



Finding Flexibility:
Leveraging online marketing for business success

Beyond daily deal sites: Online marketing for SMBs that works

Today's fast-changing world of online clouds and social networks bring significant benefits to businesses. In particular, small and mid-sized businesses that often lack infrastructure and, most importantly, resources can use the Web to more effectively compete with larger players.

Online marketing options mirror these trends and can similarly offer SMBs the ability to react quickly and nimbly to market changes. Lacking the capabilities of large competitors to create artificial demand through expensive traditional advertising, SMBs must instead focus on better knowing their customers and spotting trends. Research from a recent Harris Decima poll suggests that the average SMB has less than \$10,000 to utilize in online marketing efforts, demanding a healthy return on investment.

Given the budget constraints faced by SMBs in their online marketing efforts, the cost of exposure is crucial. When compared with traditional offline advertising or banner advertisements, an online platform like CentrSource is like getting the first impression for free. This makes online promotions an attractive option for SMBs.

ONLINE MARKETING PLATFORMS

In part addressing the needs to cost effectively reach customers, daily deal promotion platforms have emerged that leverage the power of social networking in an effort to target to new customers. Still, studies recently conducted by Rice University have shown that, although effective at temporarily bringing in new customers, low numbers actually made purchases beyond the discounted promotion, and even fewer returned later to make full-price purchases. (See: How Businesses Fare With Daily Deals: A Multi-Site Analysis of Groupon, LivingSocial, OpenTable, Travelzoo, and BuyWithMe Promotions; <http://ssrn.com/abstract=1863466>)

At the same time, Harris Decima research indicates that the highest priority and motivation for SMBs turning to online marketing is to generate new customers. With less than 20 per cent of customers returning to businesses using daily deal platforms to make later full-price purchases, SMBs must investigate others options to meet their goals. It is becoming clear that this model brings only one-time “coupon clippers” and not the deep, recurring repeat business that SMBs need to develop to succeed.

In addition, research surveys show that consumers are seeking online shopping platforms that deliver highly local choices that are both unique and relevant to their interests. In short, compared to what is typically available through daily deal platforms, consumers want to see deals that are more unique and relevant to where they live and to see more of them.

Industry observer and small business social media expert Rocky Agrawal recently echoed these needs. On the limits of daily discount sites to meet them he writes: “The future is all about targeting and self-serve. Smart businesses don't want to blast a spam message to everyone in a region who might want a cheap massage. If I ran a spa, I'd want to reach people within 5 miles of my business, who weren't already customers and who regularly spend money on spa services. I want qualified customers, not those who are 'once and done.' And I certainly don't want to discount to people who would pay full price. The Groupon daily deal model doesn't support this.”

FLEXIBLE ONLINE PROMOTIONS

Given the problems inherent in the online platforms discussed, what is the answer to SMB online marketing needs? One word is at the root of what is required: Flexibility.

In the discussed online promotion platforms control over what is offered, and when, is typically relinquished. Businesses need to instead turn to platforms in which they have greater control over the offers they provide customers, and better abilities for customers to find offers of interest to them. One-shot, wide nets will not catch repeat customers.

SMBs should instead investigate a market portal model that instead presents offers, products and services directly to interested customers, avoiding spending money on targeting single-shot deal chasers. One-size does not fit all, so SMB's are well served by an online platform that leverages technologies like geo-targeting to better reach customers where 'they live' with specific products and services they want.

A flexible, marketer-focused platform also provides significant other benefits from being able to quickly adapt to market changes, quickly leverage emerging trends and handle inventory challenges. Furthermore, it allows for learning; by offering multiple promotions rather than the single deal, businesses can monitor and analyse transactions to see which gain the most traction and immediately take advantage of the customer trends uncovered.

Based on the budget and return on investment needs of SMBs, a further element of flexibility must be found in online platforms used—a pay-for-results compensation model. CentrSource's platform, for example, provides businesses the ability to control their deals and pay only for those that are successful. That can make a tremendous difference to promotional efforts, while allowing businesses to tweak and tailor their promotions for greatest success. Rice University's research found that with daily deal models only a little over half of businesses made money, while one quarter lost money in the bargain.

ADDING VALUE AND SERVICES

For businesses in markets like information technology, flexibility is of even greater importance. It allows promotions to move beyond simply selling on the group discounts on product—which, with the typically tight margins on IT equipment is a self-defeating proposition. In discount sales you reap what you sow, low or lost margins.

In a market portal platform like CentrSource, business can instead be built on knowledge, services and value-add. This is especially crucial in the SMB space where dramatic supply-chain efficiencies can rarely be found. When selling on price, it is nearly impossible to compete with Walmart (or Best Buy, Future Shop or Business Depot) like players with supply chains to match their scope. Such a platform lets SMBs sell on what are usually their strengths: expertise and service; upselling on features, services and convenience, all of which are within their realm of control, and ultimately attracting sustainable and more valued customers.

CONCLUSION

Web-based and cloud technologies bring agility and flexibility to business and, in part as a result, today's market pressures require businesses to act on a dime. They need an online marketing platform that supports that, and acts in parallel with business goals. It's no good if a business can be responsive but their marketing platform is not.