

Georgia's Small Businesses Must Look to the Familiar to Make it Through Tough Times

By Eric Bonaparte

It wasn't very long ago that the federal government passed the financial rescue package. Georgians embraced this historic government action with both optimism as well as with deepening concern about the state's and country's economy.

One major segment of the economic engine, the nation's small businesses, continues to struggle in today's difficult market conditions. Small business owners have seen stagnant sales and increasing costs limit their profitability. In fact, a recent survey completed by *American Express Open* focusing on small business owners revealed that over the next 12-18 months, 46 percent of small business owners believe economic conditions will worsen, while 34 percent think the economy will get better.

So, what is a small business owner to do? Most are very reactive in a bad economy and often make the decision to control costs and acquire new customers as a strategy to get them through the tough times. In fact, 70 percent of a typical company's marketing budget is focused on

finding new customers and only 30 percent on keeping current ones. Research, however, proves that existing customers are a more profitable segment to focus on. In addition, companies which focus on existing customers often improve profitability quicker and have better control over their operating expenses thereby improving their bottom line. So if an owner is looking at riding out the tough market, going with the familiar is the best strategy.

This strategy isn't without challenges. Current customers, though familiar with a company's products and services, tend to be more critical in buying decisions in an economic downturn as they are more intent on increasing value for their money. In addition, they may be working with less disposable income and will be less forgiving of a mediocre or poor service experience. Owners should conduct customer analyses to find out which ones represent the top 10, 15, and 20 percent of sales. Very often, 20 percent of the company's customers typically generate 80 percent of the revenue. For these customers, the business owner

should adopt an aggressive strategy. Most experts recommend using a trusted, experienced employee to work the relationships so if an issue comes up or there is an opportunity to sell more products or discuss overall needs, the customer can be serviced promptly. This closer relationship also allows for a better feel for the customer's business and trends. In addition, analysis must be done on the other 80 percent of customers that only generate 20 percent of the revenue. In looking at that group, business owners must evaluate the value of retaining customers which can cost more to deliver service to than they pay. In addition, other current customers may be good targets to sell to with expanded products or services.

Technology can also simplify implementing a proactive strategy to existing customers. Customer Relationship Management (CRM) software and other available tools make keeping in contact a snap. Targeting the familiar makes good cost effective business sense for small business owners because establishing new relationships

requires a lot of time and expense, but retaining and cultivating existing customers is a proven strategy that works especially in tough times.

Business Sense



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