

## 6.5: The Three Threads

### Learning Objectives

1. Understand how marketing contributes to customer value.
2. Explain how marketing can positively and negatively impact cash flow.
3. Explain how digital technology and the e-environment impact marketing.

### Customer Value Implications

It is the customer who decides whether to buy a small business's products or services. The customer decides whether the appropriate value is present, and that value will always be as he or she perceives it. "The decision to buy and the price that customers are willing to pay is dependent on their assessment of the value they will receive from one product relative to the known alternatives." Robert R. Harmon and Greg Laird, "Linking Marketing Strategy to Customer Value: Implications for Technology Marketers," *IEEEExplore Digital Library*, July 31, 1997, accessed December 1, 2011, [ieeexplore.ieee.org/xpl/freeabs\\_all.jsp?arnumber=653700](http://ieeexplore.ieee.org/xpl/freeabs_all.jsp?arnumber=653700). Marketing plays a key role in creating and delivering value to the customer, but it is the establishment of a strong link between customer value requirements and the major value-producing activities of the firm that is the foundation on which the delivery of superior customer value is based. Robert R. Harmon and Greg Laird, "Linking Marketing Strategy to Customer Value: Implications for Technology Marketers," *IEEEExplore Digital Library*, July 31, 1997, accessed December 1, 2011, [ieeexplore.ieee.org/xpl/freeabs\\_all.jsp?arnumber=653700](http://ieeexplore.ieee.org/xpl/freeabs_all.jsp?arnumber=653700).

The creation of customer value begins with a company commitment to the customer. Marketing has the responsibility for researching the current or prospective customer base, selecting a target market, and then developing a marketing mix that will hopefully meet the value expectations of customers. Product comes first, followed by price, promotion, and place. Delivering customer value should be the key consideration in all marketing mix decisions, with all four Ps working together. A small business needs to be aware, however, that customer value can and does change. What is considered as providing appropriate value one day may change the next day. It is marketing's responsibility to keep on top of such value migrations so that the marketing mix can be changed accordingly. Fortunately, small businesses are in a stronger position to make marketing mix changes because they are generally more nimble and are closer to the customer.

### Cash-Flow Implications

Because sales are the only generator of revenue in most small businesses, marketing decisions play a major role in the health of a company's cash flow. A product or a service that does not sell will have a negative impact on cash flow, whereas a winner can result in a cash-flow bonanza. However, a product or a service that generates major cash can actually send the business into failure if the appropriate cash-flow mechanisms are not in place. The timely collection of money owed and being able to pay for the products and the services needed to run the business are critical to a positive cash flow. Providing extended terms for vendor accounts to be paid, delayed payments from credit cards used by customers for their purchases (something that is expected by most customers as part of the value they receive), the costs associated with an over ambitious expansion, money-losing customer promotions, a product or a service that is priced too low (unable to cover costs), and a distribution approach that does not work well will all have a negative impact on cash flow.

### Video Clip 6.5.1:

*Cash Flow and the Marketing Budget*



*Why cash flow is relevant to marketing.*

### Digital Technology and E-Environment Implications

The integration, acceptance, and popularity of technology in the current marketplace and workplace are widespread, particularly with respect to marketing. Marketing opportunities have exploded with the rise of digital technology and the Internet, and with those opportunities have come new ways to make marketing decisions and interact with customers.

As do all businesses, small businesses should be concerned about the customer experience. Emerging mobile technologies make it possible “to elevate the classic brick-and-mortar shopper experience.” Nathan Pettyjohn, “Evolving the Customer Experience with Mobile Technology,” *MarketingProfs*, December 28, 2010, accessed December 1, 2011, [www.marketingprofs.com/articles/2010/4134/evolving-the-customer-experience-with-mobile-technology](http://www.marketingprofs.com/articles/2010/4134/evolving-the-customer-experience-with-mobile-technology). But there is a cautionary note. A **mobile shopping solution** (i.e., a way for shoppers to engage with their favorite retail brand or store using their mobile phones) can be cost-prohibitive for many retailers or B2B businesses, especially small ones. Nonetheless, it is a technology that small retail businesses should keep their eye on. One retail shopping solution is being developed by ARS Interactive and CellPoint Mobile. It will be “the only fully integrated mobile retail shopping solution in the United States that combines product information, coupons, customer loyalty and mobile payment into one experience. This will give customers complete shopping control directly from their mobile phones, while providing retailers with a constant customer touch-point inside and outside the store.” “Mobile Retail Shopping Solution Featuring Near Field Communication Technology,” *PRWeb*, January 6, 2011, accessed December 1, 2011, [www.prweb.com/releases/2011/ARSMOBILE/prweb4946004.htm](http://www.prweb.com/releases/2011/ARSMOBILE/prweb4946004.htm).

#### Video Clip 6.5.2:

*Mobile Marketing Solutions for Retail*



An example of a mobile-assisted shopping solution offered by Zergo.

Technology is also available to help in customer value analysis. New in 2010, the Value-Strategy Tool Kit helps a company Bradley T. Gale, “Webinar on Customer Value Mapping,” *Customer Value, Inc.*, accessed December 1, 2011, [www.cval.com](http://www.cval.com).

- understand the true strengths and weaknesses of a product offer and identify opportunities that can make a product more competitive,
- look at a product head-to-head against each competitor to think through the selling strategy,
- set prices based on what a product is truly worth,
- hone the marketing message, and
- align the management team around a plan to serve customers better.

The target for this software is the larger business, but the principles remain the same. Because the price is based on the number of users, a small business with only one or two users may find it affordable.

**Social media** also needs to be seriously considered in small business marketing efforts. Social media “generally refers to websites featuring user-generated content or material created by visitors rather than the website publishers. In turn, these sites encourage visitors to read and respond to that material.” Robbin Block, *Social Persuasion: Making Sense of Social Media for Small Business* (Breinigsville, PA: Block Media, 2010), 2. Popular social media sites include Facebook and Twitter. These channels are being used by a wide range of small businesses to market their businesses via interaction with their customers.

As has been said in the past, small businesses will have different technology needs and desires. However, given the pervasiveness of technology in marketing, it is in the best interests of any small business to consider how technology could improve marketing effectiveness.

### KEY TAKEAWAYS

- Marketing plays a key role in delivering customer value.
- Marketing decisions play a major role in the health of a company’s cash flow.
- Small businesses of any size should consider how technology could improve marketing effectiveness.

### EXERCISE

1. Assume that you have a friend who owns a small office-supply business. Your friend is doing fairly well, but you are convinced that integrating more technology into his marketing efforts would increase sales. What would you recommend to your friend? How might technology add to customer value and a positive cash flow?

### Disaster Watch

#### Customer Experience

You are the owner of the local BMW dealer. A customer has just taken delivery of a new BMW 1 Series. Within a couple of weeks, the customer was in an accident with the car. Another driver had driven into her shiny new car—her pride and joy. It was a disaster for the customer. Her dream of owning a BMW had been shattered by the accident happening when the car was only a few days old. The Customer’s Shoes, “How to Turn a Disaster into a Great Customer Experience,” *The Customer’s Shoes Ltd.*, December 6, 2010, accessed December 1, 2011, [www.thecustomersshoes.com/2010/12/how-to-turn-a-disaster-into-a-great-customer-](http://www.thecustomersshoes.com/2010/12/how-to-turn-a-disaster-into-a-great-customer-)

experience. It is now your responsibility to manage the repairs and deal with a customer whose car ownership experience is now in disaster territory. The customer knows that when she gets the car back, it will no longer be new. What could you do to turn this disaster into a great customer experience?

---

This page titled [6.5: The Three Threads](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).

- [6.5: The Three Threads](#) by Anonymous is licensed [CC BY-NC-SA 3.0](#). Original source: <https://2012books.lardbucket.org/books/modern-management-of-small-businesses/>.