The ‘New Normal’ For Selling To Small Business:

5 Trends That Will Define – Or Derail – Your B2B Sales And Marketing Strategies

The small-business market represents a colossal business opportunity for the B2B firms that supply it with products and services. Yet in order to operate profitably in the small-business market, it’s essential to understand the challenges associated with identifying, marketing to, and maintaining relationships with these firms.

The following five trends – and recommendations for dealing with them -- offer some especially useful insights into these challenges. They reflect the profound and far-reaching changes that have shaped the small-business market over the past five years, and that will continue to define the “new normal” for this market during 2013 and beyond.

Trend #1:
Small-Business Owners See Economic Uncertainty

Trend #2:
Small-Business Owners Are Reluctant To Invest

Trend #3:
Cash Flow Challenges Drive Small-Business Buying Habits

Trend #4:
The Small-Business ‘Mass Market’ Demands Individualized Attention

Trend #5:
Data Quality Is A Major Issue for Firms Serving The Small-Business Market
What’s happening today:

The U.S. economy has gained ground since the 2008-2009 recession, with recent economic growth averaging just over 2% per year. That’s certainly better than no growth at all, but it’s very modest by historical standards.

Two related issues muddy the waters for small-business owners seeking clarity about the future. First, the recovery has been uneven, with the nation experiencing stronger growth at some times over the past three years, but little or no growth at other times.

Second, many economists predict the economy will remain sluggish during 2013, with projected growth hovering just under 2%, according to a December 2012 Reuters poll of analysts. At the same time, consumer spending – a key driver of small-business growth – has only recovered to about 75% of its pre-recession level.

What it means:

Economic uncertainty is a fact of life for small-business owners today. Companies that serve the small-business market should adopt sales and marketing tactics that emphasize predictability, reliability and long-term value in a business climate where these three qualities are often in very short supply.
Given recent economic growth and consumer spending trends, small-business owners are understandably reluctant to adopt a more liberal attitude towards investing in their businesses.

Market research illustrates the challenge this presents for companies serving the small-business market. According to a February 2013 National Federation of Independent Businesses (NFIB) report, just 6% of small-business owners say that the next three months will be a good time to expand. During 2005, by comparison, up to 24% of the small businesses surveyed had a favorable attitude towards expansion.

According to NFIB, small businesses have been slow to hire new employees or to expand inventories, and just 21% of the companies surveyed said they plan to make capital investments in new buildings, land, vehicles and equipment.

This is a tough business climate, but it’s not an impossible one. Small businesses still need to spend and invest in order to stay ahead of competitors and improve their productivity. Your job is to understand your small business customers’ priorities, anticipate their needs, and position your products or services accordingly. This is an especially important goal since your competitors are probably already doing the same thing.
What’s happening today:

The 2008-2009 recession forced many small businesses to deal with lower sales, reduced revenue and a host of related cash-flow problems. Today, while sales and revenue have in many cases improved, these firms often find themselves locked in a vicious cycle of recurring cash-flow shortages.

In fact, according to a December, 2012 Wells Fargo/Gallup Small Business survey, 28% of the small-business owners polled described their overall situation as “somewhat” or “very” poor. That number actually increased 8% over the previous quarter, and it is the highest reading since the survey was initiated in 2003.

Consequently, according to the same study, 29% of these business owners now expect their revenue to fall “a little” or “a lot” during 2013, and a record-high 30% of the respondents expect their cash flow to be “somewhat” or “very” poor during this period.

What it means:

These small-business cash flow challenges demonstrate that an uncertain economic climate has a direct and tangible impact on smaller firms’ ability to meet their payrolls and other basic commitments. Companies that sell to small businesses need to understand how a particular firm’s cash-flow and credit-risk situation might affect its ability to purchase products and services, and target their own sales and marketing activities accordingly.
In 2010, according to the U.S. Small Business Administration, there were nearly 28 million small businesses, which collectively account for nearly half of the nation’s private-sector output.

Yet the small-business market isn’t just big; it’s also extremely complex. According to B2B International, these firms fall into more than 1,000 distinct product and service categories, and their business needs vary greatly based on factors such as how long they have been in business and how many people they employ. Based on firmographic data alone — industry type, location, business size, and so on — small businesses represent an extremely rich and diverse ecosystem.

At the same time, many small businesses are sole proprietorships that are closely linked to their owners. In fact, millions of small-business owners don’t see themselves as a “target market” — they see themselves as individuals with unique business challenges and needs.

What it means:

Even during good economic times, selling to small businesses demands the ability to understand their individual business needs and pain points. Traditional firmographics supply part of the answer, but so does detailed intelligence about a small company’s credit and spending history. Companies that sell to sole proprietorships must also understand how an owner’s credit and spending habits impact their future purchasing decisions.
What's happening today:

Every week, thousands of new small businesses open their doors — and thousands more go out of business. For companies that sell to the small-business market, this churn makes it extremely difficult to identify new customers or to redirect their sales and marketing activities away from companies that have ceased operations.

Yet this churn represents just the tip of the iceberg for companies struggling with data-quality issues. Consider, for example, that according to software vendor SAP, on a typical business day:

- 1,200 business telephone numbers are changed or disconnected;
- 1,920 firms will change addresses;
- 32 firms will change their names; and
- 48,152 people will change jobs.

As a result of these and other changes, the average B2B contact database decays at a rate of 2% a month, or nearly 25% a year. In other words, even when a B2B company that serves the small-business market starts with a completely clean and accurate marketing database, its data may be completely worthless within a few years.

Finally, firms that attempt to update their small-business contact data manually face a colossal challenge. Public data sources are often unreliable and infrequently updated, and according to the U.S. Census Bureau, fewer than 1 in 4 small businesses even have an active web site.

What it means:

Companies that market and sell to small businesses need access to timely and accurate data, such as business firmographics, industry classification, contacts, and business credit information.

When companies maintain a comprehensive and up-to-date small-business database, they get the ability to target their sales and marketing efforts precisely where they are most likely to yield significant ROI. That’s a major advantage over competitors that take a shot-in-the-dark approach to understanding and segmenting the large and lucrative, but also very challenging, U.S. small-business market.
None of the challenges illustrated in these trends is insurmountable. By arming your company with accurate, timely and relevant small-business data, it becomes possible to anticipate your customers’ needs, identify the pain points that drive spending and investment, and determine which small businesses are most likely to deliver ROI on your sales and marketing efforts.

You’ll also gain the ability to:

- Understand how to segment small businesses based on their size, industry and age;
- Get unique marketing insights to identify and target small businesses that most resemble your ideal customer;
- Integrate relevant consumer and commercial data to gain a single, comprehensive view of your small-business customers;
- Use fresh and accurate data to keep your sales and marketing activities relevant and on target.

Best of all, leveraging the right small-business data at the right time will give your company a decisive advantage over competitors that lack actionable intelligence on the small-business market.

Conclusion:
Turning The ‘New Normal’ Into Competitive Advantage

For more information on how accurate and relevant data can help your organization prosper and grow with small businesses, request to be contacted by an Equifax representative at www.equifax.com/smbmarketinginsights or call us at 877-761-8379.