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Targeting Small Business: How Banks can Drive Customer Loyalty and Growth with Business- focused Web Content

WHITE PAPER

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Targeting Small Business: How Banks can Drive Customer Loyalty and Growth with Business-focused Web Content

The right mix of start-up and small business-focused content can give a bank an important marketing edge. Useful business information and online training can attract qualified website traffic, maintain existing customer loyalty and position a bank as the bank of choice among the growing number of entrepreneurs electing to start their own business.



One of the main challenges faced by business banks is the question of how to differentiate their product and stand out as the preferred business bank in the burgeoning small business sector. In the current turbulent global economic climate, it is particularly difficult to find relevant and cost-effective ways to retain customer loyalty and attract financially sound and business-savvy new business banking clients.

How can banks effectively position their organization as the bank people who are serious about business would naturally gravitate to? Are pricey primetime adverts on television still the best way to attract and retain business clients or are there other options that provide a better return on investment?

The growing use of the Internet has changed the way business

people look for business information and banking services. At the same time, the Internet provides an effective, reasonably low-cost and fairly immediate tool to achieve these marketing objectives.

Useful online business resources to help new businesses get up and running faster or enable established Small and Medium Enterprises (SMEs) to take their business to the next level can be an effective way to build customer loyalty and goodwill – and could well offer banks the best returns on marketing investment.

Targeting SMEs: Before the advent of the Internet

The challenge of marketing a business bank brand is not new, nor is the decision to target SMEs as a means to achieve this. Banks have been aware of the win–win advantage of providing helpful business advice and training to their business clients for a long time – it helps businesses reach break-even and profitability much faster, which is good for both the bank and the business, and generates customer loyalty at the same time.

Historically, bank managers provided the bulk of this business support and goodwill role, passing on valuable expertise and advice when they met with clients. As bank client numbers grew and bank managers were not able to provide this sort of one-on-one service to all clients, this level of support was reserved for high-revenue businesses. The function was then met by offering bank-sponsored business training or bank-branded handouts on how to start, grow or improve business operations.

The medium of delivery has changed over time, from printed handouts and workshops to CDs, and adapted with technology to online resources and information, videos and interactive training sophisticated enough to generate business-specific advice and feedback.

Targeting SMEs: Now that the Internet is popular

Online is *the* new medium

According to Internet World Stats,¹ more than 2bn people, or 30% of the world population, use the Internet and year-on-year growth in the uptake of Internet increased by 480% between 2010 and 2011.

¹ <http://www.internetworldstats.com/stats.htm>

Within an American context, Internet access has increased to 249.3mn according to Nielsen,² with a market saturation of almost 80% in North America. Online activity has become increasingly integrated into consumers' lives.

With consumers spending more time online, advertisers are following suit. Nielsen notes: "More and more advertising dollars are finding their way online. In the 2011 Advertising Outlook... a survey of over 300 advertising decision makers from a variety of industries indicated that digital budgets have increased more than any other media in 2011."

Nielsen cites statistics from a recent Media Behavior Institute USA TouchPoints study that found American consumers:

- Spend nearly 27 hours per user per month on the Internet
- Access the Internet frequently on mobile – 43% of US adults now own smart-phones, and
- Access the Internet concurrently with other media – 20% of US adults watch TV while using either a PC or mobile device on a daily basis.

There's little doubt that Internet use is growing exponentially and online is *the* new media; one that marketers can't afford to ignore. With Google sitting comfortably in the top spot³ as the most-viewed website in the US, it is reasonable to assume that budding entrepreneurs and established small business owners are turning to the Internet, as much as any other American, to find news, services and useful business information.

The growing SME market

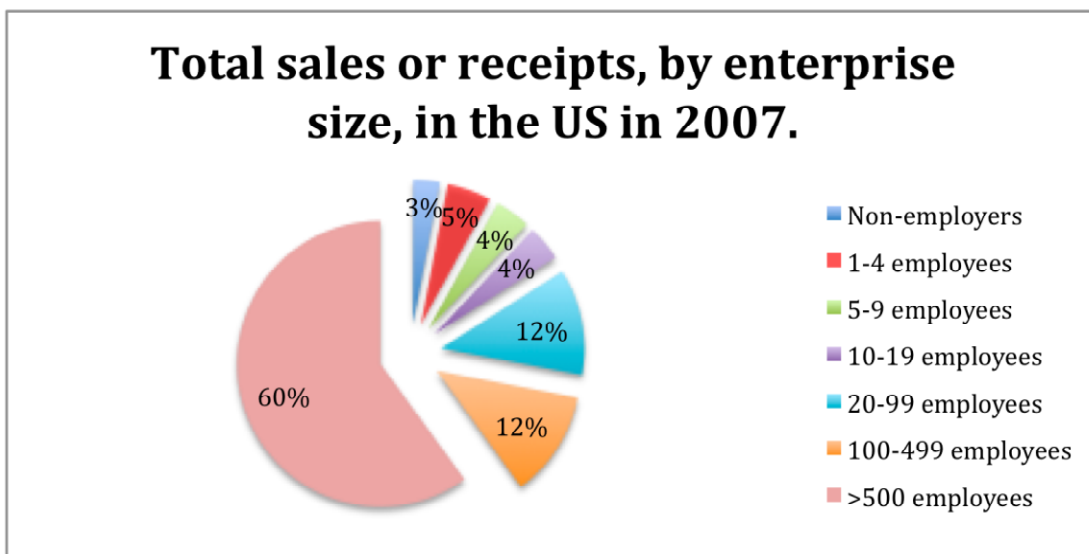
According to the US Small Business Administration (SBA),⁴ SMEs, defined as businesses that employ less than 500 people, play an important role in driving growth in the US economy. Small businesses represent 99.7% of all employer firms, pay 43% of the total US private payroll and accounted for 65% (or 9.8mn) of the 15mn new jobs created between 1993 and 2009.

² The Nielsen Company. (2011). *Beyond Clicks and Impressions: Examining the Relationship between Online Advertising and Brand Building*. New York, NY: Author

³ Nielsen Wire. (2011). *Aug 2011 – Top Web Brands*. Retrieved from http://blog.nielsen.com/nielsenwire/online_mobile/august-2011-top-us-web-brands/

⁴ Small Business Administration (SBA). (Jan 2011). *Frequently Asked Questions*. Retrieved from <http://www.sba.gov/sites/default/files/sbfaq.pdf>

Information from the US Census Bureau⁵ showed that almost 22mn out of the 29mn business establishments in existence in the US in 2007 were non-employer businesses (set up as a means of self-employment) with combined revenue of \$991bn. Although these non-employer small businesses accounted for only 3% of total business revenue, this increased to 16% of all business revenue for businesses employing less than 20 people, while small businesses employing less than 100 people accounted for 28% and businesses employing less than 500 people accounted for 40% of the \$30.739tn in business sales or receipts in the US in 2007.



Source: US economic census 2007.

This leaves little doubt that small and medium businesses play a vital role in the US economy in terms of the amount of revenue they generate. Census figures show SMEs also provide 49% of the employment in the US, ignoring the role of self-employment filled by all the non-employer businesses.

The White House’s billion dollar Startup America initiative to accelerate high-growth entrepreneurship throughout the US is likely to see SMEs take on an even larger role in the economy, with expectations that SME growth provides the key to stable economic growth and employment creation in the US.

⁵ <http://www.census.gov/econ/smallbus.html>

In addition, the current economic conditions have encouraged more people to start their own businesses. The 2010 Kauffman Index of Entrepreneurial Activity,⁶ a leading indicator of new business creation in the US, found that more Americans have become entrepreneurs during the recent recession than at any time in the past 15 years. In 2010, new and repeat entrepreneurs started an average of 565,000 new businesses each month. This is consistent with 2009 levels, but exceeds 2008 new business levels by 4% – and represents the highest level of entrepreneurship over the past decade and a half, according to the report. However, the report also noted a new trend: that more business owners were “going it alone, rather than founding companies that employ others.”

With SMEs already responsible for 40% of US economic activity and almost half the employment in America, they represent a large, and growing, number of potential customers.

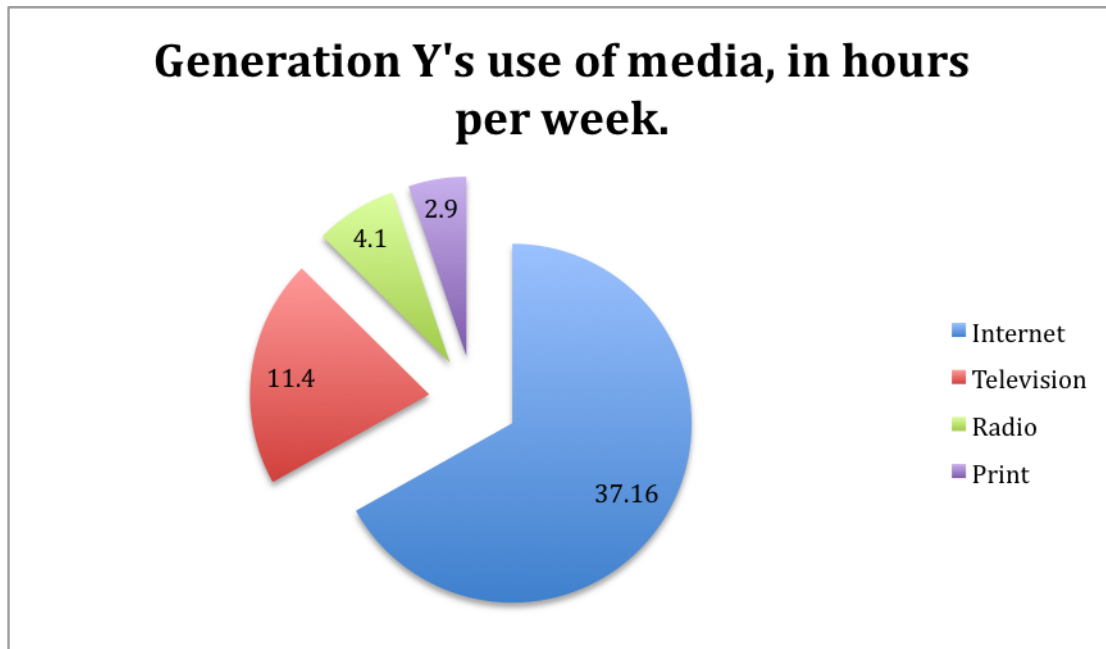
The Generation Y factor

Each generation has its archetype and Generation Y, also known as the Millennials, has grown up in a world of instant communication facilitated by the use of the Internet.

According to Jay Ehret’s Marketing Blog,⁷ there are roughly 80mn Generation Y’s in America, and they spend more time on the Internet each month than they do in combined use of radio, television and print.

⁶ Weitekamp, R. & Pruitt, B. (2011). ‘*Jobless Entrepreneurship*’ Tarnishes Steady Rate of US Startup Activity, *Kauffman Study Shows*. Retrieved from <http://www.kauffman.org/newsroom/jobless-entrepreneurship-tarnishes-steady-rate-of-us-startup-activity.aspx>

⁷ <http://themarketingspot.com/2011/06/marketing-to-millennials-generation-y.html>



Source: Trends in Media Consumption Among Millennials⁸

This makes the Internet an important medium for businesses wanting to target this connected generation. A New York conference on Millennials, organized by Digital Wire in 2007, predicted that: “By the year 2010, Millennials... will outnumber both Baby Boomers and Generation Xers.”⁹

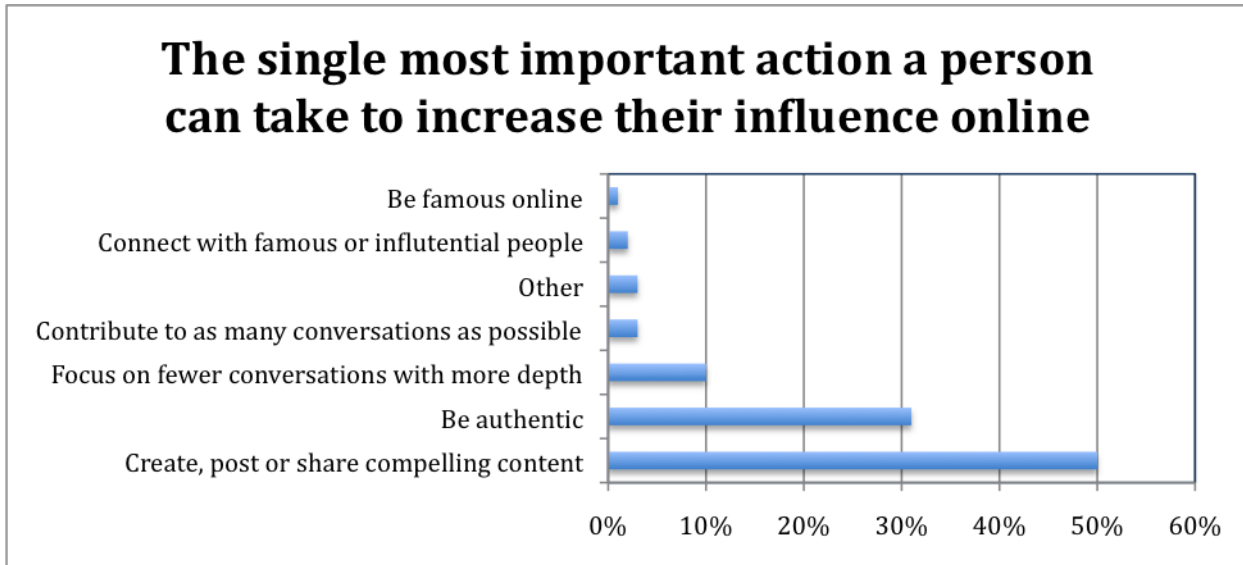
Currently aged from early teens to 29, Generation Y is the upcoming generation. They are very active online and use the Internet as the means to answer queries and source information. Businesses that fail to both understand and target this market segment stand to lose out on the attention of a significant and upcoming generation.

Relevant, quality content is key

It is a mistake to underestimate the value and importance of relevant, quality online content. Creating, posting or sharing compelling content was identified as the single most important action a person can take to increase their influence online in a 2010 online poll conducted by Brian Solis, a new media adviser and thought leader.

⁸ <http://www.techwyse.com/blog/internet-marketing/trends-in-media-consumption-amongst-millennials/>

⁹ <http://www.millennialsconference.com/ny/>



Source: Vocus Inc and Brian Solis, September 2010¹⁰

Compelling, relevant, quality content is arguably even more important for a business than it is for an individual and serves several important functions:

- It builds credibility – the business equivalent of personal online influence.
- It increases the potential visits to your website exponentially as quality, relevant content will encourage people to bookmark the page to visit again, or to share the information within their social media circles.
- Search Engines are using increasingly sophisticated algorithms, such as Google’s Panda, to provide search results that reflect both the quality and relevance of online content.

Utah-based search engine optimization company, Online Image, summed up the importance of quality content well in their blog *Quality Content Creation*:¹¹ “When you produce quality content focused around your products and services, you attract a loyal readership.” They suggest using “dynamic and current topics that surround your industry to improve the quality of the content you generate”, and that businesses should discern what information they can provide to attract reader interest and cultivate long-term customer relationships.

¹⁰ Brian Solis. (2011). *Exploring and Defining Influence: A New Study*. Retrieved from <http://www.briansolis.com/2010/09/exploring-and-defining-influence-a-new-study/>

¹¹ <http://www.onlineimage.net/blog/2011/10/quality-content-creation/>

An effective way for banks to target the growing SME sector and the entrepreneurs among the upcoming Generation Y is to provide relevant, quality online content to drive customer loyalty and growth.

The challenges of targeting SMEs online

Apart from the fact that it makes sense to market where your customers are, using quality, relevant content to market a bank online is relatively inexpensive, offers a potentially good return on investment and can be fairly quick to implement.

But targeting SMEs through the provision of quality online content is not without challenges.

Start-ups often fail – are they really the right target market?

According to a Dunn & Bradstreet Report,¹² small business and entrepreneurs are driving innovation and job creation in the US in today's recovering economy, but: "Despite these positive trends, small business failure rates have increased 40% from 2007 to 2010" on average in the US.

It's easy to conclude that this, on top of the well-known fact that roughly 50% of new businesses cease operation within the first five years,¹³ means that SMEs have a high failure rate and carry a high risk for business banks. But the truth is that these negative views of small companies are based on dubious statistics.

A study of 5,196 start-ups,¹⁴ published in 1996 in the *Journal of Small Business Management*, found that annual failure rates were higher than 9% when failure was defined as discontinuance of ownership (this figure includes business sales), but dropped to less than 1% a year if failure was defined as bankruptcy. Cumulatively, 64.2% of the businesses start-ups were no longer operating or owned by the same people after a 10-year period, but only 5.3% filed for bankruptcy. This illustrates that a large number of start-ups close or change ownership, but very few actually pose a financial risk to other businesses or banks.

¹² Dun & Bradstreet. (2011). *The State of Small Businesses Post Great Recession: An Analysis of Small Businesses between 2007 and 2011*. Retrieved from http://www.dnbgov.com/pdf/DNB_SMB_Report_May2011.pdf

¹³ <http://smallbiztrends.com/2008/04/startup-failure-rates.html>

¹⁴ Watson, J. & Everett, J.E. (October 1996). Do Small Businesses have High Failure Rates? Evidence from Australian Retailers. *Journal of Small Business Management*. Retrieved from <http://www.amazon.com/businesses-failure-Evidence-Australian-retailers/dp/B00096OMOA>

While there might be a lot of churn in small business start-ups, the risk involved is not that high, and focusing on small businesses does not translate into bad or risky business. In fact, the high closure rate among start-ups supports the need for quality small business content to help these businesses.

Providing the right content mix to attract and assist start-up businesses can produce the win-win outcome of helping businesses become successful and building customer loyalty, effectively helping a bank to capture a significant portion of the successful start-ups – the ones still in business after 10 years and likely to grow into large businesses.

Small businesses mean small money

The revenue of a business with no employees, or even a business with 20 employees, will be significantly lower than the revenue of a large business with more than 500 employees. It's easy to assume that targeting large businesses, with significantly higher revenue, is a better strategy for business banks – so why bother with the smaller guy?

There are several reasons. There are more than 23mn small businesses employing more than 81mn employees and generating in excess of \$6tn in revenue¹⁵ in the US. While each business might be small, their combined revenue is significant. Unlike large businesses, small businesses will be far less likely to ask for preferential rates and far less likely to get personalized attention, which means small businesses potentially generate more profit per dollar transaction for a business bank than larger banking clients.

Focusing on small businesses also allows business banks to spread the risk. A business bank would be better off with many small business clients with a 5.3% risk of bankruptcy in a 10-year period than with a few large clients, where one bankruptcy could have a significant and devastating impact on the bank.

In addition, many large businesses started off as smaller businesses. Considering it is easier to retain a banking customer than attract one from another bank, it makes sense to appeal to the type of small business that is going to grow into a successful large business. Providing relevant online content could be an effective way to accomplish this.

¹⁵ Dun & Bradstreet. (2011). *The State of Small Businesses Post Great Recession: An Analysis of Small Businesses between 2007 and 2011*. Retrieved from http://www.dnb.gov.com/pdf/DNB_SMB_Report_May2011.pdf

Identifying, sourcing and managing content for SMEs

Identifying and addressing the right small business pain points with articles and online training can be a lot harder than it sounds. Most marketers don't have on-the-ground business experience to know the main concerns of SMEs and accurately identify their content and training needs. They also often lack the online writing expertise to produce the material themselves.

Most companies try to solve this by outsourcing their content needs to a professional writer. While the writer has writing skills, they generally also lack the required business insight and intimate understanding of the SME market to produce the sort of compelling content that is needed.

Once the content is written, a number of companies also encounter problems with uploading and managing the content. They might lack the time or skills to get content onto the company website, or similarly, without the right training they're unable to manage and update the content once it is online without following a cumbersome process to get assistance from the IT department.

The end result for many is that the project stalls before it gets off the ground, or vaguely appropriate content is eventually uploaded and generally becomes obsolete. A far cry from the relevant and compelling content that will help to drive customer loyalty and growth.

The solution: Use an expert business content provider

To overcome the challenges of sourcing, uploading and managing the right mix of website content to appeal to SMEs, banks are turning to expert small business content providers to provide a professional and cost-effective solution.

These companies are in constant communication with a wide range of small businesses. They know the sort of information SMEs want and through years of experience they know how best to communicate with SME owners and pass on business knowledge without sounding patronizing.

Their content recommendations are based on research into SME needs and backed up by website statistics. With the ability to measure the web page hits and click-through rates of a number of websites targeting SMEs, small business content providers monitor real-time feedback from small business users and use this to provide a recommended content strategy and compelling content.

With a blend of IT, writing and business experts on their team, these small business content providers are able to match a bank's brand needs with those of potential and existing SME clients to

deliver branded, relevant, personalized and compelling content – including how-to articles, useful business templates, training and other resources. And they're able to provide it in a format that is easy to upload, removing the challenges most bank marketing teams face when trying to implement a strategy to target SMEs.

What to look for in a content provider

When looking for a small business content provider to recommend and supply the right mix of content, several factors should be considered, including:

Provides all types of content: Look for a supplier who can provide a range of content to suit your SME readership needs, including online articles, how-to advice, business templates and calculators as well as online and interactive training solutions.

Small business experts: To ensure the content is compelling for your target SME audience, look for a content provider with experience in both running and dealing with small businesses and the ability to provide relevant, quality content.

Content strategy backed by data: For assurance that the content provided is the right fit for an SME audience, look for a supplier with knowledge of SME needs and the research and statistics to back up their suggestions. Ideally, you want a supplier who can provide a well-reasoned content strategy for your website.

Customized content: A good content provider will be able to customize content specifically to suit your SME readership and your bank brand message to provide content that integrates well with the rest of your website.

Content updates: To avoid the hassles of monitoring content for broken links or obsolete and outdated information, look for a content provider who offers this as a service. Some content providers will alert you when changes need to be made; others offer an option to embed content in your website, which enables them to update the content seamlessly for you.

Easy to put on your site: Because the lead time between discussing and implementing a strategy to provide content to target small businesses can be long, look for a content provider with technical expertise who can help to reduce this, either by working with internal IT teams or by providing a code to embed content, making it easier to get an SME-focused strategy up and running.

Appropriate IT security: Look for a supplier who has the right IT security measures in place to pass an IT security audit to ensure the integrity of your content and data.

The TSBC advantage

The Small Business Company (TSBC) lives up to its pay-off line as the “small business experts” and provides a range of small business-focused content, primarily to the business support channel (businesses that support small businesses), with clients such as National Australia Bank, HSBC (UK), Microsoft, Bank of New Zealand, Score, Ulster Bank, Lloyds TSBC and the New Zealand Ministry of Economic Development.

Established in 1998, TSBC initially provided small business training and workshops in a classroom-type setting and published magazines and books detailing how to run a successful small business. The company evolved as new technologies and training methods emerged and now combines small business, writing and technical expertise to provide a range of online content options to help companies market their business to SMEs – including help with marketing newsletters, branded business templates, specific online training modules, blogs and helpful online articles.

Using cutting-edge technology, TSBC’s team of business content experts, spanning several continents, create compelling SME content with painless installation options, along with updates to ensure the content is always fresh and up-to-date.

TSBC offers expertise on a wide range of business topics, a quick turnaround time on customized content, well-researched content recommendations and technical support to ensure easy integration with your website needs.

For more information

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