STAGE-BASED STRATEGIES FOR MARKETING THE INTERNET TO SMALL BUSINESSES

Dr. Alicia Aldridge, Appalachian State University, ALICIA@APPSTATE.EDU
Dr. J. K. Pierson, James Madison University, PIERSOJK@JMU.EDU

ABSTRACT

Small business owners in increasing numbers recognize the advantages of an Internet presence. "What," "why," and "when" Internet decisions of small business owners are made difficult by such factors as lack of information technology budgets, inexperience, hesitancy, and fear of loss of control. Use of the transtheoretical or stages-of-change model to assess the stage of readiness to establish a presence on the Internet is examined in this paper. Further, strategies that service providers may use in marketing their Internet startup services to small businesses are discussed.

Keywords: Application services provider, e-business, Internet, Internet service provider, small business, transtheoretical model

INTRODUCTION

Even in the face of Internet stock crashes, Web commerce continues to grow. Businesses without an Internet presence risk missing the unprecedented opportunity to cut costs, reach new customers, and improve strategy. More and more small businesses are feeling the pressure of "Web fever", often with ambivalent reactions. Since many small businesses are headed by their founders who know little about electronic communication, they are ill-prepared to do the mechanics of getting on the Web themselves and reluctant to accept help from others for fear of giving up control of their businesses. Reactions often involve either a rush to get going, or a reluctance to take even the first tiny step, potentially exposing small business owners to their own over-confidence or to unscrupulous or inept service providers. The e-business service industry is now recognizing the opportunity to provide expertise needed by these small businesses but they face problems related to the individualistic nature of business owners, significantly challenging the marketing programs of service providers.

Previously it has been proposed that the transtheoretical model is a fruitful model of change when applied to small business owners evolving their businesses onto the Internet (2). The model proposes strategies for encouraging and assisting organizational change that may be applied to small businesses taking the step onto the Net. In marketing to small businesses, Internet business consultants using this model will be better able to overcome inherent resistance and mistrust by accurately assessing their individual clients' needs and designing specific strategies for those clients.

This paper looks first at the current presence of small business on the Internet. The transtheoretical model is reviewed briefly with particular attention to stages of change and the role of decisional balance. Then specific change strategies that service providers may use in marketing their Internet startup services to small businesses are discussed.

THE INTERNET AND SMALL BUSINESSES

Small businesses have not embraced the Web with the gusto of larger ones, and understandably so. Many small business owners are so busy running their firms that they have little time to investigate the particulars of a Web presence. As of late 2000, only 34% of small businesses with less than 50 employees had a Web site, a listing in an online directory, or even email capability (8). In addition they have a harder time getting attention from advisors, so they are often left on their own, confused and struggling.

Perhaps as a direct result of this, only 13% of U.S. small businesses sell online and that percentage is actually falling (1). While another 14% have Web sites that are informational in nature, small business Web presence is predicted to grow very slowly (from 27% in 2000 to 33% by 2004), resulting in an inability to take advantage of the potential offered by e-commerce (7). For example, some estimates say that by 2005 Americans will spend greater than $632 billion as a direct result of their own online research (9). To be included, any business must have a Web site. Many small businesses are getting further behind. Pretty soon if a business doesn't have a Web site people will think it is odd.

Consequently, online service businesses such as online business consultants (OBCs), application service providers (ASPs) and online content providers now offer small employers everything from soup to nuts in running their businesses. They promise to level the playing field for small businesses to compete with the big boys. The problem is convincing these reluctant small business owners to take advantage of their services. It has become a marketing problem. The transtheoretical or stages-of-change model offers specific strategies for appealing to highly resistant populations such as small business owners.

THE TRANSTHEORETICAL MODEL

The transtheoretical model (TTM) was developed 15 years ago as an aid to understanding how change occurs in resistant populations. TTM is used for the implementation of planned change, a road map indicating how and why planned change unfolds and what paths are likely to lead to success or failure. It provides a theoretical framework for approaches to accelerate the rate of behavioral change in a population, and has been highly successful in developing common measures, predictable patterns of relationships and causal models across a broad range of behaviors and populations. This paper is proposing its application to small business owners' resistance to the Web.

TTM is a stage-based model proposing that people pass through a well-defined series of stages in attempts to change behavior or make complex decisions. The first stage is Precontemplation, followed by Contemplation, Preparation, Action, and Maintenance. The stages of change are crucial because resistant people are not prepared to take action, thus action-oriented programs won't be effective. Another approach, the action model approach, views change as an event that should happen quickly and discretely. In this model, persuasive programs must be matched to each individual's stage of readiness for change. Those matched to the individual's level of readiness are more likely to effect progress through stages of change than traditional influence

efforts which assumed change as a single event and assumed people were alike in their readiness. For example the traditional problem-solving approach begins with Problem Recognition. TTM's first stage is Precontemplation, which begins by accepting that everyone has not recognized the need to change.

Coercion, real or imagined, is a natural consequence of the action approach when applied to people not ready for action. Conversely, TTM is facilitative rather than imposed. Change proponents need strategies matching the needs of all participants not just those ready for action. Stage-based programs have far greater impact than traditional programs by increasing the likelihood that individuals will take action (change). Stage matched interventions reduce resistance that people feel when they are not prepared to act but feel pressured to do so. This approach will reduce the likelihood of later regret of decisions because they felt pressured into premature action. The application of this model to highly resistant small business owners may prove fruitful in assisting the evolution of businesses onto the Internet.

MECHANICS OF THE MODEL

Stages of Change

Likelihood of a behavioral change is highly related to the person's stage of change at enrollment. Forty to sixty percent of those not in Action are in Precontemplation, with the rest in Contemplation (14). Action-oriented programs will not work with Precontemplation, calling for a personalized stage-based approach. Progress through stages is cyclical rather than linear as people often have to recycle back several times to an earlier stage before sustaining a behavioral change. A single brief intervention that helps a person advance one stage will double their chances of taking action in the near future (12).

Stages and Decisional Balance

The balance of pros and cons is related to stage. Cons typically outweigh pros in Precontemplation. Then about halfway through Contemplation the pros of changing start to outweigh the cons, and in the Action stage pros outweigh cons. Longitudinal studies show balance measures are among the best predictors of future change, especially progressing from Precontemplation to Contemplation (6). The balance of pros and cons helps explain why people change and is sensitive to stage movement in the early stages. Shifting decisional balance so pros outweigh cons appears to be important in explaining why people make a commitment to change behavior in the near future. This is just one of several meaningful strategies suggested by this model.

STAGE-BASED STRATEGIES

Stage-based strategies for change focus on the individual's balance of pros and cons. In general, change strategies should increase the salience of pros, enhance the weight of pros, and decrease the importance of cons. Motivational interventions focus on identifying and working with ambivalence. If the pros are greater than cons, use action-oriented interventions. If cons are greater than pros, use motivational enhancement approaches. Stage-tailored messages are more

effective for behavioral change than non-tailored messages, putting the burden of client stage-identification on marketers of online client services when they call on small business managers.

Precontemplation

In Precontemplation small business owners are underinformed about the benefits of a Web presence or are demoralized about their ability to secure and manage one. They underestimate benefits and overestimate negatives, yet are unaware they are making these mistakes. Resistant to change and in denial, business owners in Precontemplation avoid thinking, reading or talking about a Web initiative. They are more likely to agree that the Web is a losing proposition or the Net has the potential to bankrupt them or Internet business is only for the big players.

Strategies for Precontemplation focus on raising awareness, providing information, and focusing on benefits through media advertising and direct selling. Raising awareness of benefits is the heart of Precontemplation strategies. Increasing knowledge of facts about the Net's growth, success, experts' predictions, the number of functioning Web sites, and participation by other small businesses is critical to "consciousness raising." The goal is to get the manager to think about the issue and actively consider its merits. Since the manager in this stage believes more cons than pros, a benefits orientation is critical. For example:

A Web site can: increase awareness of your business
                       put you in touch with new classes of clients
                       allow you to reach new geographical markets
                       make information about your business available to online searchers
                       allow you to order supplies and merchandise online
                       allow your customers to purchase from you online
                       allow you to personalize your interactions with customers
                       allow you to lower customer acquisition costs
                       allow you to expand your "share of customer"

This and other information can be part of an integrated campaign including advertisements, direct mailings, and sales calls from the various types of service providers. Persistence and repetition are important, as is winning the trust of small business managers, who must have confidence in the seller's knowledge, experience and honesty.

Contemplation

In the Contemplation stage there is still no presence on the Net and cons still outweigh pros, but business owners are now aware of significant pressures to move onto the Web. Perhaps some important customer or supplier insists they get moving, a primary competitor jumps into Web marketing, or an investigation reveals the possibility of significantly lower costs. Inevitably word of mouth about the Internet eats away at owners' resolve to stay out of technology.

Addressing this continued resistance still involves actively building owners' motivation rather than proceeding directly to action approaches. Updated information, continued emphasis on benefits, showing in-depth examples of success stories, customers' testimonials, and explanations of complexities all give managers things to contemplate. Brochures, pamphlets and

copies of ads all provide tangible backup to which the owner may refer later after the sales call is over.

Preparation

In the Preparation stage, small business managers have taken some significant action in the last year, have made a move toward the Internet, have formed an intention, and have an Internet service provider (ISP) contract. At this point, they likely use the Internet to do research, expand information and look up products, prices and potential vendors.

Strategies for this stage build on current online presence, likely email, expanding to more formal information searches, and finally to actual merchandise and supply ordering. The how-to's of portals and search engines and the potential benefits of search engine listings can develop into explanations of storefront templates. Examples of the quality of scanned merchandise photos lead into the provider's customizing features and service packages, reassuring business owners of the guidance and support available once they make a decision to go online.

Making a commitment to getting on the Net should come at this stage, especially as managers recognize the choices available to them. The varying degrees of Web presence, different businesses available to help, service plans, expenditures, and objectives of Web presence offer many options. Reluctant business owners may be more willing to take a definite step when made aware of changes in the environment that influence Internet business patterns. When they see that today's convenience-obsessed, time-starved, tech-savvy lifestyles are dictating what business models are working, they may agree that they see the Web everywhere, they see TV ads including Web addresses, and they see society changing in ways that benefit those online.

Action

All changes in behavior do not count as "action". They must be significant moves toward an Internet presence. Actively engaging in changing their behavior means constructing a homepage (however simple), looking for an application service provider, seeking help from a small business development center, or accepting the help of other e-business consultants. Environmental reevaluation occurs during this stage as managers think about how their decision impacts customers, competition, other business owners, even their families.

At this point, e-business service providers must compete for specific contracts. A benefits focus continues during this stage of competition, turning attention to the expertise of the provider. Explanations of service packages, prices and capacity culminate with testing of Web page mock-ups and refining of positioning, assortment and procedural issues.

Maintenance

Once on the Web, active servicing works to preclude a bailout, either to another ASP or off the Web entirely. Discouragement may come as a result of the Internet's bumpy ride, as many online businesses have already experienced. However, active follow-up, updating, and explanation of new services work to prevent relapse. Owners become increasingly more

confident as their Web page functions properly and e-business service providers continue competitive monitoring.

CONCLUSION

Many small businesses face a dilemma as an Internet presence becomes more of a necessity rather than a nicety. The fact that consumers are becoming more accustomed to, and, in fact, demanding electronic access puts pressure on small business owners to explore the costs and benefits of the Internet. It is not surprising that there has been resistance on the part of many small business owners to a Web presence because of the lack of large information technology budgets to fund cost/benefit studies, start-up costs, training, and maintenance.

The e-business service industry faces challenging problems as it strives to take advantage of the opportunity to provide expertise needed by small businesses. Many of the problems are related to the individualistic nature of small business owners. This paper has proposed the use of the transtheoretical model to help e-business service providers recognize the current stage of change in which prospective customers, small business managers, find themselves. Further, appropriate strategies for each stage are proposed to assist providers in meeting the needs of small businesses.

REFERENCES

1. Advertising and Promotion Replace E-commerce as the primary Reason Small Businesses are Online, (2000). http://newscenter.verizon.com/proactive, November 30.
2. Aldridge, Alicia, J.K. Pierson and Karen A. Forcht (2000). Marketing the Internet to Small Businesses: A Proposal for Using the Transtheoretical Model, Issues in Information Systems, IACIS, 1-7.
3. Big Help for the Little Guy (2001). Fortune, Winter2001 Technology Guide, v142 i12, 208.
4. Edwards, Paul and Sarah (2001). Set Your Sites, Entrepreneur, February, v29, ii2,131.
5. Flamm, Matthew (2000). Small firms get Internet Savvy, Crain's New York Business, October 30, v16, i44, 44.
6. Greene, Geoffrey, Susan R. Rossi, Joseph S. Rossi, Wayne F. Velicer, Joseph L. Fava, James O. Prochaska (1999). Dietary Applications of the Stages of Change Model, Journal of the American Dietetic Association, June, v99 i6, 673-9.
7. Hof, Robert D. (2001). Those Mighty Mini-Dots, Business Week, February 19, i3720, EB56.
8. Hopkins, Jim (2000). Small Firms Remain Offline, USA Today, December 11, B14.
9. Hoover, Kent (2000). Small businesses Have E-commerce Concerns, Puget Sound Business Journal, July 28, v21 i12, 43.
10. Internet Usage Grows for Small Businesses (2000). Supply House Times, May, v43 i3, 33.
11. Lilly, Aaron (1999). Internet Paves the Way for Small Business, Las Vegas Business Press, November 29, v16 i47, 5.
12. Nigg, Claudio R., Patricia M. Burbank, Cindy Padula, Robert Dufresne, Joseph S. Rossi, Wayne F. Velicer, Robert G. Laforge, James O. Prochaska (1999). Stages of Change

Across Ten Health Risk Behaviors for Older Adults, <u>The Gerontologist</u>, August, v39 i4, 473.

13. Prochaska, James O. and Wayne F. Velicer (1988). Measuring Processes of Change: Applications to the Cessation of Smoking, <u>Journal of Consulting and Clinical Psychology</u>, v56 i4, 520-528.

14. Prochaska, Janice M. (2000). A Transtheoretical Model for Assessing Organizational Change: A Study of Family Service Agencies' Movement to Time-limited Therapy, <u>Families in Society: The Journal of Contemporary Human Services</u>, Jan/Feb,76-92.

15. Small Businesses Embracing Web (1999). <u>Business Journal Serving San Jose & Silicon Valley</u>, November 26, v17 i32, 33.

16. Velicer, Wayne F., Carlo C. DiClemente, James O. Prochaska, and Nancy Brandenburg (1985). Decisional Balance Measure for Assessing and Predicting Smoking Status, <u>Journal of Personality and Social Psychology</u>, v48 i5, 1279-1289.

17. Windham, Laurie (2000). Overcome E-Business Barriers<u>, e-Business Advisor</u>, 10-15.