Marketing for Micro 101: Lessons from around the U.S.

By Luz Gomez

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The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036
www.fieldus.org

"The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself."
- Peter F. Drucker

This is not your typical marketing how-to guide, but rather a synopsis of important elements to consider as students embark on offering microenterprise services in their local communities. This publication offers an array of marketing experiences and some lessons drawn from microenterprise organizations across the country. It also introduces important marketing concepts, such as defining a target market, the implications on product/services design and the incorporation of evaluation. The hope is that students will reflect on the lessons and devise their own strategies to serve low-to-moderate income small businesses in their local communities.

Things to Think About Before Getting Started

First, let's start with a few definitions. FIELD defines a microenterprise as a small business that has fewer than five employees and whose typical capital needs are less than $50,000. We know the national presence of microentrepreneurs is large and significant. The Association for Enterprise Opportunity (AEO) documents that **over 80 percent of all businesses in the United States** are microenterprises or very small businesses. In 2005, **FIELD estimated that 10 million microenterprises** would be a target for microenterprise programs because they lacked access to services, such as credit, training, and business advice.

However, the conundrum for many programs is that although there seems to be a huge market opportunity, marketing to it has a remained a challenge. For one, these microenterprises are not a monolithic (homogeneous) group; they represent a multitude of different niche industries that have varying needs. Second, it is often hard to find them. Many home-based, small-scale businesses, for instance, are not as easily accessible as walking into a storefront to leave a flyer. Working with microenterprises requires a deep understanding of the client (and community) you are trying to target and matching that knowledge to the services that you offer.

Additionally, many microenterprise organizations have discovered over time that there is no one marketing silver bullet. Rather, organizations have found marketing to microenterprises to involve a *continual* process of research, piloting strategies and gaining understandings of the business communities they are seeking to serve. For example, FIELD observed that, among large-scale microlending programs, successful marketing efforts that drove growth in their lending involved very specific and targeted market research. While most programs know that there is an ample number of entrepreneurs in their geographic area, to achieve growth in portfolios, programs went through a process of ***(1) identifying and researching specific market segments and market channels; (2) developing and testing strategies to reach them (these strategies might focus on marketing, they***

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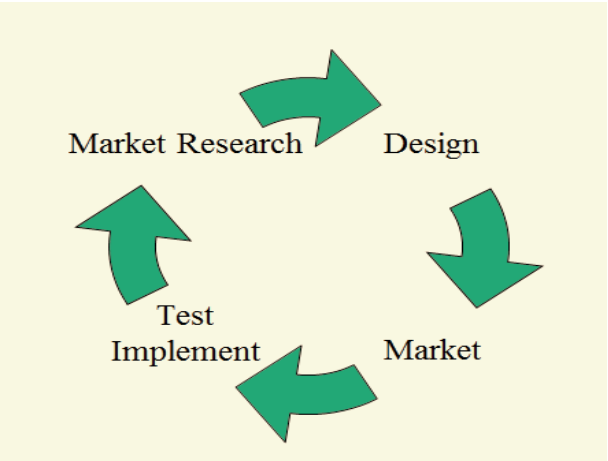
might also focus on partnerships or product development); and (3) evaluating whether those strategies led to growth in their client portfolios. The process of experimentation and market understanding was very much an iterative process for these organizations:

Graphic: Market Research: An Iterative Process of Learning, Testing and Evaluation



Establishing a Target Market: Get your Finger on the Pulse

As you start to think about your target market, remember the following: every program has a limited amount of *resources* and *expertise* to bring to bear, and your program might be better suited to meeting the needs of a particular industry or type of business. Consider, in particular, the capacity constraints of a student-run organization.

The following are some questions to get you started in defining your target market. In your team, you should be discussing the profile of who you want to assist with your services — defining who the ideal client is. Think about how you might help that particular target and how you can start positioning your program, and answer these questions:

- What ***geographies*** can we consider? Is there a neighborhood close to campus that is underserved by local providers?
- What is the ***demographic/socio-economic*** profile? Where is there a match between their cultural characteristics (i.e., low-income Hispanic microbusinesses) and our capacities?
- Are there ***sectors*** that have defined needs that we can meet? What can we learn about ***business characteristics***?
- What are the ***attitudes, values, challenges and preferences*** *of the expected clients*? What is the clients' ideal financing or training program?

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Highlight 1

Intersect Fund (IF) in New Brunswick, New Jersey, defines its ideal client as "the barely existing business" client. Business owners that meet that definition are using their microenterprises as one patch among various sources of income, which together sustain a person or household. These businesses might start off as informal hobbies, and the owners' challenges might entail formulating stronger business plans or moving to the next level of formality by investing in strategic ways. About half of the businesses IF serves are thin file/no credit customers, so building credit is also a need among its targeted client base. IF has found success in serving several specific sectors including food services (specialty food, catering), beauty salons, cleaning services and small contractors. Larger, more formalized businesses are referred to other lenders and training providers.

Mountain BizWorks (MBW), a trainer and lender serving Asheville, North Carolina and its surrounding areas, has undergone a strategic planning process that has led staff to more clearly define its target market as the organization has moved into the next stage of organizational development. MBW defines its target market as "the durable business." Owners of these existing businesses are interested in growing and positioned to do so, both in terms of revenue and jobs created. Among the businesses that meet this definition is a bakery that sells retail and wholesale and needed help solving cash flow, inventory and bookkeeping challenges first, and, second, a growth plan that would help add capacity to produce new products on-site. Others include a firm that designs and installs solar thermal (hot water heating) and solar photovoltaic (electric generation) systems for residential and commercial customers, a café featuring artisanal chocolates and a cake shop now employing seven workers.

What is your organization's "ideal client" profile?

Low-cost Research Identifying Customers and Needs

As university students, you all have access to many secondary resources, but moving beyond the census figures and getting to know your local economy is critical. What industries or sectors are prevalent locally? Which are up-and-coming? What more can your clients or businesses tell you about where to focus and with what product or service? The following are several examples of market research processes undertaken by microenterprise organizations (also see the resources in Highlight 2):

Understanding sectors: Opportunity Fund (OF), a microenterprise program in Northern California, provides a good example of using an industry sector lens to help focus its program for growth. OF closely researched several sectors in the Bay area that had a prevalence of microentrepreneurs: the child care,

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massage therapy, landscaping and short-haul trucking industries. Ultimately, staff found that the child-care sector had clear business needs and challenges: small amounts of capital to update materials and make space improvements to meet regulations, and understanding licensing information (many providers were Spanish dominant). Moreover, they found market channels to tap into the network of providers, such as Home Day Care Provider licensing agencies.

Similarly, OF staff learned about the changing environmental regulations in California governing emissions for truckers. As they researched the industry and spoke to both truckers and industry service providers, OF found that many of these independent contractors did not have financing access (many were new immigrants with little credit history) to upgrade their trucks to meet new regulations. During the course of that research, they found marketing channels to tap, such as the truck vendors and licensing agencies, since a large portion of the truckers worked with the Port of Los Angeles. Conversely, the massage therapy and landscaping industries were much harder to develop; there were not market channels that were as clear as with the child care or trucking industry.

Small focus groups: Well-run focus groups of potential customers can also provide some good insights into customer needs and a sense of whether you can provide or develop adequate services to this sector. ACCION USA (AUSA), headquartered in New York City, held multiple focus groups with client and non-client businesses that were involved in some way in green enterprise. Those multiple focus group sessions allowed for key understandings to shape a financial education and green loan product offering.

Similarly, the Capital Good Fund (CGF), a student-powered organization out of Rhode Island, used focus groups as a way to understand the initial needs of the local Hispanic community. CGF's insights from those focus groups led to their **Citizenship Loan product**, which provides small-dollar financing for low-income immigrants who are applying for U.S. citizenship -- the fee had substantially increased in recent years, a barrier the organization found common as they were exploring access to credit issues during their focus groups.

The fundamentals of running a successful focus group involve developing an interview protocol, selecting the appropriate group of informants, reviewing interviewer technique do's and don'ts, and analyzing the results. Here are some resources to get you started on **designing a focus group**, **asking good interview questions**, and a **basic overview of the focus group process**.

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Highlight 2

Delving Deeper into the Business Environment: Additional Resources to Assess Need and Competition

Moving beyond general poverty figures for your area will allow your organization to make a stronger case for building support, and bolster your group's understanding of the business environment. More targeted business data could include online sources like the **Survey of Business Owners (SBO)**, while a site like **Policy Map** can provide various data sets to help you contextualize your targeted neighborhood/area with rich demographic information. FIELD's new **microTracker** site can also provide you with information around other microenterprise providers currently operating nearby, potentially suggesting gaps in products and services in your community.

Here are a few questions to test your knowledge of the local business environment. Can you answer them? If not, delve deeper!

~What are the main consumer groups and what demographics do they represent?

~Does the local economy revolve around the university, or other residents and businesses?

~How much competition exists in industries typically dominated by microentrepreneurs (i.e., beauty salons, restaurants, child care)?

Program Design Informed by Market Research: Meeting Client Needs

You've done the research, so now what? As several of the examples above illustrate, the process of matching services to those client needs/barriers is a fundamental part of ***positioning*** your program.

Let's again explore the Opportunity Fund's research around Home Day Care Providers. OF staff studied and defined their target market, then **adjusted their financing product** to suit the needs of that sector — in that case it meant adjusting their loan terms to match the industry's cash-flows, and adding specialized industry-specific technical assistance. Similarly, ACCION USA **developed educational content around greening a business** (combined with financing). The organization found the educational component necessary because, in the focus groups, there seemed to be a large gap in knowledge regarding what it meant to green a business and how to operationalize it. AUSA's online webinar content, for example, explores topics like obtaining green certifications and effective marketing techniques for green businesses. This is offered in combination with a green loan product designed for

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entrepreneurs looking to green their business operations and/or working within an environmentally-focused area. The Community Empowerment Fund transitioned its program from a credit-led program to one much more focused on savings based on the needs of its target – the homeless and at-risk of homelessness population -- which the student group began to more fully understand.

Informed by a study of the local market, these programs identified *client needs and barriers* within the potential target markets and then did an internal assessment of their available products or services. Does your organization currently have the capacity to deliver an appropriate product? Or, can it build the capacity? And, how can it position those products? The Opportunity Fund, ACCION USA and Community Empowerment Fund examples illustrate how they built their services around these learnings and adjusted what they currently had to offer.

Outreach Strategies and Marketing Channels

Direct client strategies

Outreach strategies have taken on multiple forms — both those that seek to directly interact and reach clients and those that indirectly reach clients (such as partnerships and referral relationships). A number of FIELD publications have documented a laundry-list of strategies (both direct and indirect) and assessments from practitioners of how well they have fared. Clearly not every strategy will be relevant or successful in every community context, but we hope these examples serve as food for thought as you test ways to reach and develop a local client base.

Partial List from FIELD's **"Marketing Strategies for Scale-Up"***:*

- ✓ *Door-to-door "block walking" in potential client-dense area*
- ✓ *Paid or incentivized community-based promoters*. These have been clients that strongly identify with the program.
- ✓ *Orientation sessions in a variety of community venues*
- ✓ *Free seminars on how to finance your business*
- ✓ *Materials at "point of purchase"*
- ✓ *Introductory videos*
- ✓ *1-800 numbers for inquiries*
- ✓ *Program newsletters broadly circulated both online and offline*

Leveraging Client Referrals: Several of the U.S. ACCION offices embarked on client service initiatives to help improve their level of customer service to, in turn, help increase the level of customer referrals.Several programs have also experimented with different thank-you initiatives (gift cards, cash rewards) to remind clients to refer their business customers.

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Indirect strategies: Partnership approaches

Establishing robust partnerships takes time and patience. As you explore this approach to marketing, you should consider the elements below. Some forethought and strategizing can help to ensure that the time invested will reap the rewards of client referrals to your program.

Evaluate an organization's reach (volume and target market): A common stumbling block when working with potential partner organizations is that there is a mismatch between who the organizations are targeting. Let's say, for example that a microenterprise organization works only with existing microenterprises looking for financing, and a partner primarily looks to work with start-up businesses with their training services. Although there may be some minor overlap, for the most part, that will not likely be a partner that will be able to provide volume and the target of entrepreneurs they are each looking to serve.

Small Business Development Center (SBDC) relationships have bolstered referrals for many microenterprise programs across the country, especially if they are well-run and do their own active marketing within the small business community. Also, community-based organizations that deal with a particular community (Hispanic or African immigrants, for example), are well-connected and serve a substantial number of clients that fit your target could be one of your strongest sources of referrals.

Find the common incentive: Partnerships take time and energy for both parties, so you should prioritize your investment. Is this relationship going anywhere? To get the most out of a partner and to make the relationship productive, organizations should ask themselves from the get-go if there is mission-fit between the organizations -- What is the organization's mission and does it complement your organization's work?

Finding Common Ground: Potential Bank Partners

Bank referrals have been successful in a variety of contexts — the incentive from a bank's perspective is that it does not have to tell a customer 'no' if a loan is declined, but instead, can refer the client to another organization for capital or training needs. A bank can also receive **Community Reinvestment Act** credit for actively working with, and investing in, community-based organizations. The microenterprise organization, on the other hand, wants to service customers that are not a good fit for the bank right now and to help those same customers build their credit histories and/or get the training they need.

As we discussed above, a student organization must also consider whether a partner, such as a bank, is attracting the type of clients they want to target. The Intersect Fund, for example, says it serves a majority of clients (the "barely existing businesses") who do not walk into a bank branch to apply for a small business loan. As a result, IF does not actively work with banks as referral partners because they simply do not reach the target market they are currently serving. The point cannot be underscored enough -- pay close attention to the target market when considering where to spend your time.

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Find the right people: While you might have a great relationship with one person within an organization, that individual might not actually get the referral wheels turning. Take into account some of these questions as you begin considering a referral partner -- W*ho at the organization comes in contact with clients? Who's excited about the relationship? Who higher up needs to be convinced of the benefits of your relationship?*

Tag On to Existing Work Versus Creating a Structured Referral Process

Some potential partners might be relatively easy to manage. Partners might already be holding seminars or events where student groups can be guest presenters or have comprehensive email lists to announce resources. And they may be readily open to offering you access.

But some relationships may require a more structured process of engagement**.** **ACCION New Mexico's statewide bank referral program** illustrates the level of resources staff put towards designing a statewide referral network. New Mexico's rural nature and lack of density propelled ACCION New Mexico to work with local bank partners to source and assist in disbursing loans throughout the state — even without a loan officer present. The arrangement required agreements at the top with bank executives and then regular communication and nurturing of branch staff. Though this relationship is much more formalized given that the banks were disbursing loans for the organization, there are also myriad examples of microenterprise organizations working with smaller community banks that are interested and looking for value-added services to offer their clients in a less structured format.

What will be appropriate in your community?

Channels

Another good outreach strategy is to tap channels where groups of clients are likely to be clustered. Some of these channels, or hubs, may be defined by industry as we saw with the Opportunity Fund example of Home Day Care licensing agencies. Others may include trade schools like beautician training programs, or flea markets. Other commercial hubs, or channels, can be defined by ethnicity or geography; for example, chambers of commerce in a particular city or neighborhood, or ethnic chambers of commerce grouped around people from specific countries.

Banks and their commercial declines, as discussed above, could also be considered a channel. Business-to-business channels, such as equipment vendors, loan brokers, or other business service providers like accountants, could provide an entrée to a group of microenterprises in need of your services. Finding these hubs allows an organization to bring down the overall marketing costs of connecting with potential clients.

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Building Brand Awareness Supports Outreach Activities

"A brand name is more than a word. It is the beginning of a conversation."
~Lexicon Branding

It is difficult to introduce a new program to the local business community. Many microenterprise organizations have found that local outreach strategies are best supported with public relations work that helps raise the entity's profile. Although the organization had been around for many years**, Justine PETERSEN** (JP) in St. Louis outsourced a portion of its public relations to someone with strong local media contacts in the area. This allowed staff to jump-start a process of raising the organization's profile. JP's staff also did background interviews with the press to educate them on local microenterprise issues, wrote op-eds to discuss the credit crisis and present alternatives, and got feature stories written on successful clients. As a result of this continued work, both the organization's local and national profiles have been raised -- making local outreach efforts that much easier.

While not every organization has the funds to hire a PR consultant, building brand awareness can also be done on the cheap. Student groups can pitch client success stories to local media, sponsor local events, or tell your group's story in a compelling way to build awareness.

Social media tools have also been a low-cost vehicle to promote ongoing work, creating opportunities for people to follow organizations through platforms like Facebook, Twitter, Meetup, YouTube and blogging. Student group **Community Empowerment Fund** (CEF) in Chapel Hill, North Carolina, is a good example of the inventive ways that organizations are building awareness — the students have produced an inspiring **mini-documentary** showcasing their work using an online format that is easy to share and disseminate. Other microenterprise practitioners have noted social media's usefulness in promoting events and driving client traffic to their websites. For example, ACCION USA brought in almost 200 small business owners to a local event, and a key strategy in achieving that number was direct messaging local businesses in Miami that had a big following on Twitter. Other groups are tapping into existing business networks (i.e., Ning groups of entrepreneurs in the food sector, or MeetUp groups of entrepreneurs).

Consistent presence: Part of developing relationships and building brand awareness (and trust) involves being part of the community and getting involved consistently — not just participating in one-off events. Mountain BizWorks' staff and consultants, for example, go to as many community meetings related to small business as possible and often open up their offices for wider community meetings. **Elmseed Enterprise Fund's** successful yearly business expo has brought together both prospective entrepreneurs and other community groups looking to serve aspiring or existing business members. As the old marketing adage says, ***a person needs to hear about you several times (some say up to 5-6 times!) before they will actually buy a product or service.***

Some Lessons Learned about What *Doesn't* Work

As organizations have experimented with a multitude of local strategies, many have also recognized what has not yielded a return on investment. On the side of what works is a combination of the

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strategies examined above. Working in any community requires relationship building and trust, so that is the common thread in attracting clients to any microenterprise program.

What has not worked builds off of this notion of trust. Wide-reaching, expensive media campaigns or advertisements in the absence of a strong community presence did not yield the results anticipated. Similarly, cold-calling businesses or sending direct mail without an established relationship can prove costly (both in terms of dollars spent and staff time).

Evaluation: Creating a Feedback Loop

Client feedback: As we started out discussing in this publication, there is a critical need to listen to your clients -- they are your best source of inexpensive market research. You might think your clients need a particular service, but really their priorities lie elsewhere. Or perhaps, current clients like your services but there is additional content that you could deliver to stay competitive in the marketplace. For instance, maybe to accommodate a student volunteer schedule, your program offers its training services during the day. You hear from clients that it is really difficult to close up shop during the day. As a result, your organization adds a new time slot later in the evening — keep tweaking what you are doing until it fits your target market. The important thing is that you learn, pilot and experiment.

Make it a consistent practice to solicit feedback from your clients. Here are some simple techniques:

- Post-training/loan surveys (members of the **Campus Microfinance Alliance** have access to template resources in this area)
- Anonymous electronic surveys (i.e. Surveymonkey, Zoomerang)
- Small focus groups of clients
- Sharing informal client feedback with the rest of your team members.

Analyzing success: Next, use metrics to analyze results of marketing efforts. It is critical to ***compare the yield of your efforts relative to the costs you incurred***. Those costs are not only out-of-pocket expenses but also the costs of your staff's time. You want high yield (i.e., number of new clients to your training class) and low costs (time of your staff or dollar investment). Be rigorous about analyzing your results every time you consider and execute an activity. But, always remember that there is a balance to strike in terms of consistency and the type of activity — whether it's direct outreach or brand awareness. Just because your program tried a strategy one time and it did not produce loans or clients, does not necessarily mean you should stop — consider what intangible results might be gained from all marketing activities or whether it's a strategy that needs to be repeated several times to work.

Roundup

The learning that many microenterprise practitioners have had in the world of marketing for microenterprise is that the path towards growing a program is not cut-and-dried. Rather, there are various levels of marketing required. There is the type of marketing that is more broad-based — building general awareness about your program and establishing a presence; but, there is also a continuous process of specific market research that reveals target markets, delivery channels and pilot strategies that work in specific communities. All of these are the building blocks of a program developed over time.

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Below is a summary of the themes discussed in this handbook:

- *Market research and marketing must be consistently practiced: the process is iterative.*
- *Marketing needs to be implemented at several levels:*
  - broad based, establishing a presence in the marketplace
  - targeted to delivery channels
  - targeted to target market populations
- *Because marketing costs money, evaluation is key:*
  - track where people learned of you, who referred them
  - focus on the yield: cost per client, not just number of inquiries
- *Strategic investments in the right partnerships pay off, but you need to systematically determine who those partners are in your market*
- *Quality and consistency in promotional media count, but, when you unleash a campaign, make sure you have the capacity to respond.*

Other FIELD publications that cover marketing themes:

Innovating to Scale

Dollars for Dreams: Scaling Microlending in the United States

Focused on Growth: Scaling Business Development Services in the United States

Understanding National Trends and Local Markets: The Role of Market Research

Scaling up Microenterprise Services

Marketing Strategies for Scale-Up: FIELD's Grantees Share Their Experiences

***For other resources on marketing visit*: http://www.fieldus.org/Projects/MarketingResources.html**

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