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Marketing to Small Businesses: What You Need to Know

by Niti Agrawal

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Have you been wondering how to translate your success in the large-enterprise market into successful selling to the fast-growing and profitable small-business market?

Though you might be an expert when it comes to marketing to large businesses, selling your products and services to smaller companies requires an entirely different strategy.

While still on the rise, large-IT budgets are not increasing as quickly as small-business budgets. Worldwide small-business IT spending is increasing at 10% annually, while large-IT spending is increasing only 4%, according to Computer Economics.

Technology usage by small businesses is rapidly increasing as the price points of both hardware and software products drop and technology solutions advance along adoption curves. This makes the small business market an attractive new growth opportunity for many technology vendors, but the rules of success in the small business market are different from those of enterprise markets.

Product features, high-value price points, distribution channels, and the connection of technology solutions to the small business owner's overall success are critical to penetrating this market segment.

Misconceptions and Actualities

The mistake many technology companies make is to view these small businesses like a big enterprise, but with simpler needs and a small IT budget. These companies often believe they

can delete a few features from their enterprise solutions and sell them at a lower price. This simplistic approach is a recipe for disaster.

In developing a small business market strategy, keep in mind the following key factors:

- o The "small business market" is not a single market. Small businesses vary by size, vertical, and the speed of adopting technology. In developing a plan to enter this market, technology vendors need to sub-segment the market based on customer needs and the solutions offered.
- o Small businesses have needs different those of large enterprises. They aren't interested in purchasing big solutions that have unnecessary functionality that will get in the way of what they're trying to accomplish. Keep in mind that these companies can't afford the overhead of a full-time IT staff or expensive implementation costs. The best solutions need to go in quick and be easy to maintain, while still providing scalability as the business grows.
- o Because of lower average selling points, the cost of sales for the small business market segments must be lower than for large enterprise sales. A direct model is virtually impossible to sustain profitably. Distribution through two-tier channel partners (VARs), online sales, and retail presence are critical to achieve the reach required and the price points needed to offer compelling solutions.
- o When marketing to small businesses, you will face new competition from many smaller and regional players that provide focused solutions for niche markets. If you want to successfully compete against these niche players, you need to be able to position your technology against a multitude of offerings in a low-touch sales model.
- o Small business buyers are much more apt to turn to the Internet and online communities for purchasing advice. With the growth of these online resources and communities, it's important to use some of your marketing dollars to tap into these large networks.

Examples of Success

Bear in mind that while many large technology vendors are entering the small business market, there are only a few notable success stories. For example, NetSuite's small business ERP solution offers the only online business application that streamlines both front- and back-

office operations for small businesses, allowing companies to make "smarter, faster decisions" with accurate real-time metrics of crucial business data.

As one of the first online, on-demand ERP solutions, NetSuite got a head start in marketing to small businesses. The company's success is credited to its focus on its strategic price points as well as ease of purchasing additional features, along with the growth of its customers' businesses.

Meanwhile, Intuit, the maker of Quicken and QuickBooks, can justly claim it knows more about the current state of small businesses than anyone else, based on its dominance of the small-business accounting market. It recently teamed up with The Institute for the Future to produce a lengthy report titled the "Intuit Future of Small Businesses Report," which takes a look at what small businesses will look like in the coming decade. The report highlights how a new breed of entrepreneurs will emerge, including women, immigrants, and baby boomers. It is their interests, financial needs, and social goals that will fuel small-business growth over the next decade.

To reach this growing market, Intuit has aggressively pursued new ways to target these small businesses. Last year, Intuit partnered with Google to provide tools that help small businesses use its financial software to help market themselves online.

Meanwhile, the company maintains a site for small businesses with advice message boards and a free site called "JumpUp," which helps new businesses get up and running.

Intuit's success in marketing to small businesses stems from its intensive market research and closeness to its target market.

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