
EXPERIENCE GROWTH IN A SLOW ECONOMY

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Anita Campbell: Well, hello today and welcome to the show. I am Anita Campbell, of course, and I would like to welcome everyone here to Small Business Trends Radio today.

Steve Rucinski: I'm Steve Rucinski, today's co-host. Our show today is about tips for growth in a slow economy. First lets here from our sponsor, Infusionsoft, who, as usual, has a great tip for us today.

Thank you, Infusionsoft. Now let's get on with our show. Everyone today is of course talking about the "R" word and what a recession means for marketers. There is no question that budgets are shrinking and more pressure is on the horizon. Many small businesses, which operate with small budgets and resources, are asking themselves "What do I do to thrive in the midst of a recession?"

Anita Campbell: Well, even though we have mentioned the dreaded "R" word here today Steve already, I want to say that this is going to be an upbeat show. The focus today is going to be on growth.

We can sometimes forget in the midst of all the doom and gloom; companies actually can thrive, companies grow, they do very, very well even during down economies. It's how you approach it that makes all the difference. So we are going to help you approach things and get in the right mindset for growth. Not only get in the right mindset but actually talk about specific techniques that you can put in place in your business so that you are one of the thrivers, survivors and winners even if the economy is very slow.

With that, I would like to say that our guest today is the perfect person to offer these kinds of tips. He is John Arnold, author of E-mail Marketing for Dummies and director of Constant Contact University. John is here today to provide tips on how to grow in today's economy.

Well, welcome to the show, John.

John Arnold: Thank you, Anita and thank you Steve, I am glad to be here.

Anita Campbell: Well listen, before we dig in to all the great information you've got for us today,

I wonder if you could just tell us a little bit more about yourself, you know, what is your background and what do you do with Constant Contact?

John Arnold: Sure, my background really is that I am a small business owner and I just love small businesses. So, a lot of people hear me speak or hear me on a show like this and they think, man that guy knows a lot about e-mail marketing and that must be his passion. My passion really is for small business owners; helping them grow, helping them succeed. That is why I wrote "E-mail Marketing for Dummies" and that is why I write marketing books.

It is really for those small business owners who are out there in the trenches; you know living their passion and living the life they want to live, it is just the most exciting thing in the world. I love free enterprise. I love those small business owners and I love Constant Contact because they are the leaders in making sure that small businesses can grow and connect and inform their audiences in a really cost effective and professional way.

So, I joined with Constant Contact because I really believe in their philosophy and I can do that. It is phenomenal.

Anita Campbell: For anybody who does not know Constant Contact -- which I think is probably something that is a bit unlikely because it seems like everybody that I know uses Constant Contact for their e-mail marketing. -- could you just briefly explain what Constant Contact is?

John Arnold: Sure. Well we help small businesses and associations and nonprofits connect, inform and grow with the power of the email marketing and online surveys. So we offer email marketing templates you can use to send out newsletters, promotions, announcements, press releases, event invitations, holiday cards, and those kinds of things.

We make it really easy and affordable for small business owners to do that and look professional at the same time. We have over 200,000 customers, making us the largest email marketing provider serving this market and we are really committed also to education. We are there to help you every step of the way so that you grow your business. We believe that if we help our customers grow their business, they will reward us by using our product. That has always been our philosophy from the start.

Anita Campbell: Okay. So tell us a little bit about what you have to share with us about small businesses in today's economy. What would you say are the first things that small businesses should be thinking about today?

John Arnold: Well, I think there is no question that the economy is having an impact on small business. When I say impact, what I really mean by that is there are two ways the down economy affects small businesses. One, of course, is financial and anything that hits you on the bottom line is always a concern.

In fact, we just recently conducted our 2008 holiday survey which indicated that 86% of our small businesses surveyed said that they were concerned that the economy is going to affect their holiday sales and by that, they mean financially.

They think it is going to impact them financially, so certainly that is a concern. Anytime you are going to see a dip in the economy and a dip in the sales, you have got to be concerned as to whether you are going to be able to thrive and survive in that environment and draw more attention to yourself and more sales. So that is the first thing.

The second one, and maybe even more important to consider, is the psychological impact. Your customers are changing their buying behavior and as a result you know there is uncertainty and that is what a recession is really all about. Uncertainty about money, uncertainty about the future, and for a small business it is uncertainty about whether the marketing that you are spending money on is returning enough in return and causes you to kind of reevaluate whether you are being resourceful enough, and that can be a positive thing.

We want it to be upbeat, right? So it is always a positive thing to take a look at what you are doing and making sure you are doing the right things and always growing your business even though the economy might be taking a downturn and people are changing the way they buy.

Anita Campbell: Okay, John. So let's focus on proactive things because if we spend too much time talking about doom and gloom we are going to throw everybody into the big depression, I mean a personal mental depression, so let's focus on action items. You know, what should people actually do?

John Arnold: Yeah and that is a great way to approach this. You do not want to get stuck thinking about doom and gloom and becoming really emotionally involved in the recession. What you want to do is take a hard look at the facts and make sure that you are making those smart decisions, it is critical that you do that. So, let's just approach it from that angle. You know; what is really going on, what makes this a down economy and what can you really do about it.

I would say number one is when the economy turns; you have a change in the way people buy things. Their buying behavior is actually impacted and what I mean by that is, there is not as much impulse or social shopping that happens during a recession. Your customers and prospects are more likely to hesitate before they make a purchase decision because they tend to more cautiously examine the risks and rewards of parting with their money.

So what you want to do to combat that is make sure that your marketing educates and make sure that you emphasize the value and the immediate benefits of doing business with you. You want to have ongoing communications in order to do that. You want to reinforce that periodically, so don't do one marketing blast out there and hope that you have overcome all of that change in behavior. You want to make sure you are sending periodic messages out there, regular messages out there that educate and emphasize value.

Another close second to that is because they are changing their behavior and they are more cautiously looking at those purchases, customers are looking for trustworthy businesses that look strong and healthy. They want to make sure that they are making a good decision.

The other thing you want to do with your marketing messages is just reassure your customers and your prospects that you are strong, you are healthy, that you are a great place to make a purchase decision. When they make that purchase decision, that they are doing something really smart, and they are doing something that is part of a relationship.

Anita Campbell: That is a great point. You know, we spend so much time and the media is playing the drum beat of such a terrible economy and what you are saying is... that what you have to say to get people to buy, you know, to get your customers to buy is that you actually have to be emphasizing the positives.

John Arnold: That is right. You also want to be sensitive to their needs. Your customers are looking to save money in this time, too. Save time and money also, so you know if they are making cuts, it is important for you to understand that and maybe you should make some cuts too in order to gain a lifelong customer. So if your marketing includes things like discounts or deferred payments or guarantees, you want to make sure that you are being a problem solver. Make sure that your message is that you are going to help people solve problems, and then you will come out the other side as a winner.

Anita Campbell: Okay, what else do you have to recommend as far as proactive things?

John Arnold: Well, I think you have to focus too on having the right marketing mix for your business. You have got to lean heavily on some of the things that return the highest dollar amounts when times are hard. You want to constantly reevaluate that anyway, but when you know you are in a recession and things aren't looking as positive, you want to lean heavily on the things that return more than the dollar for every dollar that you spend, much more than the dollar for every dollar that you spend.

So take a look at your marketing efforts and ask yourself, "Is every dollar that I am investing returning something higher" and "Can I lean heavily then on the things that are the most successful at doing that?" Certainly, email marketing is one of those.

The last time that I checked the statistic, the direct marketing association studies return on investment for email marketing every quarter and the average right now for email marketing are, for every dollar that you spend on email marketing, the average is \$51.45 back. So that is a pretty good return on investment.

In contrast to that, print catalogs reported \$7.20 back, so you know, for every dollar spent on email marketing you get a high dollar return. That is a really great place to spend your money if you are going to spend money on marketing to customers.

Anita Campbell: Is there any rule of thumb about how much a small business should be spending on email marketing? Let's break that question down further. Is there a rule of thumb on, perhaps, dollar amounts that you should be putting into your email marketing efforts, let's say a percentage of your revenues or even a percentage of your marketing budget?

Then the second part of that would be what kind of frequency should you be assigning to your email marketing messages? You talked earlier about reinforcing the messages, so two questions there and I wonder if you would take them both.

John Arnold: Sure. Start with the marketing budget; when you are a small business, you have to understand that you don't want to try to emulate the big businesses with deep pockets that go out and try to brand themselves and spend lots and lots of money. Maybe they even decide how much money to spend based on a percentage of their budget. They can justify that all kinds of different ways, you know branding and giving your name out there and those kinds of things.

As a small business, you really have to trust that your marketing is going to result in immediate purchases. That is an area of marketing that we call direct response marketing. You send out a message and that message is immediately judged based on how much you get in return. Do you get immediate sales? Do you get traffic into your store? Do you get traffic onto your website? Those kinds of immediate responses are what you need in order to run a small business.

You can't rely on your brand to be out there and drive traffic. You have got to ask people to come into your store. You have got to ask people to make a purchase. So, how much money should you spend on those things? Well, if you are going to send emails out, you can spend a very small dollar amount to get customers in the door and then you can measure that.

You can see, did my email result in an “X” amount percent of traffic to my website or people that clicked on a shopping link are registered for an event or made an immediate purchase? If you find out that when you send out an email and spend money on it, you get more money back, then there really isn’t a dollar number that you should spend on that.

If for every dollar that you spend you are getting \$50.00 back, well then start spending more because you are going to get more in return until that levels off.

So it’s a great way to manage your marketing dollars because you know if you don’t get anything back for it, you need to change your strategy. It is really not about picking a dollar amount out, it is really just about getting the right marketing mix that returns those direct responses.

Then as far as frequency, goes...

Anita Campbell: Before you get to frequency . . . can you provide any further guidance on email expenditures at all? You have given some good information here, and I realize that you cannot get it down to a rule of thumb, but is there any guidance that you give?

If you were going to advise, let’s say, a client who you were serving, what would you say to them as far as putting money into email marketing that might be a little more specific than what you just said?

John Arnold: Sure. Well, the end of the story is that email marketing is so unbelievably affordable. It is almost inconsequential to a small business budget. To give you an example of Constant Contacts model, if you have fewer than 500 email addresses on your list, so that would be 500 customers or 500 prospects, you can send to them as many times as you want for \$15.00 a month.

So \$15.00 a month compared to the ability to communicate effectively and professionally and periodically with 500 good prospects or good customers, getting them to purchase.

If you look at the difference on what you would spend and what you would hope to gain, it is huge. From 500 to 2500 is \$30.00 a month. So if you think about it, spend \$30.00 a month on your marketing in order to reach 2,000 or 2,500 of your best prospects and customers. If you don’t think that you can get \$30.00 back by marketing to those people then, I don’t know what else is out there that can possibly deliver that kind of value.

Anita Campbell: Okay, good. Thank you. That is very helpful. Okay, so now onto the frequency questions.

How frequently should you, as a small business, be reaching out to your customers? You know, too much and they get ticked off and annoyed. Too little, and you are not taking advantage of them, so what is the right answer, John?

John Arnold: Well, frequency can actually be a tough question because consumers will actually tolerate almost any frequency as long as the information that they are receiving is, first of all, valuable to them and also relevant. So value and relevance trump any kind of frequency recommendations. But just to give you the bell curve and the average, it depends on your content.

Generally speaking, the more content you send in a single email or the more different kinds of messages you have, the less frequently your audience will tolerate that. To give you an example; if you were just sending out a quick notice that gave all of the available appointments that you have for the day in the morning in the hopes of booking appointments, if that is a daily email that is very short and concise and you are reminding your audience that you have open appointments, a daily frequency would not be out of the question.

But if you started to send out appointment reminders along with a whole bunch of articles and event invitations and promotions and stuff like that, then daily is too much content. So, that is the first thing to remember.

The second piece of frequency depends on your customers' buying cycle. So if you, for example cut hair, maybe every 30 days somebody is looking in the mirror, one of your customers thinking, boy I have got to go in and get a hair cut. So that allows you to send out more emails, more promotions, more frequently because you are hoping to catch those people when they are ready to buy and stay top of mind.

But if you sell automobiles and the average buying cycle is every three or four years, when somebody is ready to buy a car, then sending out an email one a month after somebody bought a car telling them about the new model that gets better gas mileage than the one you just bought, and the 0% financing that you have available that they did not take advantage of, that is just going to create buyers remorse. So, you want to be careful about your frequency if your buying cycle is long. Make sure that you are sending out emails that keep you top of mind but don't necessarily ask people to buy too much.

Anita Campbell: Okay. Good. Well listen, I want to give my co-host Steve a chance to have some questions, so I will turn it over to you Steve.

Steve Rucinski: Thanks, Anita. My hand is raised in the courtroom. Hopefully this is an

accurate question. It is kind of related to frequency but is email more effective with some buyer types than others, or different markets than others or titles of different people than others? Do you have anything to share about maybe where it is more effective and maybe where it is less effective? Do you have any comments on that?

John Arnold: Sure. The place that email is most effective, and going back to that direct marketing association study of the average dollar spent, \$51.00 back, if you look at that statistic and you say, well, who is getting that \$51.45 return? It is really people who are marketing to their existing customers, to prospects who are familiar with their business and to people who are likely to refer their business.

If you are looking for a lifeline right now because the economy is down or you feel like your customers are more cautious, don't spend a lot of money on acquisition marketing or going out and trying to find total strangers to do business with. You might want to look to your current customers or prospects that are familiar with you because that is where you are likely to get the best return.

With email marketing, it is also important to emphasize that if you send emails to total strangers, they think it is spam and spam is a very negative thing. Consumers hate spam. They don't want to get spam. So, you want to make sure that you are sending emails to people who have signed up to receive them and people who are familiar with your business, maybe they have made a purchase in the past because they are the ones who are going to appreciate that communication and reward you by doing business with you.

Steve Rucinski: Okay. Good. So if they of course have opted or given permission to receive information from you, of course they are going to receive it more acceptably I guess.

Is being a small business, from your perspective, an advantage today in this economy?

John Arnold: I think it is. Of course, you know I am a small business owner, so I of course would say that. The greatest thing about being a small business in any economy is no one is going to lay you off. You know you have total freedom to do the right thing and to succeed or not to succeed. If you can do the right things, if you can be resourceful and you can hang in there and shake it off, then with that greater risk comes greater reward.

Your challenge, as a small business is to survive and grow and continue to gain. But the opportunity on the other side is that if you come out of this stronger and better and with more customers and deeper relationships, then the result is less competition, greater loyalty among your customers and more of the rewards that you went into business for in the first place.

Steve Rucinski: Can you give us a couple of sample client successful results that you have experienced recently?

John Arnold: Yeah, absolutely. One, I just spoke with these guys this morning actually. There is a company called Bella of Cape Cod, of course they are in Cape Cod. Bella started in about 1994. They offer quality stylish jewelry and accessories at these fantastic prices; everything is under \$25.00 in their store. If you think about a business that should be impacted by the recession, first of all they are in a vacation destination, which is where they are located. When the tourism industry goes down and people stop taking expensive vacations, you would think that they would lose business and, plus they sell jewelry and accessories which is not something that everybody needs to have. So, you would think that they would be impacted but quite the opposite.

They just won Scores 2008 Small Business of the Year Award and they are continuously putting out products and services and donating money to charity. They are just growing like crazy. They, in fact have grown from 1500 customers to more than 6,000 in less than a year's time. The hits on their website are up to 3.5 million from 1 million. So they have had this phenomenal success. I talked to Catherine this morning and she said that she sees it as really a couple of different things.

First of all, they have this ability to directly connect with their customers through email marketing. So they can send out emails, which is a very cost effective way to reach their customers and it keeps their cost down. You know, recession or not, it allows them to really effectively get their message to the customer and it is a very personal way to communicate, too.

So, which are you more likely to trust; a personal email from a business that you know and trust, that you have made repeat purchases from or, an ad in the newspaper that tells you to go buy jewelry from somebody you never heard of before.

To really the key to their success is their repeat and referral business, the ability to communicate to their current customers. The final thing she said is just sticking to her goals, shaking off all of this talk about a recession, sticking to the mission and sticking to the original goals that they had and that has helped them too.

Steve Rucinski: Great story. Do you have another one by any chance?

John Arnold: Sure, there is another one that you would think would be impacted. You know

the housing market of course is down and fewer people are buying homes and moving, so you would think that home inspectors would have trouble right now, but there is a home inspection company called Inspect It First.

They were founded with this one mission to be the best home inspection company in the industry. They decided that they wanted to provide quality service and integrity. They also wanted to have a distinctly local feel to each one of their markets. They are a franchise, so they wanted to maintain local presence but still have all the benefits of dealing with a larger company.

So what they have decided to do, and this has got them through the recession, whether it is a recession or not, this is a great way to market your business. They have built an email newsletter program that consists of monthly tips, news and ideas that they share with the real estate community. As a result, it has increased their word of mouth and their referrals. It has made them look really strong and really positive to the realtors in their community.

The realtors tend to trust them over the others who aren't communicating and don't have their message in front of them and, in fact, burying their heads in the sand. That is even helping the realtors to do more business because they can look more trustworthy, more sound to the customers who might be a little shaky about pulling the trigger on a new home.

Not to mention the fact that they have saved hundreds of dollars monthly in communications because they are able to communicate in a very cost effective way.

Steve Rucinski: Alright, two great stories. John, is there anything else you would like to share with our listeners that we haven't covered? We have just a couple of minutes left here.

John Arnold: Yeah, just to wrap it up, really just remember that it is all about relationships. No matter what your marketing method is, no matter what you are sending out, make sure that you are connecting with people. Make sure that you are informing them in a professional and cost effective way. Grow your relationships and that will grow your business.

Steve Rucinski: Okay. John, where could people find out more on the web?

John Arnold: Go to www.constantcontact.com and you will see it all.

Steve Rucinski: Okay. Thanks.

John Arnold: Thank you.

Anita Campbell: Well, thank you John Arnold, author of 'Email Marketing for Dummies' and also director of Constant Contact University. This has been very informative and we thank you so much for joining us today.

John Arnold: Thank you guys.

Anita Campbell: Well, you have just heard another in depth entrepreneurial interview on Small Business Trends Radio. I want to thank you very, very much for listening. Remember that you can find archives of this show and all of our previous shows at our online home on the web at smbtrendwire.com or you can find it here at blogtalkradio.com as well. The permanent home is smbtrendwire.com.

Please join us next week, same time, same place. We are on Tuesdays at 1:30 pm east coast, U.S. time. Until next week, I am your host Anita Campbell.

Steve Rucinski: And I am Steve Rucinski and that's a wrap!

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