can pull up into the Tunnel of Vows at the famous Little White Chapel, and an ordained minister at the drive-through window will marry them! Business has been so brisk that the owner of the chapel recently expanded the tunnel to include a ceiling adorned with cherubs and starlights.[76]

How can entrepreneurs boost the convenience level of their businesses? By conducting a "convenience audit" from the customer's point of view to get an idea of its ETDBW ("Easy-to-Do-Business-With") index:

- Is your business located near your customers? Does it provide easy access?
- Are your business hours suitable to your customers? Should you be open evenings and weekends to serve them better?
- Would customers appreciate pickup and delivery service? To enhance customer convenience, nearly 25 percent of takeout restaurants, especially pizza and sandwich shops, give customers the option of ordering online and have discovered that customer satisfaction, order accuracy, and speed increase.[77]
- Are your employees trained to handle business transactions quickly, efficiently, and politely? Waiting while rude, poorly trained employees fumble through routine transactions destroys customer goodwill.
- Do your employees treat customers with courtesy?
- Does your company provide a sufficient number of checkout stations so that shoppers do not have to stand in long lines to pay for their purchases? Does your company make it easy for customers to make purchases with debit or credit cards?
- Are you using technology to enhance customers' shopping experience? At Stop & Shop and Giant supermarkets in the Northeast, customers can pick up a smart phone–like device called Scan It that allows them to scan and bag their own groceries as they roam the stores' aisles. The device shows a running total of their purchases and periodically provides electronic coupons based on customers' purchases. Shoppers are happy because Scan It eliminates long waits at the checkout counter, and the supermarkets are happy because Scan It shoppers spend 10 percent more on average.[78]
- Does your company offer "extras" that make customers' lives easier? With a phone call to Hoyt Hanvey Jewelers, a small gift store in Clinton, South Carolina, customers in need of a special gift simply tell how much they want to spend, and the owner takes care of the rest—selecting the gift, wrapping it, and shipping it. All customers have to do is pay the invoice when it arrives in the mail.
- Can you "bundle" some of your existing products or services to make it easier for customers to use them? Whether it involves gardening tools or a spa treatment, assembling products and services into ready-made, all-in-one kits appeals to busy customers and can boost sales.
- Can you adapt existing products to make them more convenient for customers?
- Does your company handle telephone calls quickly, efficiently, and with a real person? Long waits "on hold," transfers from one office to another, and too many rings before answering signal to customers that they are not important. New services, such as Ruby Receptionists, give businesses the ability to have a real person answer the phone, rather than struggle through the frustration of navigating an automated answering system.

CONCENTRATE ON INNOVATION Innovation is the key to future success. Markets change too quickly and competitors move too fast for a small company to stand still and remain competitive. Because they cannot outspend their larger rivals, small companies often turn to superior innovation as a way to gain a competitive edge. Thanks to their organizational and managerial flexibility, small businesses often can detect and act on new opportunities faster than large companies. Innovation is one of the hallmarks of entrepreneurs, and it shows up in the new products, unique techniques, and unusual marketing approaches they introduce. Despite their limited resources, small businesses frequently are leaders in innovation. There is much more to innovation than spending megadollars on research and development. How do small businesses manage to maintain their leadership role in innovating new products and services? They use their size to their advantage, maintaining their speed and flexibility much like a martial arts expert does against a larger opponent. Their closeness to their customers enables them to read subtle shifts in the market and to anticipate trends as they unfold. Their ability to concentrate their efforts and attention in one area also gives small businesses an edge in innovation. One venture

capitalist explains that small businesses can compete by putting all of their efforts into finding new products and markets.[79]

ENTREPRENEURIAL PROFILE: Fair Oaks Farms, LLC Fair Oaks Farms, LLC uses natural gas derived from the manure produced by its 30,000 milk cows to generate electricity to power its 10 barns, cheese factory, gift store, restaurant, and educational center for children. However, electricity generation uses only half of the 5 million pounds of manure generated by the Fair Oak Farms cows each day. Rather than burn off the excess gas, the farm is now using it to fuel its fleet of 42 tractor-trailer trucks. In addition to saving thousands of dollars in fuel costs, the farm also generates additional revenue from two fueling stations that are open to the general public.[80] ■

EMPHASIZE SPEED Technology, particularly the Internet, has changed the pace of business so dramatically that speed has become a major competitive weapon. Today's customers expect businesses to serve them at the speed of light! Providing a quality product at a reasonable price once was sufficient to keep customers happy, but that is not enough for modern customers who can find dozens of comparable products with a just few mouse clicks. Customers become disgruntled when companies fail to show respect for their busy schedules and corresponding lack of time. At world-class companies, speed reigns. They recognize that reducing the time it takes to develop, design, manufacture, and deliver a product reduces costs, increases quality, improves customer satisfaction, and boosts market share.

time compression management (TCM) a marketing strategy that relies on three principles: (1) speeding products to market, (2) shortening customer response time in manufacturing and delivery, and (3) reducing the administrative time required to fill an order.

This philosophy of speed is based on **time compression management (TCM)**, which involves three principles: (1) speeding new products to market, (2) shortening customer response time in manufacturing and delivery, and (3) reducing the administrative time required to fill an order. Victory in this time-obsessed economy goes to the company that can deliver goods and services the fastest, not necessarily those that are the biggest and most powerful. Businesses that can satisfy their customers' insatiable appetites for speed have a distinct advantage. CarGurus, a popular Web site for researching and purchasing autos, focuses on speed. Rather than ensuring perfection, CarGurus pushes new products out as soon as they satisfy customers' basic requirements and then works on enhancements and changes over time. CEO Langley Steinert believes that, particularly with Web-based businesses, speed is everything. For example, CarGurus recently launched a newsletter, but rather than trying to ensure it included every feature customers might want, the company published it as soon as it had basic functionality and added new features over time based on customer feedback. Steinert is convinced that if businesses wait too long to make innovations and introduce new products, the speed of the Internet allows competitors to pass them by.[81]

Although speeding up the manufacturing process is a common goal, companies using TCM have learned that manufacturing takes only 5 to 10 percent of the total time between an order and getting the product into the customer's hands. The rest is consumed by clerical and administrative tasks. The primary opportunity for TCM to improve speed is in what it can offer to streamline the administrative process. Companies relying on TCM to help them turn speed into a competitive edge should do the following:

- ***"Reengineer" the entire process rather than attempt to do the same things in the same way—only faster.*** Peter Schultz, founder of Symyx, a small technology company in Santa Clara, California, applied the principles of rapid drug development used in the pharmaceutical industry to the field of materials science and changed the way new chemical compounds are created. Symyx's technology allows its employees to test small amounts of chemicals and metals in parallel—up to 1,000 combinations per day—to create new materials. Processes that not so long ago required two years of intense work now produce marketable results in less time.
- ***Create cross-functional teams of workers and give them the power to attack and solve problems.*** In world-class companies, product teams include engineers, manufacturing workers, salespeople, quality experts—even customers.
- ***Set aggressive goals for time reduction and stick to the schedule.*** Some companies using TCM have been able to reduce cycle time from several weeks to just a few hours!
- ***Rethink your supply chain.*** Can you electronically link with your suppliers or your customers to speed up orders and deliveries?

- *Instill speed in the culture.* At Domino's Pizza, kitchen workers watch videos of the fastest pizza makers in the country.
- *Use technology to find shortcuts wherever possible.* Properly integrated into a company's strategy for speed, technology can restructure a company's operating timetable. Rather than build costly, time-consuming prototypes, many time-sensitive businesses use computer-aided design and computer-assisted manufacturing to speed product design and testing.
- *Put the Internet to work.* Perhaps nothing symbolizes speed better than the Internet, and companies that harness its lightning-fast power can become leaders in TCM.

Conclusion

Small companies lack the marketing budgets of their larger rivals, but that does not condemn them to the world of second-class marketers and its resulting anonymity. By using clever, innovative bootstrap marketing strategies such as the ones described in this chapter, entrepreneurs can put their companies in the spotlight and create a special connection with their customers.

Chapter Summary by Learning Objective

1. Describe the principles of building a bootstrap marketing plan, and explain the benefits of preparing one.

A major part of the entrepreneur's business plan is the marketing plan, which focuses on a company's target customers and how best to satisfy their needs and wants. A solid marketing plan should do the following:

- Determine customer needs and wants through market research.
- Pinpoint the specific target markets the company will serve.
- Analyze the firm's competitive advantages and build a bootstrap marketing strategy around them.

2. Explain how small businesses can pinpoint their target markets.

Sound market research helps the owner pinpoint his or her target market. The most successful businesses have well-defined portraits of the customers they are seeking to attract.

3. Discuss the role of market research in building a bootstrap marketing plan and outline the market research process.

Market research is the vehicle for gathering the information that serves as the foundation of the marketing plan. Good research does *not* have to be complex and expensive to be useful. The steps in conducting market research include the following:

- Defining the objective: "What do you want to know?"
- Collecting the data from either primary or secondary sources.
- Analyzing and interpreting the data.
- Drawing conclusions and acting on them.

4. Describe how a small business can build a competitive edge in the marketplace using bootstrap marketing strategies.

When plotting a marketing strategy, owners must strive to achieve a competitive advantage—some way to make their companies different from and better than the competition. Successful small businesses rely on 14 sources to develop a competitive edge:

- Find a niche and fill it.
- Use the power of publicity.
- Don't just sell—entertain.
- Strive to be unique.
- Build a community with customers.
- Connect with the customer on an emotional level.
- Create an identity for your business through branding.
- Embrace social marketing.
- Be dedicated to service and customer satisfaction.
- Retain existing customers.
- Be devoted to quality.
- Pay attention to convenience.
- Concentrate on innovation.
- Emphasize speed.

Discussion Questions

8-1. Define the marketing plan. What lies at its center?
8-2. What objectives should a marketing plan accomplish?
8-3. How can market research benefit entrepreneurs when starting up?
8-4. How can market research benefit entrepreneurs as their businesses grow?
8-5. List some possible sources of market information for an entrepreneur.
8-6. Explain why market research does not have to be expensive and sophisticated to be valuable?
8-7. Describe several trends that are driving markets today and their impact on small businesses.
8-8. Why is it important for small business owners to define their target markets as part of their marketing strategies?
8-9. What is a competitive advantage?
8-10. Why is it important for a small business owner to create a plan for establishing a competitive advantage?
8-11. Describe how a small business owner could use finding a niche and fill it for a competitive advantage.
8-12. Describe how a small business owner could use the power of publicity for a competitive advantage.
8-13. Describe how a small business owner could use entertaining instead of just selling for a competitive advantage.
8-14. Describe how a small business owner could use striving to be unique for a competitive advantage.
8-15. Describe how a small business owner could use building a community of customers for a competitive advantage.
8-16. Describe how a small business owner could use connecting with customers at an emotional level for a competitive advantage.
8-17. Describe how a small business owner could use creating an identity for the business through branding for a competitive advantage.
8-18. Describe how a small business owner could use social marketing for a competitive advantage.
8-19. Describe how a small business owner could use dedication for service and customer satisfaction for a competitive advantage.
8-20. Describe how a small business owner could use retaining existing customers for a competitive advantage.
8-21. Describe how a small business owner could use devotion to quality for a competitive advantage.
8-22. Describe how a small business owner could use paying attention to convenience for a competitive advantage.
8-23. Describe how a small business owner could use concentrating on innovation for a competitive advantage.
8-24. Describe how a small business owner could use an emphasis on speed for a competitive advantage.
8-25. One experienced entrepreneur says that when a company provides great service, its reputation benefits from a stronger emotional connection with its customers, as well as from increased confidence that it will stand behind its products. Explain why you agree or disagree with this statement.
8-26. Describe a positive service experience you have had with a company and your impressions of that business.
8-27. What are the implications of a company providing poor customer service?
8-28. Describe a negative service experience you have had with a company and your likeliness of doing business with that company again in the future.
8-29. With a 70 percent customer retention rate (average for most U.S. firms, according to the American Management Association), every $1 million of sales will grow to more than $4 million in 10 years. If you retain 80 percent of your customers, the $1 million will grow to a little over $6 million. If you can keep 90 percent of your customers, that $1 million will grow to more than $9.5 million. What can the typical small business do to increase its customer retention rate?
8-30. Discuss the importance of market research in entrepreneurial development.
8-31. How social media can contribute to the growth of entrepreneurial development?

Beyond the Classroom . . .

8-32. Interview the owner of a local restaurant about its marketing strategy.
8-33. From how large a geographic region does the restaurant owned by the person you interviewed draw its clientele?
8-34. What is the target market of the restaurant?
8-35. What is the demographic profile of the restaurant's target customers?
8-36. Does the restaurant have a competitive edge?

8-37. Visit the Web site for the Small Business Administration's (SBA) page on marketing. Interview a local business owner, using the resources at the SBA Web site as a guide.

8-38. Based on your interview, what sources for developing a competitive edge did you find?

8-39. Based on your interview, what weaknesses do you see and how do you recommend overcoming them?

8-40. What recommendations can you make to help the owner make better use of its marketing techniques?

8-41. What bootstrap marketing strategies can you suggest to the owner to enhance current marketing efforts?

8-42. Contact two local small business owners and ask them about their marketing strategies.

8-43. Based on your discussions with the two business owners, what bootstrap marketing strategies do their companies use?

8-44. What are the similarities and differences in how the two business owners have achieved a competitive edge?

8-45. Select three local businesses (one large and two small) and play the role of "mystery shopper."

8-46. Based on your mystery shopper experience, how easy was it to do business with each of the three companies?

8-47. How would you rate their service, quality, and convenience of each of the businesses based on your mystery shopper experience?

8-48. Compare and contrast the staff at the three stores based on how helpful, friendly, professional, and courteous they were to you during your mystery shopper visits?

8-49. How would you describe each company's competitive advantage based on your mystery shopper visits?

8-50. What future do you predict for each company you visited as a mystery shopper?

8-51. Prepare a brief report for your class on your findings and conclusions based on your three mystery shopper visits.

Endnotes

Scan for Endnotes or go to www.pearsonhighered.com/scarborough