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# In these hard times, drive growth with ROI-driven marketing

Even though we term this sector as SME, there are some big differences as to how marketing executives should look at a 300-people company from a 10-employee firm.

M Muneer (<https://www.moneycontrol.com/author/m-muneer-10391/>)

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The SME sector offers significant growth opportunities for the economy, and marketing to this large sector in India makes sound business sense for growth. Although many companies of local and international origin have positioned their offerings for the SME sector, many still have not been able to make a mark in a significant way.



SAP, Oracle, Microsoft, IBM.... you name it, they are all targeting the SMEs if you just take IT sector companies alone. Amazon is making more inroads into this sector disrupting established players’ business models. Reliance Jio is following suit.

In order to minimise the risk and optimise resources in reaching out to SMEs, there are some interesting things companies can do. First, understand the buying mechanism in this sector. Even though we term this sector as SME, there are some big differences as to how marketing

executives should look at a 300-people company from a 10-employees firm.

The propensity to buy more may not be there. Their lifetime value to a marketer is pretty low, as they do not buy much during their short time engagement.

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It is best to avoid marketing to the micro business segment at least in the initial phase of your marketing campaign. You would find both ROI and response to your queries staying low in this segment. Therefore in order to show success with your marketing and have a wider acceptance within your company, it is best to plan differently.

Second, marketers should know who their best customers are. Do they know when reaching out to the SME sector that it is a good playing field to generate revenue? Will intuition pay off, as the data available is almost useless? How can a marketer really know where to put the initial marketing funds? The ideal way is to profile existing customers in several business sites against employee count.

Marketers can then analyse the types and sizes of the businesses that buy their products. By knowing approximate share of penetration within various employee-size firms you can have several analysis done on various buckets. Marketers then can target the prospects that behave like their best customers, thereby minimising risk and maximising profitability of prospecting.

By taking the step of understanding the actual profile of your existing customers, you will be able to align your marketing investment with the right opportunities. Remember what a direct marketing guru said: "Success is dependent upon 40 percent lists, 40 percent offer and 20 percent everything else."

The third tip is about mixing market segments with channels for driving better performance. As we all know no channel optimally provides access to all required SME profiles you need for your products and services. Therefore it is imperative that you test and measure several of such channels to find the suitability in getting better response rates and ROI.

In my experience, the following three channel options should indeed be tested: social media, e-mail and telemarketing. If you intend to win the SME sector, these three channels must be used proactively. Typical utilisation should be in the range of 40-50% for social media, 30-40% for email and the balance for telemarketing.

By doing so you will indeed be utilising multiple channels in the true sense. This weightage is from the overall marketing budgets perspective including costs to acquire database and lists, and personnel costs of telemarketing.

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The logical question now is how you can know the ROI of your activities. Since many variables are involved here, you need to analyse which mix of channels is most effective. The key is in finding the most effective combinations and frequencies with order costs.

As an example, consider segmenting the MSME sector by the number of channels and frequency as follows: Micro segment receive one emailer only; small segment receives couple of emailers and targeted social media impressions; and medium segment receive all the three: social media, e-mailer and telecall. You can also change the above by mailing three people at a medium size company, two at small and one at micro.

Or perhaps you should altogether drop micro segment, as these are probably not worth pursuing in the initial stage. It takes some experience before you climb the learning curve and understand what works for you based on various mixing options.

Finally, marketers should also focus on getting accurate analytics to ensure that the marketing strategy is appropriately framed. Both number crunching and interpretation are important in this respect. One of the biggest mistakes we see marketers making is in equating success of a campaign by measuring the response rate. This is especially true when we do thought leadership seminars with many IT companies.

We engage a thought leader to build relationship and prospecting, and till recently most companies measure the success by the number of target customers attending the free dinner and webinar sessions. It took several such events before one of our key customers decided to change the measure into business won from such gatherings.

In the SME sector, as many as 90% of respondents will not get to the purchase stage. So you may have done the best surgery, but the baby did not survive! Even with a fantastic response rate, your product or service can fail to take off if measures are not done right. What can you do in such a situation? Concentrate on measuring average orders, second orders and cross-sell propensity. By doing these activities you can segment the SME market appropriately and execute ROI-driven marketing programmes.

*M Muneer is the managing director of CustomerLab Solutions, an innovative consulting firm delivering measureable results to clients.*

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