

Unit 3

Market the Small Business

Profile of an Entrepreneur

Oprah Winfrey, 1954–

According to EinfoNEWS, “Oprah Winfrey has to be one of the most admired Black entrepreneurs of all time.” TopBlacks.com says, “Oprah Winfrey is considered one of the most powerful women of our time.” Many who have met and worked with this extraordinary woman would remove any qualifiers and simply say, “Oprah Winfrey is one of the most admired and successful entrepreneurs living today.”

The television talk-show host, actress, and producer was born in 1954 in Kosciusko, Mississippi. The family home in rural hill country lacked the most basic facilities, such as running water and electricity. It is hard to imagine any entrepreneur emerging from such humble beginnings.

Following a troubled adolescence, Oprah moved with her businessman father to Nashville, Tennessee. According to the official Oprah web site, she began her broadcasting career at WVOL radio in Nashville while still in high school. At 19 she was the youngest person and first African-American woman to anchor the news at Nashville’s WTVF-TV. In 1971 she won the Miss Black Tennessee Pageant and entered Tennessee State University. She con-

tinued her radio and TV broadcasting career in college.

In 1977 Oprah moved to Baltimore, where she had been given the co-anchor slot for the WJZ-TV six o’clock news. She also co-hosted WJZ-TV’s popular local talk show, *People Are Talking*, for eight years.

On the coattails of her Baltimore success, a Chicago TV station recruited Oprah to host her own morning show, called *A.M. Chicago*. As luck would have it, her chief competitor in the time slot was Phil Donahue. History was to prove the match-up inconsequential. Within a few months, Oprah’s warm, personal style proved too much for the competition. Her show attracted 100,000 more viewers than Donahue’s and moved from last place to first in the ratings.

In 1986 *The Oprah Winfrey Show* was aired in national syndication. It was soon available on 120 channels, had an estimated audience of 10 million people, and grossed \$125 million its first year. Oprah’s cut was reportedly in the neighborhood of \$30 million—not a bad neighborhood, most would agree.

Realizing the benefits of owning the show herself, Oprah made the necessary personal and business moves to



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do so. She created her own production company, Harpo Productions (“Oprah” spelled backwards), to manage the show. *The Oprah Winfrey Show* was soon in syndication and making even more money.

When it comes to formal business training, Oprah Winfrey has had little. Often joking she cannot even read a balance sheet, she does not seem to care for the term *businessperson*. (One wonders what she thinks of the term *entrepreneur*.) But it is clear she developed considerable business skills somewhere along her life’s journey. Any marketing expert would qualify her as a major business success. Her brand equity (the value of associating her name with something) is in a league of its own. Just the mention of a book title in relation to her book club propels the book onto the *New York Times* Best Sellers list. Where would Dr. Phil be today were it not for his association with Harpo Productions?

Oprah’s brand equity carries through all her major endeavors. Acting was an early extension of her brand. She first appeared in 1985 as Sofia in Steven Spielberg’s *The Color Purple* and received Academy Award and Golden Globe nominations for her performance. Thirteen years later she starred as Sethe in the widely acclaimed *Beloved*.

Oprah did not limit her acting to the big screen. She has also appeared in the made-for-television movies *The*

Women of Brewster Place (1989), *There Are No Children Here* (1993), and *Before Women Had Wings* (1997).

According to the official Oprah web site, “Oprah has been honored with the most prestigious awards in broadcasting, including the George Foster Peabody Individual Achievement Award (1996) and the IRTS Gold Medal Award (1996). In 1997 Oprah was named the most important person in books and media by *Newsweek*, and *TV Guide* crowned her the Television Performer of the Year.”

In 1998 *Time* magazine included her among the 100 most influential people of the 20th century. The publishing industry recognized her contribution to reading and books by awarding her the National Book Foundation’s 50th Anniversary Gold Medal (1999) and the Association of American Publishers AAP Honors Award (2003). In 2002 Oprah was given the first-ever Bob Hope Humanitarian Award at the 54th Annual Primetime Emmy Awards.

Oprah and *The Oprah Winfrey Show* have received 39 Daytime Emmy Awards. In 1998 she received the National Academy of Television Arts & Sciences’ Lifetime Achievement Award.

Oprah has added magazine founder and editorial director to her long list of entrepreneurial job titles. In 2000 Oprah and Hearst Magazines introduced *O, The Oprah Magazine*. *O* is published monthly and today is con-

sidered a leading contemporary lifestyle publication for women. Given the intense competition in the women’s magazine field, *O* is something of a phenomenon. It is the most successful magazine start-up of the last decade, with an audience of over 2 million readers each month.

Another hat Oprah wears is that of educator. In 1999 she joined Stedman Graham as an adjunct professor at the J. L. Kellogg Graduate School of Management at Northwestern University to co-teach “Dynamics of Leadership.” The goal of the course was to help students cultivate their own leadership skills and develop an approach to management, leadership, and organization suited to their individual circumstances.

Philanthropy is another of Oprah’s many passions. The mission of the Oprah Winfrey Foundation is to support women, children, and families around the world. Because of her work in this area, some refer to her as “the socially conscious entrepreneur.”

In 2003 Oprah became the first African-American woman to make the annual *Forbes* magazine list of the world’s wealthiest people, with a fortune of about \$1 billion. Not bad for a poor country girl from Mississippi.

So, is Oprah an entrepreneur or an entertainer? You know what they say: “If she walks like an entrepreneur and talks like an entrepreneur, then she must be an entrepreneur.”

Chapter 9

Get To Know Your Customers



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Objectives

- 9-1** Describe the characteristics of customers.
- 9-2** Explain the components of a consumer psychological profile.
- 9-3** Compare the four consumer personality styles.
- 9-4** Describe the consumer decision-making process.
- 9-5** Discuss what makes a satisfied customer.

WHAT ARE CUSTOMERS?

Customers are individuals or organizations with unsatisfied needs who possess the resources needed to fulfill those needs. The single greatest competitive advantage that small businesses have over large businesses is that they know and understand their customers better. Therefore they can better serve their unsatisfied needs. Customers are the most important part of a business. Without customers, there can be no business.

To be sure of having customers, entrepreneurs must determine the needs of the marketplace and identify groups of consumers who are likely to have an unsatisfied need for the product or service to be offered. These consumers must also have the means to satisfy their needs, as this determines the size of a business's market. If an entrepreneur markets a high-priced luxury item that

appeals to many, such as a 48-inch television, those who cannot afford such a purchase must be eliminated from the marketing strategy since they do not qualify as potential customers. This requires effective target marketing, which is achieved by addressing the following questions.

1. Where do my customers live and work?
2. What is the lifestyle of the people who are most likely to need my product or service?
3. What level of income is needed to purchase my product or service?
4. Which of my potential customers will receive the greatest benefit from my product or service?
5. Which group will buy the most of my product or service?

The answers to these questions can help the entrepreneur create an accurate demographic profile (see figures in Chapter 5).



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CONSUMER PSYCHOLOGICAL PROFILES

After establishing a demographic profile, you should take a close look at your target customer's psychological profile. A consumer profile includes needs, perceptions, motivations, and attitudes. A basic understanding of these concepts as they apply to customer behavior allows you to efficiently satisfy the demands for your product or service.

Needs

There are many opinions as to what needs are as compared to wants. For the purpose of understanding consumer decision making, wants are defined as anticipated desires. Needs, on the other hand, are of greater priority. Needs are those things, tangible and intangible, that you require to maintain your standard of living or expected lifestyle. Using this definition, it becomes clear that people may have different needs depending on their standard of living and lifestyle expectations. To many people, designer clothing is a frivolous want, but to those who live in an environment in which they perceive that wearing designer clothes is essential to maintaining their lifestyle standards, designer clothes can be a need. Parents of teenage children learn this as they observe fashion peer pressure changing a want to a need very quickly. Human needs are rarely fully satisfied and, when unsatisfied, motivate behavior.

The noted psychologist Dr. Abraham Maslow developed his **need satisfaction theory** while studying human motivation. His premise was that as you fulfill your lower-level, physiological and safety needs, you begin to crave the upper-level needs for love and belonging, self-esteem, and self-actualization (Figure 9-1). More simply, you have a need to maintain and improve your standard of living. To be successful, entrepreneurs must identify how their products or services will allow their customers to fulfill their needs, which will then lead to a craving for a higher standard of living. Once the proper need is identified, you must learn to sell to that need.

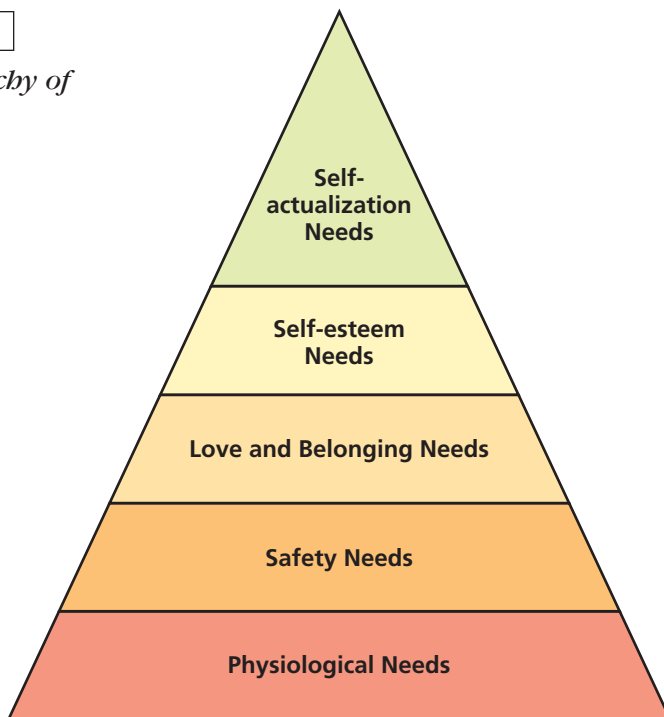
For instance, an apparel store might sell to a multitude of needs, depending on the customer. Customers looking for a basic outfit

suitable for work are satisfying a belonging need. They need the right look to fit in with the rest of the workforce. However, others in the same store who are shopping for high-fashion outfits for social events are seeking to fulfill a self-esteem and/or self-actualization need—to appear attractive in the eyes of others—or they believe they deserve such an outfit for achieving a certain level of social prestige. Another example is someone purchasing a basic car to drive to work or to visit family and friends. This belonging need is certainly different from the need that motivates the purchase of a luxury car, a need to be recognized or to be rewarded for financial success. Each need level requires a different marketing strategy on the part of the entrepreneur. Through experience, questioning, and testing, you will learn what needs your products appeal to.

Often consumers are not fully aware of their needs until stimuli are applied to expose them. If a buyer is fully aware of her needs, only supple-

FIGURE 9-1

Maslow's Hierarchy of Human Needs



mental information may be needed to reinforce these **conscious needs**. For example, a person shopping for a particular car model for the specific purpose of transportation may require only information and assistance to direct the purchase.

A more challenging situation arises when a consumer's needs are not fully developed or conscious. The consumer may be aware of a general need for a product but may not be fully aware of what specific needs the product must fulfill. For instance, the general need may be for a car, but the specific needs may be for a car that is both fun to drive and economical. This **preconscious need** level requires additional stimuli to develop greater need awareness before a buying decision can be made.

Sometimes people do not know why they buy a particular product or service. An **unconscious need** might be an unsatisfied need exposed years before and suppressed until the purchase opportunity is presented. A need for fine china might be an unconscious need developed from admiring a grandmother's china years earlier as a child. Until the purchase opportunity arises at a time when the necessary funds are available, it remains a suppressed, unconscious need.

Perceptions

The ways you view and understand things, as determined by your background and mental framework, are your **perceptions**. They are largely formed by the amount of information and knowledge you possess about particular subjects or about a business's products or services.

Perceptions are difficult to interpret and understand. What some people perceive as needs, other people perceive as unnecessary luxuries. Perceptions may depend on how and in what environment a person was raised. People raised in great wealth certainly have a different perception of luxury goods and services than those who have not had access to them. Successful sellers learn through providing sufficient information and education how to alter perceptions to make an otherwise unappealing product appealing. Entrepreneurs must determine how their potential customers perceive their products or services and what can be done to improve that perception. Desire can be awakened by making a consumer perceive a difference between what is and what should be.

Perceptions help explain why a person makes a decision to purchase. To a certain extent you may fall victim to hearing what you want to hear and seeing what you want to see, based on your past experiences. This **selective distortion** often drives buyers to transpose information that is not in agreement with their perceptions into information that does agree. If a salesperson is



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providing information that tells you a certain television is a quality model, and you believe otherwise based on a prior experience with a similar model, you may subconsciously decide not to listen. Likewise, **selective retention** can influence perception. In this case the buyer remembers and retains only information that aligns with personal beliefs and values and discards or ignores information that does not.

Motivations

Customers are persuaded into action when they are given a reason, or **motivation**. Unsatisfied needs create internal tensions that motivate them to act to fulfill those needs. An individual walking by a greeting card store is reminded that it is Aunt Mary's birthday and feels an anxiety or tension to take action. This exposure may direct the individual into the store to relieve the tension (satisfy the need), or the individual may decide on another method to relieve the anxiety, such as a telephone call or flowers.



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Consumers are directed toward what they feel will be pleasant and away from what is unpleasant. They seek pleasure, which can be relief from the pain or anxiety of an unsatisfied need. They are motivated to relieve that pain. If you understand what motivates your target customers, you can create reasons for them to act. Knowing your target market well allows you to create ads, displays, and sales presentations that will expose unsatisfied needs, thus creating tensions that may be relieved by buying your product or service. Successful entrepreneurs are very good at exposing unsatisfied needs and suggesting ways to relieve the tensions created.

A total marketing strategy takes into account the strong motivators that direct the consumer's behavior.

- **Selfishness** Everyone has the right to satisfy their own personal needs. "You deserve a break today."
- **Greed** The product or service is a bargain. "Two for one, limited time only."
- **Hedonism** Pleasure or relief are readily available. "Tired of that tired feeling?"
- **Indolence** Perceived convenience allows ease of acquisition. "Just a phone call away."
- **Fear** Missing out can cause pain. "Buy now, limited quantities available."

Attitudes

A person's attitude can be defined as the way he or she feels about something. You want your customers to feel positive about your product. Large businesses do this through brand identification. Entrepreneurs do it through personal interaction with the customer that builds confidence. Knowing the attitudes of your target market allows you to create a strategy that appeals to positive influences. The more confidence you instill in the customer about your business, the more sales you will achieve.

Combining good service with quality products pays off. The previous Aunt Mary birthday problem will be resolved at the greeting card store if the buyer's confidence in the type of cards sold at the store is combined with positive shopping experiences there. A store that sells Hallmark cards ("When you care enough to send the very best") and also has a solid reputation for customer service is combining a well-known brand image and good customer relations to create a positive consumer attitude.

In the initial stages of developing a business plan, aspiring business owners should learn as much about how their target market thinks and behaves as possible. Primary research tactics such as surveys will help you determine your target customers' likes and dislikes, what excites them, and their expectations of the kind of product or service you are planning.

CONSUMER PERSONALITY STYLES

The importance of customers to a successful business cannot be overstated. Without customers there can be no sales, and sales are the lifeline of any business. Sales success comes from your knowledge of your customers, demographically and psychographically. It is essential that you seek as much information about your customers as possible, whether demographic descriptions of age, gender, and education or an analysis of what they need to maintain or improve their life-style. The success of the enterprise depends on how well you apply this information.

One important application is designing a marketing strategy that stimulates your target customer. This involves understanding the personality types your business will be selling to. Personality is made up of an individual's distinguishing character traits, attitudes, and habits. Carl Jung, the noted psychologist, categorized human awareness into four functions: thinking, intuiting, feeling, and sensing. Personality styles can be described in terms of these functions.



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FUN FACTS

In 30 years the number of Americans over age 50 will double. They will be 25 percent of the population.

Personality Styles

Thinker Style Thinker-style personalities place great emphasis on logic and the systematic gathering of information. They take their time making a decision. They are very deliberate people who are objective and ask questions. Selling to a thinker requires presenting information in a logical and analytical manner. If your target market is made up largely of thinking-style people, your marketing information and approach must be geared toward information presentation.

Intuitor Style Intuitive people are future oriented. They are creative, broad minded, idealistic, and charismatic. They are long-range conceptual thinkers. Selling to this personality type requires demonstrating the overall concept of the product or service and its long-range benefits.

Feeler Style Feeler-style personalities are people oriented and sensitive to others' needs. They are not afraid to show their emotional side. They are spontaneous, impulsive, and rooted in the past more than the future. You should use a personal marketing approach and appeal to their people-oriented nature to gain their trust and confidence.

Sensor Style Sensor-style individuals are action oriented. They are decisive and do not like getting bogged down in detail. They are down to earth, impatient, and seek perfection, but live in a chaotic environment. Marketing efforts that attract them are to the point and often start with the results. These are present-oriented people who want immediate satisfaction.

Self-Concepts

It is not easy to judge a personality, particularly since not everyone is a psychologist. However, you can get a sense of the dominant styles of a target market through observation. Keep in mind that an individual's self-concept can change, depending on circumstances. People see themselves in four different images:



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- **Real Self** How they really are.
- **Self-image** How they think other people see them.
- **Ideal Self** What they would like to be.
- **Looking-glass Self** How they want others to regard them.

The entrepreneur needs to understand the buyer's self-concept in order to design the best sales and marketing approach. Selling the latest women's fashions or diet fad is selling to the ideal self and requires a different approach than does selling life insurance, which appeals to the looking-glass self as a good provider. Successful selling requires insight and study into the target market.

Behavior Patterns of Consumer Groups

Marketers classify consumers according to their buying behavior. You can use information to determine where to position your product or service as you continue to refine your target market.

You are probably familiar with the term “baby boomer.” Baby boomers are the generation born between 1946 and 1964. They are a large percentage of the buying public. Because of the size and buying power of this group, marketers have been following this generation through its various life stages. In many cases they have changed their product image to accommodate the desires of this group. Now these consumers are moving into their early retirement years, so you can expect to see more advertising directed to senior citizens than ever before.

Marketers have also identified other categories of consumers.

- **Generation Y** The youngest category of shoppers drives the market for high-tech products. Born after 1982, this generation loves to shop.
- **Generation X** This is considered by many the first generation of dual-career households and single parents. Born between 1968 and 1982, they grew up with influences such as Madonna’s “Material Girl” lyrics.
- **Older Consumers** The current population of seniors is much healthier, wealthier, and better educated than previous generations.
- **Ethnic Markets** The U.S. marketplace has been greatly influenced by the growth of three large racial and ethnic minorities: African-Americans, Asian-Americans, and Hispanics.

Marketers recognize that the most basic unit of buying behavior is the household. Table 9-1 illustrates the life cycle of the household and what each group purchases at each stage of maturity.

FUN FACTS

Generation X contains over 50 million Americans, or more than 17 percent of the U.S. population.

TABLE 9-1 CONSUMER LIFE CYCLE

Stage in Life Cycle	Buying Behavior Pattern
Bachelor stage	Few financial burdens. Fashion leaders, recreation oriented.
Newly married, no children	Highest purchase rate. Cars, refrigerators, furniture.
Full nest I: youngest child under 6	Home purchasing at peak. Baby needs, washers, dryers, etc.
Full nest II: youngest child over 6	Financial position better. Many wives working. Buy large packages.
Full nest III: older couples with dependent children	Financial position still better. Hard to influence with advertising.
Empty nest I: older couples, no children at home	Home ownership at peak. Not interested in new products.
Empty nest II: older couples	Drop in income. Stay home, buy medical care products.
Solitary survivor, in labor force	Income good, but likely to stay home.
Solitary survivor, retired	Drop in income, medical needs.

Consumer Classifications

How do consumers make purchasing decisions? In addition to gathering information through information media, they rely on personal contacts, or **reference groups**, who are buyers with similar needs. This is particularly true with new or different purchases. If you are selling fashion apparel, such as ladies' sweaters, you would be wise to consider the five consumer classifications—**innovators, early adopters, early majority, late majority, and laggards**—as described in the following example.

Katrina arrives at a gathering of her friends wearing a new sweater. She is considered an innovator, and if the sweater receives favorable attention she will start a cycle. At the next get-together two or three other women may be wearing sweaters in the same style; they are the early adopters. By the third get-together more members of the group may be wearing the style; they are the early majority. By the fourth gathering most of the women are wearing the new look. They are the late majority. At the fifth meeting Katrina shows up wearing a new, completely different style. Some of the women are still wearing what is now the old look; they are the laggards.

It is important for the entrepreneur to sell to the innovators. They are the pacesetters and opinion leaders. They might be the popular student, the mayor, the banker, or any of the people considered to be the “movers and shakers.”

Jeffrey Neff owned an air-conditioning/heating sales and service business in a large city. His business was confined to middle-class homeowners in the south part of the city. Most of his sales for new units ranged from \$3,000 to \$5,000. Business was decent but could have been better. Being a baseball fan, Jeff

bought season tickets to the hometown team's games. His seat was beside Bill Uhler's, and they quickly became close friends. When Bill mentioned his need for a new air-conditioning/heating system, Jeff volunteered to visit his home and give him a fair quote. What Jeff did not know was that Bill was the CEO of a large company and lived in an area of the city known for its elegant mansions. Jeff received the contract to install a new unit in Bill's 8,000-square-foot home. The total price came to over \$20,000. Within a month, Jeff received inquiries from one of Bill's chief executives as well as Bill's next-door neighbor. Within a year, Jeff was sending work crews on a regular basis to some of the largest homes in the city. His business had quadrupled because he had attracted an opinion leader.



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CONSUMER DECISION MAKING

Customers strive for **utility satisfaction**. They choose from various products those that will give them the greatest satisfaction in exchange for their money or barter (utility). The decision-making process is not always simple; it requires effort and often causes great anxiety. Simple, almost reflex decisions such as what brand of toothpaste to buy do not require scrutiny and research and are considered **routine decisions**. **Nonroutine decisions** involve a more complex process as they are infrequent, or are sometimes first purchase

decisions that may require a greater utility exchange. Purchasing tires, new furniture, or a dress for a holiday party are all nonroutine decisions. The most difficult purchase decisions are **extensive decisions**. They are characterized by the belief that the decision is extremely important and has a long-term impact on personal budgets or lifestyles. Purchasing insurance, a car, or a house are examples of extensive decisions that require much time and research.

A young man with \$20 in his pocket has to determine what will give him the greatest utility satisfaction for his money. It may be a situation of deciding between a new CD or asking a young lady he recently met for a movie-and-pizza date. The CD represents an item he has purchased many times and can use over and over. Except for the choice of artist it is a fairly routine purchase. The date, however, is not routine since it is a first date. He must think about his feelings regarding the young lady, the anxiety of asking her out, his chances of success, and perhaps even the possibility of a good-night kiss. All of these factors may enter into his decision. Will the utility satisfaction of the date be worth the effort and anxiety of the nonroutine decision process? A third choice might be to decide against both these alternatives and instead set the money aside for the future purchase of a car, which would be an extensive decision.

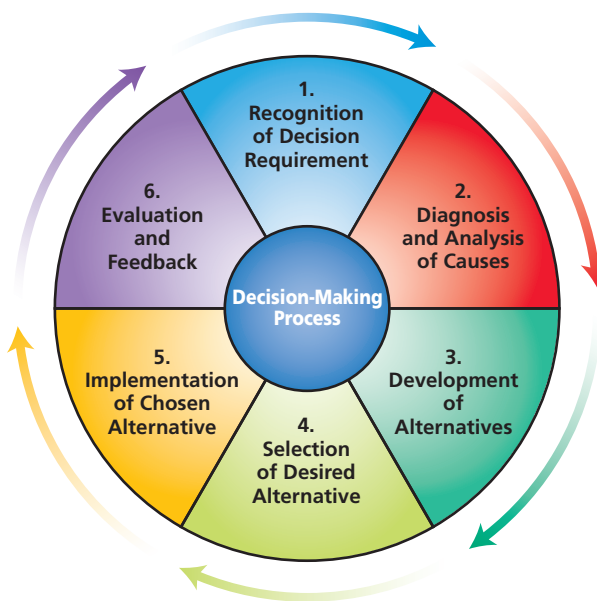
A purchase decision requires several steps (Figure 9-2).

1. Recognize a need.
2. Analyze the cause of the need.
3. Review alternatives to relieve the need.
4. Select from the desired alternatives.
5. Make the exchange transaction.
6. Evaluate the purchase.

Through marketing efforts the entrepreneur can play an important role in each step of the process. Stimuli in the form of displays, advertisements, telephone calls, or other media can expose the need, cite the cause (“Is your present car no longer reliable?”), compare the particular product to its competitors, demonstrate the ease of acquisition, and illustrate the pleasure of the purchase.

Successful entrepreneurs take an active role in leading potential customers through the decision-making process. They understand the anxieties and tensions and the need to review alternatives. They provide information that gives confidence to the purchaser. Very importantly, they recognize that consumers often feel cognitive dissonance, or the feeling of anxiety and uncertainty as to whether the purchase decision was right or wrong. A good entrepreneur follows the sale with a compliment, a phone call, or a letter to foster a positive evaluation of the purchase decision in the customer’s mind.

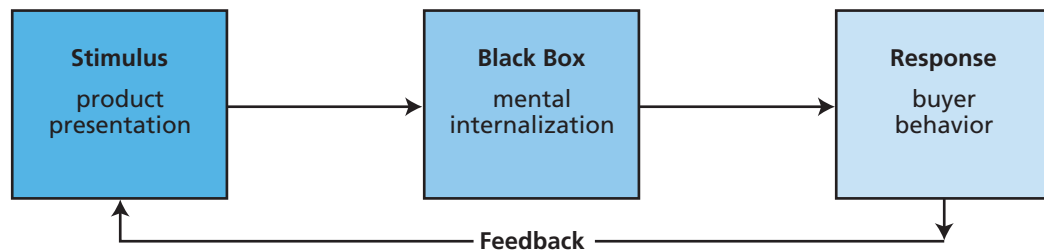
FIGURE 9-2 *Consumer Decision-Making Process*



The Black Box Approach

Obviously you cannot know the complete psychological makeup of each customer. Even if you did, it could change according to the situation. The question of why people buy is an intriguing one that has provoked much thought and study for many generations.

FIGURE 9-3 *Black Box Stimulus Model*



The **black box approach**, illustrated in Figure 9-3, has been used to describe the mystery of what goes on in the buyer's mind. Entrepreneurs can apply a stimulus (an advertisement or a sales presentation) and observe the reaction but cannot be positive of the customer's actual decision-making process. The black box approach describes a stimulus response model. A stimulus is applied, which results in a reaction. The approach assumes that



The Global **ENTREPRENEUR**

The international entrepreneur must learn the needs, perceptions, motivations, and attitudes of the many markets in which he or she competes. The customs in many countries are very different from those in the United States. Entrepreneurs often do not take the time to research foreign markets and end up offending potential customers with their poor choice of marketing techniques. Entrepreneurs who insist on doing business as they do in their own society are considered *ethnocentric*. Those who conduct business according to the attitudes and values of the host country are considered *polycentric* and are more successful because of it.

Think Critically

1. In the U.S., business lunches and dinners are standard practice. In some other cultures, it is impolite to discuss business during a meal. If someone from such a culture is visiting an American company, should his or her American host refrain from talking business during meals?
2. What are the dangers of an ethnocentric attitude?

the reaction should occur in a predictable manner, such as to buy or not to buy, but it does not tell you the reason for the reaction. That information is hidden in the black box that is the buyer's hidden mental process. If you could determine what goes on inside that mental process, you would become a marketing genius. In the meantime you have to be content with gathering as much information as possible in order to choose the best marketing strategy to reach the greatest number of potential customers.

The Informed Consumer

The difference between routine, nonroutine, and extensive decisions is the degree of uncertainty surrounding the decision. The greater the uncertainty, the more effort is required of the decision maker. More information equates to less risk equates to easier decision making.

Consumers have never been smarter or had as much power as they do in the 21st century. The tremendous exposure and access to technology has created a more educated consumer than ever before. Consumers can research questions and reduce uncertainty with a click to a web site or a change of TV channel. They are exposed to much more information about many more products. In addition, consumers have never had more disposable income.

The combination of more education and bigger incomes has given the consumer more tools to use in decision making. No longer do consumers buy strictly on the basis of brand loyalty, which in the past served as a confidence builder but is being replaced by product education. The growing availability of generic-name products in the market can be attributed to better-informed customers.

This increased product knowledge works to the advantage of the entrepreneur. It is now possible to compete directly with more established brand names because consumers have the tools and ability to research and compare product quality, advantages, and value. Comparison shopping and customer service are becoming more important to consumers today.

When selling business to business, successful entrepreneurs use educational tools to illustrate to potential clients how buying their product can improve the client's business. The entrepreneur performs a service for the client by providing information. Whether or not that results in a sale, it creates trust that will lead to future sales.



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THE SATISFIED CUSTOMER



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Walking to his car after writing a check for repairs, Ron was feeling a bit down in the wallet. Although he felt sure the repairs were well done and the price was fair, it is never fun to pay for car repairs. As he approached his three-year-old car his spirits were lifted. The car, which he had dropped off with a coat of dust on it, now shone like a new car. Getting behind the wheel, he noted the vacuumed carpet, the clean dashboard, and the smell of a clean car. To his surprise, the car had been washed

and cleaned inside and outside as well as repaired. Suddenly the sting of the check was not as hard to bear.

Washing cars that were in for service and repairs was standard practice at Bob Fischer's Pontiac. Satisfied customers more than made up for the cost of hiring a high school student to wash cars for two hours after school. Bob understood customer service.

Satisfied customers return. It is much less expensive and more profitable to sell to current customers than to attract new customers. Once a business is established, the single most important ingredient to future success is the return of satisfied customers. A good business makes every effort to ensure its customers' return. This is the **total customer concept**. If a customer leaves with a feeling of cognitive dissonance and there is no effort to follow the sale with a gesture of confidence, the business will most likely lose that customer. Even with small purchases, customers should be sent away with a friendly salute and an offer to assure satisfaction, such as "Enjoy your pizza, and let us know if we can be of any further service."

In the total customer concept, customers are viewed in terms of their total lifetime value to the business. If the average customer spends \$100 per year on your product and you expect to be in business for 20 years, that customer is worth \$2,000 in present dollar value. Do not lose \$2,000 over a \$20 refund dispute. Winning the argument for \$20 will gain you the gross profit on the \$20 purchase and lose the gross profit on \$2,000. You must establish clearly defined and carefully thought-out policies concerning customer satisfaction.

Policy setting in a large business can be very bureaucratic. Often many rules guide employees on how to act in order to protect the company. The small business holds a strong advantage in that it has greater flexibility and less red tape when it comes to setting policies. There is no need for time-consuming meetings to make decisions; the business owner can make a decision on the spot and change a policy if necessary to satisfy a customer. The ability to offer personalized service and approach each situation individually is a key reason small businesses can prosper. For customers it is often worth an added cost to do business with a company that can react quickly to address their needs. It is essential that customers have a high regard and positive image of the business and the business owner they are patronizing. The entrepreneur's objective is to do as much as possible for customers to ensure their satisfaction without sacrificing long-term profits.

Small Business Technology

Telecommunications technology is a great asset to small businesses. Small manufacturers and wholesalers can respond immediately to product information requests by sending photographs and specs from their web sites. They can also be listed on the Internet as information providers at no charge and receive questions forwarded to them from potential customers. Consumers now have more choices than ever because they can access small businesses as easily as larger ones.

Customer Relations

The best policy is one that treats all customers equally. Small businesses that ignore small customers to please their larger or perceived “better” customers may regret their actions. The best-dressed shopper is not always the best customer or the one with the biggest bank account.

Small manufacturers must not become dependent on one or a few customers. For example, a small paint manufacturer is ecstatic to receive an order from a large retail chain for 25,000 gallons of paint at \$15 per gallon. To get the order, the owner has lowered his price 15 percent, but he is sure he will make this up through economies of scale. Upon receiving the purchase order, he buys the necessary capital equipment to handle the increase in volume. To make sure he completes the order on time, he turns down orders from smaller established accounts. He produces the paint for the retail chain for two years and then loses the contract to a lower bid. The result is that he has lost his nucleus of regular customers and has an abundance of underutilized capital equipment. He must basically start over and rebuild his business. Similar situations can happen to any small business—retail, wholesale, or manufacturing—that gives preferential treatment.

Services can be offered without necessarily driving up costs. Employees can do more while on the payroll. Gift-wrapping, writing thank you notes, or making follow-up telephone calls do not cost money but can add profits. They are on-the-job tasks that require little or no investment in product. Good customer relations mean repeat sales.

Often tact and diplomacy are necessary to satisfy a customer. For example, Diane, who owns an apparel store, is confronted by an irritated Sharon, one of her best customers. “Diane, I think you owe me a \$40 refund. You’ve reduced the price on the \$200 dresses, like the one I bought, by \$40 and I haven’t even had a chance to wear mine yet.” Diane recognized the dress as one that had been on the rack well past the three months during which her clothes were sold at full price before being reduced.

Diane always tried to avoid putting any clothes sold to a regular customer on sale until she was sure there would be no problems. “I’m sorry, Sharon. Let me see what I can do.”

When she checked the receipt, Diane found the problem. Sharon had originally put the dress on layaway for over two months, long past the 30-day layaway policy. When she finally paid in full, she had requested additional alterations, which took another five days before pickup. Although she had tied up the dress for over 60 days, she now believed she had paid \$200 for a dress she could have bought for \$160. Diane recognized that she had a serious problem, as she could not give Sharon \$40 without setting a



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precedent for other customers to request refunds for items purchased before they went on sale. “Sharon, I understand why you’re upset. Please understand that sales are a necessary part of the business. I can’t give you a direct refund, because you had the dress on layaway. However, since you’re one of our best customers, I’d like to offer you a 20 percent discount on your next purchase to make up for it.”

Sharon was agreeable with this, and a problem was resolved without the loss of a customer. Diane had used her flexibility as a small business owner to satisfy a customer. At the same time she recognized Sharon as a valuable part of her business and set up a future sale.

The customer comes to a business with a need to be fulfilled. It is the responsibility of the business to do its very best to fill that need.

Relationship Marketing

The entrepreneur faces many challenges in creating the marketing plan, the primary one being access to less capital than is available to larger businesses. It takes creativity to compete and a certain amount of aggressiveness to get noticed. Knowing your customers is a strategic advantage—it builds relationships, a vital ingredient to the success of a small business.

Relationship marketing allows the small business to

- receive more volume on fewer transactions
- spend less money on attracting new customers, which is more costly than selling to established customers
- concentrate on continuous improvement
- get more involved with its customers by providing education and building future sales
- be seen as credible, sincere, and trustworthy
- receive strong referrals from a satisfied customer base



Ethics for **ENTREPRENEURS**

A lot has been written recently about marketers and the media exposing youth to excessive sexual content in advertisements and productions. Lingerie modeling, Super Bowl half-time shows, and risqué apparel catalogs are commonly cited examples. Entrepreneurs and advertisers base their livelihood on creating buying motivations.

Think Critically

1. Is it proper to use sexual innuendo to sell products to young people? Is it necessary for a store selling youth apparel to emphasize the sexual appeal of its fashions?
2. Where do you think the line should be drawn between suitability and censorship? Should there be more laws covering public decency, or would they be a threat to freedom of expression?
3. How do your classmates view these marketing programs?

Keep in mind that the small business owner has limited capital for marketing expenditures and cannot afford to spend money frivolously. Satisfying established customers builds sales and at the same time attracts new customers through word-of-mouth referrals. It is not as expedient as mass media advertising but is more effective in the long term.

The total customer concept keeps a customer for the lifetime of the business. Remembering clients' birthdays, anniversaries, and other special occasions are examples of ways to stay in touch and build a loyal customer base. This strategy easily outperforms the inconsistency of a constantly changing client base. Success comes to patient and determined entrepreneurs who devise the best plan for building customer relationships.

Social Responsibility

Good customer relations equate with strong goodwill. A successful business is recognized by the community as one that has earned trust and confidence. In addition to satisfying customers, it is the entrepreneur's responsibility to give something back to the community from which the business derives its success.

Businesses receive numerous requests to support not-for-profit organizations. It is not possible to support all requests, but there is a moral and practical responsibility to do one's share. Whether it is the Chamber of Commerce, the YMCA, the hospital auxiliary, or the local theater group, entrepreneurs gain goodwill and recognition with their active support. A portion of the business's advertising budget should be set aside to help publicize community groups and activities. The dollars spent and the time and effort donated to support these causes does not show up immediately on the profit and loss statement, but over time the business gains customers and respect. A community relations program shows that you care and in the long run will produce a handsome return on your investment.



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Chapter Review

Ship in a BOTTLE

Finding an Unsatisfied Need



Fred had learned a great deal about his customers during the start-up stage of the business. Although he personally sold to two categories of buyers—retailers and consumers—he recognized that in both instances the goal was to satisfy the needs of the final user. How could he stimulate the motivations of potential customers?

The logical question when creating product differentiation versus a low-cost marketing strategy is “What makes it different?” Certainly a ship in a bottle is different from other ship models, but is that the whole story? From his experience of trying to find more ships in bottles to add to his wife’s initial purchase, Fred recognized another marketing stimulus—discovery. Making a discovery—the “Aha!” experience of stumbling into the unexpected—can be a stimulus to buy. “Look at this! I didn’t know they made these!” or “Can you believe someone can do this?” are reactions that may lead to a buying decision. Fred remembered his own reaction when he found the German ships-in-bottles web site.

So Fred built a marketing strategy around the discovery theme. His brochure and web site headline was “Now Available in the USA: European Crafted Ships in Bottles.” He felt that if he could convince buyers that his product was not only unusual but difficult to find, he would expose a need and they would buy out of fear of not finding the product anywhere else. By explaining how his ships in bottles were built in a German seaport city by Johann Schmidt, whose history was tied into his grandfather’s seafaring life of 100 years earlier, Fred would create a positive image of the product. This could alter the perception that the price was too high for a relatively small model. The phrase “European crafted” would also convey the idea of quality and tradition. With the right wording, photographs, and layout, Fred believed he could motivate buyers to act on satisfying a need.

Indeed, the strategy worked. Almost 90 percent of the inquiries from retailers and web site buyers began, “I’m so glad to find these. I didn’t know anyone still made them.”

Think Critically

1. In what other ways can Fred influence the needs, perceptions, motivations, and attitudes of potential customers?
2. Sketch a brochure cover to introduce ships in bottles to customers. What information would you include in the text of the brochure?
3. What type of decision making would be evident in the purchase of a \$75 ship in a bottle?
4. How would you identify an “opinion leader” among customers for ships in a bottle?

Summary

Successful entrepreneurs are successful because they know their customers better than the competition does. It is important that they take the time to analyze and understand what motivates a consumer to make a decision to buy or not to buy. Effective target marketing requires an understanding of consumers' needs, perceptions, motivations, and attitudes. The entrepreneur applies certain stimuli to direct the consumer's motivations and assists in the buying decision.

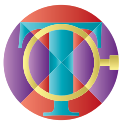
Entrepreneurs must plan their marketing strategies around the various groups to whom their product or service appeals. There are four general personality styles: thinker, intuitor, feeler, and sensor. The entrepreneur should also take into account the overall self-concept of the target market as well as its demographics.

Understanding the consumer decision-making process is essential to entrepreneurial success. Marketing is successful when it is directed at the right group of influential buyers or innovators, who then influence the desires and purchasing decisions of others in the group. Marketing efforts or stimuli should be developed with the awareness that today's consumers have access to more information, and therefore more chances to compare products and services, than ever before.

Knowing the customer does not stop with the sale. It is important to ensure post-purchase satisfaction as well. A satisfied customer becomes a repeat customer and will bring others to the business. The total customer concept requires that attention be paid to all customer requests and that vigorous efforts be made to ensure that the buyer remains a customer for the life of the business. These efforts include supporting community activities and being perceived as a valuable member of the community.

A Case in POINT

The China Shop



"Why not?" thought Katie Barron. "A fine china department would add a great look to the store, and we could get out of the summer doldrums by selling to newlyweds." There were no china shops in her town of 30,000 people. The only retailers who sold china at all were a flower shop and a jeweler.

Katie felt sure that a complete china department in her 4,500-square-foot gift shop would be welcomed by her customers.

She discussed the idea with a representative from a prestigious china company, and he agreed with her assessment. A friend who worked in the china department of a large department store 200 miles away was also positive about the idea and offered to explain the bridal registry system to Katie and her staff when the department opened.

Katie designed an attractive space for the china, with chandeliers, plush white carpeting, and exquisite wallpaper. The department opened to an enthusiastic response. The compliments seemed unending: "Absolutely beautiful," "Just what our town needs," and "We'll be back."

The china department was a failure. Sales were only 25 percent of projections. The bridal registry business was almost nonexistent. Katie wondered what she had done wrong.

continued

Chapter Review

Think Critically

1. What did Katie fail to recognize with regard to perceptions of her store? What demographic and competitive research might have given Katie more insight into her business's future as a bridal registry store?
2. What would you recommend to Katie as a strategy for selling to influential groups of consumers?

Vocabulary Builder

Write a brief definition of each word or phrase.

- | | |
|------------------------------|--------------------------|
| 1. black box approach | 2. conscious needs |
| 3. customers | 4. early adopters |
| 5. early majority | 6. extensive decisions |
| 7. ideal self | 8. innovators |
| 9. laggards | 10. late majority |
| 11. looking-glass self | 12. motivations |
| 13. need satisfaction theory | 14. nonroutine decisions |
| 15. perceptions | 16. preconscious needs |
| 17. real self | 18. reference groups |
| 19. routine decisions | 20. selective distortion |
| 21. selective retention | 22. self-image |
| 23. total customer concept | 24. unconscious needs |
| 25. utility satisfaction | |

Review the Concepts

26. Why is knowing the customer a competitive advantage for small businesses?
27. What is the importance to the entrepreneur of understanding basic psychological concepts as they apply to consumers?
28. How can understanding personality styles influence marketing decisions?
29. What are ways that a business can assist in the consumer's decision-making process?
30. What are the differences among routine, nonroutine, and extensive decisions?
31. Explain how following a total customer concept pays huge financial dividends to a business in the long run.
32. How does cognitive dissonance inhibit future sales of the same product?
33. What "self" are you when you purchase a textbook?
34. Do you know anyone who is considered an opinion leader? If you do, how would you describe that person?

Critical Thinking

35. Explain how needs differ from individual to individual.
36. Describe yourself in terms of personality style. How does your personality style affect your purchase decisions?
37. Describe how your self-image has changed in various buying situations.
38. What was the last extensive purchase decision you encountered? How did you respond to it?
39. Describe a feeling of cognitive dissonance that you have recently experienced. What did you or the business do to relieve the anxiety it caused?
40. Describe a scenario that would enable you to sell a wedding dress to an opinion leader.
41. Defend the concept of spending money for socially responsible reasons when that money could be used to expand your business and create more jobs.
42. Imagine you are confronted by a customer who is requesting a refund for a gift bought for her at your store. Apply the total customer concept to this situation.

Project

Build Your Business Plan



Write a psychological profile of your intended target market. Include any marketing ideas you would use to influence the needs, perceptions, attitudes, and motivations of your customers. Also describe the personality type your product or service would appeal to and how you would tailor your marketing campaign to accommodate that personality.

Be sure to address the following questions.

1. How would you group your target market with regard to household life cycle?
2. What reference groups might you address to gain product acceptance?
3. What information can you provide to help your target customers make decisions?
4. What policies will you instill to adhere to the total customer concept and ensure customer satisfaction?