By Bruce Kasanoff

A half decade of Entrepreneurial Marketing: Lessons from the Best Entrepreneurs

What can marketers in large and medium-sized firms learn from rapidly growing entrepreneurial firms? This article highlights proven marketing tactics used within an élite group of 300 such firms, all of whom have participated in a management development programme called *Birthing of Giants*. These entrepreneurs have no choice but to leapfrog established competitors, and the tactics revealed here are pivotal to their success.

It's early June 2003, in a classroom outside Boston at MIT's executive retreat centre. Sixty-five CEOs of entrepreneurial firms are talking, debating, sharing and learning about the most effective marketing tactics.

I'm leading the discussion, as I have done each year for five years. However, the entrepreneurs own the outcomes, and they, as always, are vocal.

"We know our customers' goals and objectives," says Bobby Stark, of Hammock Publishing, a custom publishing firm. "It sounds simple, but it's amazing how many firms don't bother to spend the time to invest in learning about their customers. We know our customers' businesses better than many of their own employees."

He's right. Most firms don't bother to learn what their customers really need. Paradoxically, often the firms with the most data - large firms - in practice 'know' less than their smaller counterparts. That's because so much of this data is locked away in information silos, where it cannot be practically utilised.

Our conversation begins to revolve around 'operational entanglement', the strategy

of taking on functions your clients previously performed themselves, so that it becomes harder for them ever to part ways with your firm.

The word is new to some entrepreneurs, but the strategy isn't. These firms, many of them quite young but almost all growing quite rapidly, use it all the time.

Welcome to the world of aggressive growth entrepreneurs. When you give them a good idea, they start implementing it a few minutes later.

Entrepreneurs Drive Change

Peter Drucker, the famed management guru, wrote, “Entrepreneurs that move resources from old and obsolescent to new and more productive employments are the very essence of modern economics and certainly of a modern economy.”

He also wrote about entrepreneurs that, “All great change in business has come from outside the firm, not from inside.”

That's why, no matter how large your firm or how substantial your marketing resources, it makes sense to pay close attention to what entrepreneurs

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are doing. Thanks to ingenuity, dissatisfaction with the status quo, sheer necessity and, often, outsized ego, entrepreneurs force our economy and our management practices to change.

Big Versus Little

Over the past ten years, my clients have included hundreds of large firms, the vast majority of them household names. Thrown into the mix was a man named Verne Harnish, the founder of two renowned entrepreneurship organisations, the Young Entrepreneurs' Organisation (YEO) and the Association of Collegiate Entrepreneurs (ACE).

Through Verne, I have had the chance to work with the other end of the spectrum; aggressive growth firms led by founders who achieved critical mass before they reached age 40. It's been a fascinating experience, going back and forth between some of the largest firms in the world, and some of the fastest growing.

Verne chairs the *Birthing of Giants* entrepreneurship leadership program at MIT, and for five years he's invited me to be the marketing expert in residence. Based on that ongoing experience, it's time to chronicle the differences, and similarities, between the marketing activities of big firms versus entrepreneurial firms.

You may be surprised at some of the answers.

Short Attention Spans Can Be Good

If there's one thing entrepreneurs under 40 have in common, it's short attention spans. If they don't see a significant profit opportunity in a proposed business initiative, they cut off the discussion. I don't mean they veto an idea after a full day, month, or year of discussion, as happens in many large firms. No, it may just take a few seconds.

At first, it's tempting to think that these ego-driven entrepreneurs lack some of the manners and polish executives in large firms often possess. However, soon you realise that entrepreneurs have little or no margin for error, and they usually are gambling not only with their money, but also with the money of close relatives, friends and colleagues.

Of course, the flip side of this tendency is an incredible urgency to embrace good ideas. I've seen entrepreneurs take out cell phones in the back of a class and instruct their senior managers to gather in a room, so that she or he can call back at the next break and get them moving on the marketing tactic we are discussing.

In contrast, a passionate endorsement at many large firms is when your sponsor sets up another series of meetings six weeks hence. “Loved it. Really good thinking. Full speed ahead. We'll take it up next month.”

That's not urgency, it's innovation when we can get around to it.

One of the toughest tasks I face is convincing large firms they need to segment their customer bases in a meaningful manner, not only by value but also according to their needs. In contrast, when I've run workshops for Verne's clients on segmentation, they load all their customer data on laptops and we actually perform the segmentation, rather than just talking about it in theory.

Yes, it is true large firms can't load all their data on a laptop - well, at least not yet - but the real difference is the level of urgency. Nothing will ever convince me that larger firms can ever reach their potential with the lower level of urgency many often exhibit.

I recently spoke at a meeting of European executives from very large firms, and stressed the importance of segmentation. Roughly one-third of the attendees spoke to me privately after my session and confessed that while they agreed with my assessment, internal obstacles make meaningful segmentation too difficult for them to take on. I n this very industry, aggressive growth firms are successfully attacking larger players by identifying niches and relentlessly pursuing opportunities. Eventually the bigger firms will make life difficult for the upstarts, but it's not happening yet.

Recently, I asked Peter Figueredo, CEO of the marketing agency, NET exponent, if there was anything he envied about larger firms. “Sure,” he said, “I love the fact that they have little accountability for the money they spend yet their revenue from clients is very high. Sometimes I wish we could be less accountable...then I remember that is not in the client's best interest.”

NET exponent structures performance-based advertising deals between its clients and website publishers. These deals allow clients practically to guarantee their cost per customer acquisition cost. The agency takes a large percentage of their fees on performance, and thus they only profit when their clients do. It's not an easy life, but it does ensure that you live and die with your clients' success.

Referrals and Word of Mouth Trump 'Satisfaction'

The phrase I hate most in business is 'customer satisfaction'. 90% of the firms that measure it do so to provide cover for their less-than-adequate performance. You wouldn't ask a dinner guest if they were 'satisfied' with the dinner you cooked, would you? No, you hope they loved the dinner, and can't wait for another invitation.

Likewise, there are only two true measures of customer attitudes about your firm. One is the rate of purchases: more is better. The second is a customer's willingness to refer your firm to their friends and associates. In many ways the second is a better measure, because it subjects your customer to potential risk, if you fail their friend, and it requires initiative on their part.

In this area, entrepreneurs excel. The founder generally personally calls or visits his or her top clients. They ask, "What do I have to do to keep and earn more of your business?" Even better, they ask, "Who do you know that I should be helping?"

Creating energy takes initiative, and it sometimes is the only potential path for entrepreneurs. Stewart Koziora is head of Wagamama Australia, a chain of noodle restaurants. He admits, "Our marketing budget can't afford 'above the line' campaigns, so it's all about our street teams; having our Wagamama branded Mini Coopers being towed away at high profile concerts; placing Wagamama branded 'bibs' on historical statues around Sydney saying "I'm not moving until I have a chilli beef ramen!"

Wagamama does invest funds in building their 'frequent noodler' database and sending them special offers, knowing very well who their most frequent diners are, and sending out birthday and special anniversary offers.

Koziora says an irreplaceable element of his marketing efforts is love. "Our marketing 'street teams' just love our product - they really buy into it and feel a big part of our success, something I really don't believe a large marketing business can succeed at doing!"

Stuart may not be right about his final point. It is possible for a large organisation to get people to love a product; Apple's iPod is an often-cited example. It just goes against the culture and character of most large firms to sustain a strategy based on love.

Leveraging Technology

David Marinac is the founder of abc-packaging.com, which designs custom packaging online. His firm has reinvented the whole process of designing and selling this type of packaging, and Marinac is constantly thinking about how his firm can further leverage technology.

He does a good job of generalising what life inside a bigger firm is like. "Larger firms have so many layers. They have people in IT marketing, sales, advertising, Web... all these people have first to know how technology works, which many of them don't - then they have to convince their older management to try something new."

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"Then they have to decide what they want to do, and when they finally decide... they want results in 24 hours, or they'll pull the plug. We look at the data - who is coming to our site, how long they are staying, what they are interested in - and make a decision within 5 minutes."

While entrepreneurs like Marinac are quick to embrace a technology that enables them to level the playing field, they tend to be highly suspicious of unproven technologies.

For example, out of the more than 300 entrepreneurs I've met at *Birthing of Giants*, less than ten percent have made a full-blown commitment to CRM (customer relationship management) software. In retrospect, this hesitation has proven to be prudent; in recent years many CRM projects lacked a sound business case and failed to provide measurable results.

On the other hand, at our last gathering entrepreneurs were buzzing about Microsoft's

MapPoint software, which enables them to create more efficient delivery and service routes. "This is money in our pocket", was a typical comment.

Uncertain Payback

One warning sign for marketers everywhere is the scepticism with which entrepreneurs view their investment of time and money in marketing. At least half of each year's entrepreneurs express significant misgivings about the value of marketing.

Anne-Marie Faiola, founder and CEO of Bramble Berry, confessed, "In some ways, I feel like our marketing expenses are a big black hole. I have no idea if the customers like the ads (except for what they tell me anecdotally), respond to them or if the ads even reach our target clientele."

Sigcom is a USD24 million (2004 turnover) firm that specialises in hi-tec security systems and teleconferencing. Its CEO, Terri Kim, reports that the uncertainty she feels grows as the firm expands. "As we grow, we have more budget available for marketing and the people in charge of that piece of the budget naturally want to spend it on different things. Often, it is difficult to quantify response rates and results. The more dollars there are, the tougher it is to make the decisions on how to effectively spend those dollars."

Of course, one difference between these entrepreneurs and marketing executives in larger firms is their willingness to reveal their doubts. Few Marketing SVPs have ever told me they wonder if any of their marketing is paying off, even if they lie awake at night fretting about this possibility.

There's no doubt about it, many traditional marketing techniques no longer work. Marketers have been slow to respond to changes in the way each of us gathers, analyses and acts on information. With every passing year, I can see the fault lines spreading as entrepreneurs become increasingly uncertain that marketing works.

The most extreme example of this is one of the most successful entrepreneurs from last year's programme. I've been asked to keep his firm's name confidential, but they generate USD50 million in annual sales with virtually no marketing. Instead, they designed the structure of the business to generate a consistent flow of orders, by leveraging a strong selling proposition, unique capabilities and a capable distribution channel.

Design Marketing into Your Products

Wagner Pools, a local swimming pool company not part of the *Birthing of Giants* programme, offers one of my favourite services. They connect their pools via modem to the firm's headquarters. When a swimming pool starts to develop a problem, the pool alerts Wagner and a service technician goes out to fix it.

Think about it. Many firms brag about 24 hour service, but Wagner manages to provide service before the customer even realises it is necessary. That's far more effective marketing than any advertisement.

This is the future of marketing; products and services that sell themselves, because they are so well designed. The most successful entrepreneurs know this, because the life of their business depends on being able to find, and fill, unmet needs.

The more time I spend with entrepreneurs, the more obvious it becomes that they often substitute innovation for marketing. Instead of putting money into advertising, they put money into product development. Instead of utilising the same old sales approaches, they use technology to reinvent the way customers and vendors interact.

They do this not because they are smarter than their peers in large firms, but because their survival depends on being able to leapfrog existing solutions. In the long run, all of us are in this position, and the sooner we act upon this truth, the better off we will be.

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