

Small Business is Our Business...

Small Business Advancement National Center
University of Central Arkansas
<http://www.sbaer.uca.edu>

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SMALL BUSINESS COUNSELING AND CONSULTING

SBANC's counseling/consulting services are provided to small businesses by electronic mail, telephone, personal visits by faculty, and in person by SBANC staff and student consulting teams. Consulting is provided on areas such as computerization, market analysis, financial management, loan proposals, accounting and bookkeeping, and other areas deemed necessary. Counseling by faculty and staff is also available on a fee basis.

SBANC and the University of Central Arkansas have conducted the Small Business Institute (SBI) program since its inception in the early 1970s. The program involves college students, supervised by faculty, obtaining information from a business, analyzing that information, and presenting their recommendations to the business owner. This program provides college students with hands-on business experience and gives the business valuable information that will help their business expand and become more efficient.

In the past, the SBI program was federally funded and administered by the U.S. Small Business Administration. However, federal funding for the program is no longer provided; therefore, donations are requested.

The College of Business Administration at the University of Central Arkansas will offer SBI classes during the second summer term, beginning in July, and during the fall semester, beginning the end of August. If your small business is located in the central Arkansas area and you would like to be involved in this program, please contact us (501-450-5300). If you are not located in the central Arkansas area, but would like to know where the nearest Small Business Institute is in your area, do not hesitate to give us a call.

To find out some of the SBI clients perception of student consulting projects visit our web site at:

<http://www.sbaer.uca.edu/docs/proceedingsII/98asb078.txt>

"DECISION MAKING FOR SMALL BUSINESS"

(Taken from a paper by Arthur E. Parry, LeTourneau University, "Statistical Decision Making for Small Business")

"Every small business is faced with the danger of making unfavorable decisions which impact heavily on the safety of the venture," states Arthur E. Parry of LeTourneau University in his paper, "Statistical Decision Making for Small Business." Parry believes that three tools are the key to effective decision making. They are as follows:

1. Judgmental probability in which there is an identification,

from experience, of a probability range to apply to a problem.

2. Maximin and minimax payoffs by which the organization is better able to assess magnitude of adverse consequences.
3. Decision tree analysis which simplifies the decision process by requiring that each sub-decision be identified in the overall path, allowing for a backward induction process to better evaluate alternatives.

"Businesses are faced with major decisions, on a regular basis, having to do with sales, expenses, investments and expansion," says Parry. Statistical decision making is important because "the newer enterprise is limited by the amount of information and experience available, corporate history may not be a good predictor of future activity, and the limited size of the executive staff does not permit the sharing of knowledge or experience in looking at new problems."

To find out more about this topic and to read the entire paper by Arthur Parry, visit our web site at:
<http://www.sbaer.uca.edu/docs/proceedingsII/98asb084.txt>

TIP OF THE WEEK

"Keeping Customers and Reselling to Them"
 (taken from "Principles of Marketing," by Frances Brassington and Stephen Pettitt, see full credit below)

As with any marketing effort, the continuation of exchanges will depend upon how well needs have been satisfied, service provided and value offered. However, the real challenge for direct marketing is to continue to communicate actively with the customer and win further orders after the initial contact has been made. This can be achieved by keeping in regular contact and developing a range of initiatives to encourage further orders. These could be further sales of the same product, sales of new offers, or cross-selling into related product areas to maximise the returns from established contacts.

Classifying the customer list to reflect loyalty, purchase activity, susceptibility to future offers and age of listing can help to determine the best way of approaching future communication and offers. For example individual car owners tend to change cars every two or three years, and therefore it might be appropriate to identify customers who are coming to the end of their second year and to implement an intensive campaign of sending them financing and product information with a view to getting them into the showroom.

It is always more cost effective to retain customers than to win new ones, so a careful use of direct marketing can assist the overall promotional programme. The maintenance and updating of the database provides a good means of tracking customer needs, wants and satisfaction, helping to make marketing decisions that maximise the chances of retaining a loyal customer base.

There are five stages in a retention and customer development programme. These are considered in turn.

1. Welcome. The obvious first stage this applies shortly after the customer has become active. An early contact can be reassuring, and assists in engendering receptivity to further communication. The example of Next Directory's 'welcoming' experiment has already been mentioned. That scheme led to significantly greater numbers of new customers being retained and also led to their spending 30 percent more than 'non-welcomed' customers.

2. Selling up: Apart from normal repeat business, such as occurs with customers of a book club, organisations should encourage the customer to adopt a better or higher valued model. This approach would be appropriate for a wide range of products and services including cars, cameras and credit cards. American Express, for example, was mentioned earlier as using direct mail to encourage green Amex cardholders to trade up to gold card status. The timing of contact will depend upon the expected replacement period for the product.

3. Selling across: The selling across stage is where an organisation tries to sell a wider range of products than those in the area originally selected. A customer who purchases car insurance from a particular company might subsequently receive mailings about house insurance or private health cover, for example.

4. Renewal: With products that involve annual or regular renewal, such as motor insurance, the timing of appropriate and personalised communication around the renewal date can reinforce repeat purchases.

5. Lapsed customers: Customers may be temporarily dormant or permanently lost. A continuation of communication may be appropriate for a period of time so as not to lose contact, especially if reorder frequencies are high.

"Principles of Marketing," Brassington, Frances and Pettitt, Stephen; Pitman Publishing; Great Britian; 1997; pp. 770-1.

If you have any comments about our newsletter or if you know of an upcoming small business event in your area, please contact Kim Stubbs by e-mail at: kstubbs@mail.uca.edu

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