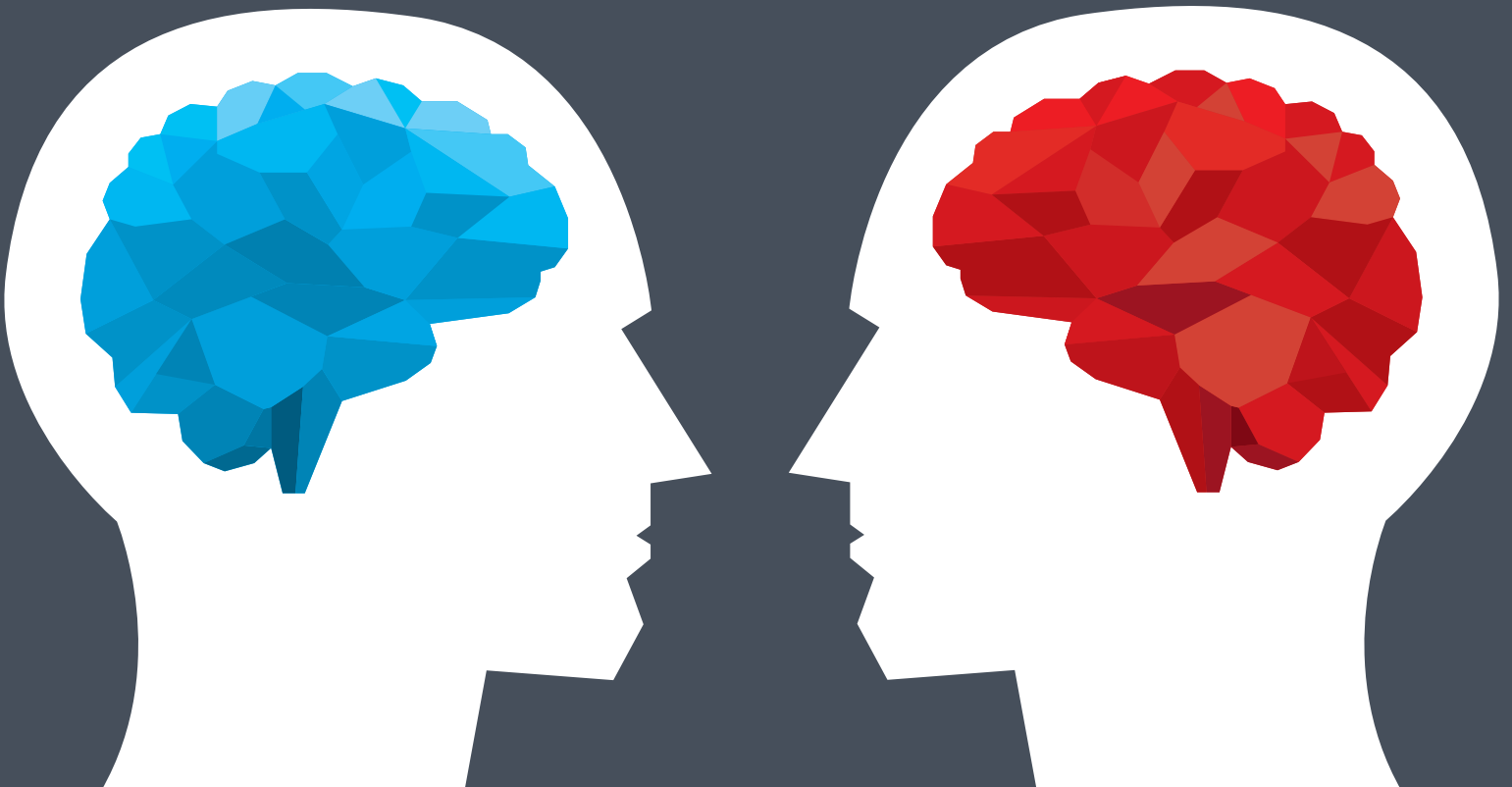


SMB Marketing Project

Vol. 11, U.S. SMB Study

A New State of Mind(sets)

A Study On What's Influencing Today's U.S. Small Business Decision Makers



cargo

Notice something different?

Here at Cargo, we've always thought of the Small Business Owner (SBO) as being, well, a little different. Seriously, what kind of person puts everything they have on the line for the relentless, and sometimes futile, pursuit of success? What is an SBO born with that drives them like that? Where does that focus, that passion, that borderline obsession come from? Truly, the answers are as different as the owners themselves. But this latest edition of Cargo's U.S. SMB Study has uncovered a profound difference that could potentially change the way brands talk to Small Businesses (SMBs).

Like a Small Business Owner, Volume 11 of the SMB Study is also "a little different." For years, we've poked and prodded at the hearts and minds of U.S. SBOs in order to learn more about what makes them tick. In that time, we've shared numerous trends, habits, tendencies, and insights that have helped brands better communicate with this wildly opportunistic, yet cautiously savvy target. But it wasn't until this recent volume that we realized just how far apart those two characteristics actually are. Using a prevalent psychological framework as a research foundation, the SMB Study set out to answer the question:



Small Business Owners — what's the difference?

Start with the right frame of mind

OK, not a single Cargonian has a Ph.D. in psychology from Yale. But Carol Dweck does. She is also the architect of a recent psychological principle that is being widely adopted in education, parenting, and the business world. Dweck's concept revolves around two fundamental mindsets — the Fixed Mindset and the Growth Mindset.



The Fixed Mindset

- Avoids challenges
- Gives up easily
- Doesn't value effort
- Ignores feedback



The Growth Mindset

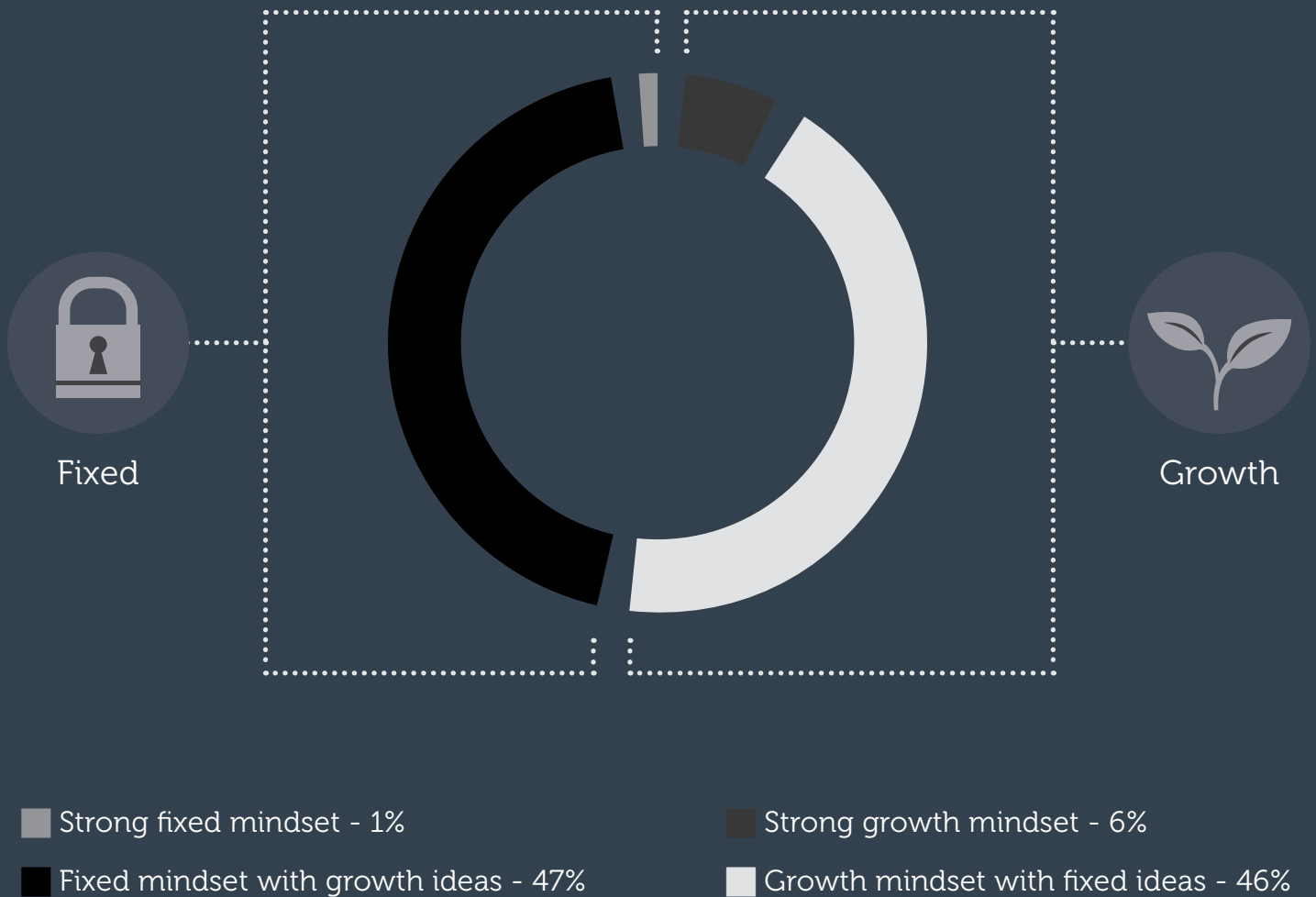
- Embraces challenges
- Perseveres
- Believes more effort equals better results
- Learns from feedback

At the core of a Fixed Mindset is the belief that character, intelligence, and creativity are innate, static qualities. Qualities that cannot be changed in a meaningful way. The Growth Mindset, on the other hand, views talent and intelligence as dynamic qualities that can be learned, nurtured, and improved upon. Dweck also contends that it is this ability to improve oneself that makes the Growth Mindset synonymous with "success." Something that, according to her, is seldom seen from a Fixed Mindset. Dweck's principle goes on to paint a fairly dim depiction of the Fixed Mindset as it relates to the growth and success of an individual.

So what does all of this have to do with your local neighborhood dog groomer, gardener, and restaurant owner? We were curious too. So, we applied Dweck's concept and tested research approach to SBOs to see if they followed the framework, or if once again, they'd prove to be a little different.

The gray area

There seems to be overwhelming support for Dweck's dual mindset model. However, it appears Small Business Owners may be blurring the defined lines separating the Fixed Mindset from the Growth Mindset.



With a surprisingly near even split between the two mindsets, our SBOs appear to follow the “one or the other” framework. And yes, overall Fixed Mindset SBOs do seem to favor the concept that ability is static, while our Growth Mindset SBOs tend to believe it is dynamic. But upon further review, we see the seemingly black-or-white mindset option become, well, very gray:



Agree / Strongly Agree	Fixed	Growth
You can always change substantially.	87%	97%
You can always change basic things about the kind of person you are.	75%	90%
The harder you work at something, the better you will be at it.	87%	97%

There were several areas where our SBOs seemed to challenge Dweck’s prescribed constructs, but these examples highlight areas where they simply defied them. At the core of the Fixed Mindset is this notion that people won’t, don’t, and can’t change. However, these findings point to a fairly strong belief that human potential can indeed grow and change.

So are these results just more proof SBOs are in fact a little different? Oh yeah! But we believe it’s more than a matter of the SBO not fitting the pattern. It’s a matter of the pattern not fitting the SBO.

A small adjustment

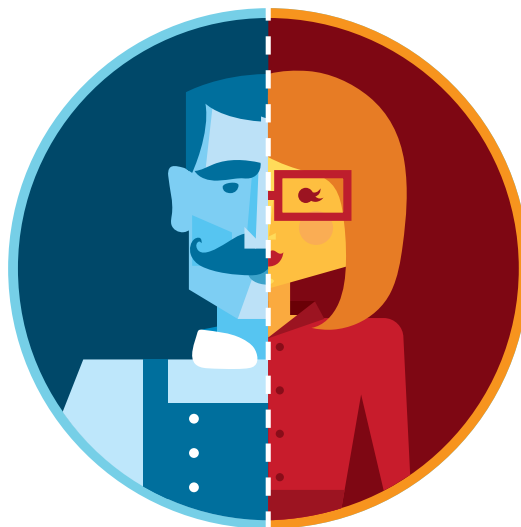
While our SBOs did adhere to some of the beliefs of the Fixed and Growth Mindsets, there was enough deviation, particularly in the core principles, that got us thinking. When we looked deeper into the beliefs and behaviors of each mindset, we noticed some issues. We saw labels that didn't quite fit, and concepts that seemed somewhat misaligned.

For instance, the Fixed Mindset is perceived to be a purely negative state of mind. Fear of failure. Worry. Complacency. But from an SBO's standpoint, we see these words taking on different meanings. Where some see a "fear of failure," we see caution. Where some see "worry," we see drive. Where some see "complacency," we see contentment. Yes, a Fixed Mindset does indeed have tendencies that could block a small business's growth, but it is far from the concrete wall as we were led to believe.

On the other hand, the Growth Mindset seemed to be a necessary ingredient for "success," but we believe it requires a slightly different perspective as well. Not all of the attributes that come with a Growth Mindset are assets for a Small Business Owner. Sure, learning from mistakes is a commendable approach, but it could lead to haphazardness. Chasing new idea after new idea is admirable, but there's something to be said for focus as well. Effort does, in fact, produce results, but misguided effort wastes energy, time, and resources.

Don't get us wrong. We do see tremendous merit in Dweck's original premise. And like we said, there isn't a single psychologist in the building. But we do have a Ph.D. in B2SB Marketing®. So with that in mind, we offer up two new Small Business mindsets — the **Artisan** and the **Crusader**.

THE ARTISAN



THE CRUSADER

The Artisan mindset

The Artisan is a practical creative. Someone who yearns for a passionate career. Someone who uses their innate talents to do what they love, so they always love what they do. The Artisan is cautious with opportunity. Sometimes to a fault. But they are doing what they do best, and to fail at that means failing at life. So they try to ensure that doesn't happen. Slow to change, but even slower to concede, the Artisan's focus is on their product / service at all times. The Artisan believes they are their best advantage.



They need:	A great idea that will change <u>MY</u> world
Problem solver:	For every problem there is a solution
The enemy:	Failure
Vulnerability:	Risk aversion, with a tendency not to see the forest for the trees
Core values:	Expertise / knowledge Stability Service
Key challenges:	Staying current / deepening knowledge Protecting my niche



Meet Marcus

Ever since he was a boy, Marcus has been around kitchens and fire pits. His father used to say he was born with smoke in his veins. Things just seem to click for him at the smoker. He can tell when meat is done just by looking at it. He calls it “the rib eye.” As a young man, he worked his way up through the restaurants around town. Busser. Waiter. Line cook. And eventually, Pit Master. Finally, he got up the courage and the money to open his own rib joint. That man can make a slab of ribs like nobody’s business. He loves sharing his gift with his community — one rib at a time. And they love him right back. People line up early in hopes they aren’t still caught outside when those devastating words ring out from the kitchen, “86 the ribs. We’re out.” In a way, Marcus takes pride in making that call. He never worries. He knows the grumbles and groans just mean those customers will be first in line tomorrow. Maybe with a newer smoker, he could cook more. Faster. And maybe if he concentrated on the books a little more, he could possibly open another joint across town. But he’s not sure he wants to get that big. His ribs might suffer because of it. Besides, where is he going to find someone with a “rib eye” like his to work another pit? No, Marcus wants to do things like he always has. Low, and slow.

The Crusader mindset

The Crusader represents ideas in motion. If you've ever wondered what the true difference between a Small Business Owner and an Entrepreneur is, look no further. Like a shark, these wide-eyed innovators believe movement is essential for survival. Once an idea pops into their heads, they act. To them, opening their doors for the first time will help them open more doors the next time. Sure, they might fail from time to time. But that only fuels their experience, their knowledge, and their passion. However, it doesn't always fuel their bank accounts. But that's OK because the Crusader knows when the idea is big enough, people will get on board, and that's when it catches fire. And when it does, they turn the keys over and move on to the next big thing.



- They need:** A big idea that will change THE world
- Problem solver:** For every solution, there is an opportunity
- The enemy:** Complacency
- Vulnerability:** Embracing failure too much, with a tendency to not see the tree for the forest
- Core values:**
 - Effort
 - Vision
 - Opportunity / innovation
- Key challenges:**
 - Focus
 - Choosing a course



Meet Ashley

Unlike her iPhone, Ashley's battery never runs down. She finished school. Went straight to work for a large tech firm. But left there within a year. She had been working on a pet app project and decided to make it a focus to see where it would go. She launched it, and it took off. Then, it came crashing back down. Lesson learned. She decided to freelance for a bit. But that didn't last long. She moved on. Then moved in with some friends to develop their own web analytics tool. This was it. No one was doing it like this. They had the idea, the coding firepower, and the resources to make this thing big. And they did. They worked day and night. Coding. Testing. Recoding. Selling. Within six months, they quadrupled their size. That's when the phone rang — a buyer. In another six months, the deal was done. That opportunity provided more opportunities. An online financial tool. A high-end concierge IT service company. At times she feels like she is spreading herself thin, but nothing a few more hours at the office can't fix. When she's not looking after her businesses, she's watching for new trends. New tech. New people doing new things in new ways. Then it came to her. An idea so simple, it's brilliant. This was it!



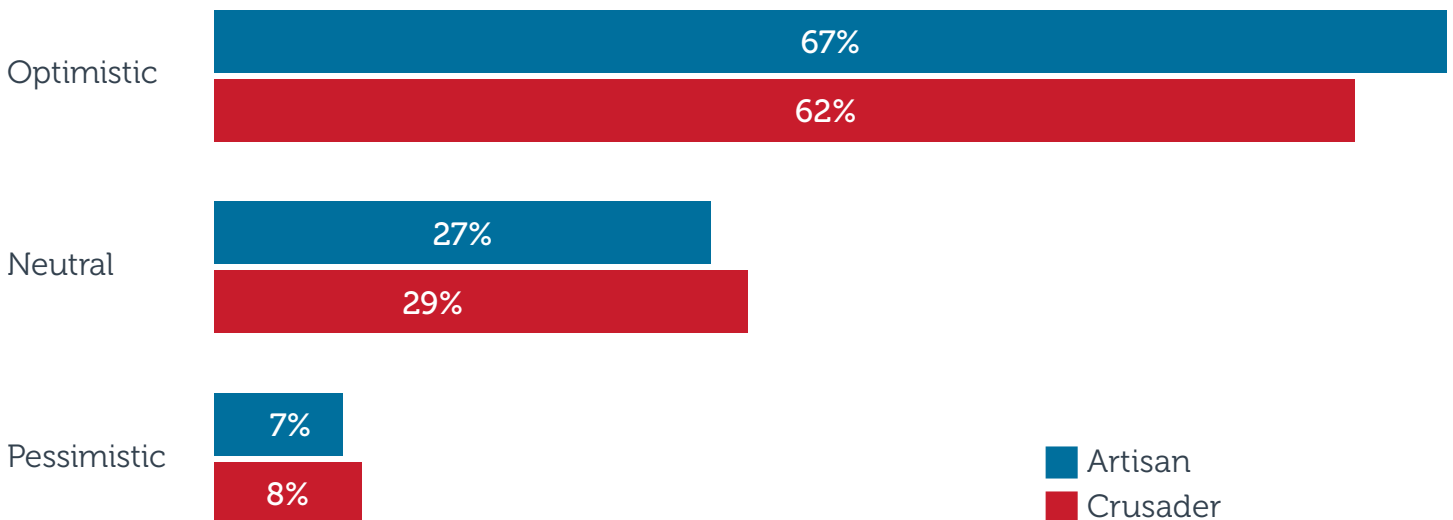
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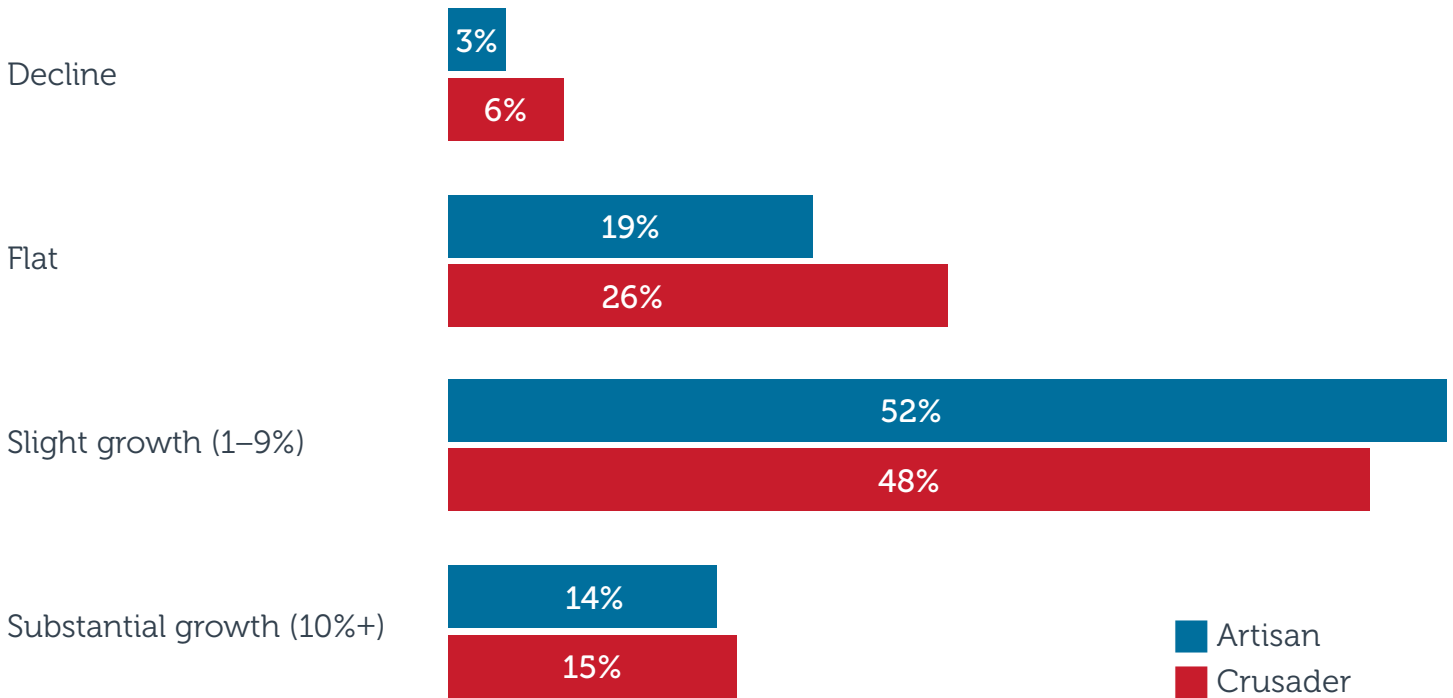
The Artisan **and** the Crusader

When we apply this new mindset approach to the SMB Study, we see some pretty familiar tendencies that both the Artisan and the Crusader share. That's because at their core, both of these individuals are still, in fact, Small Business Owners. Their overall sense of optimism, their projected growth, feeling underserved, are all historic traits of an SBO.

Perception of the future



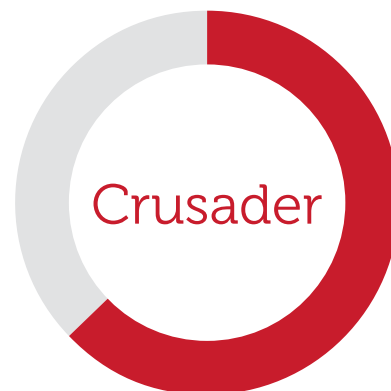
Projected business performance - next 12 months



Are brands currently marketing to you and your business effectively?



No - 65%
Yes - 35%



No - 63%
Yes - 37%

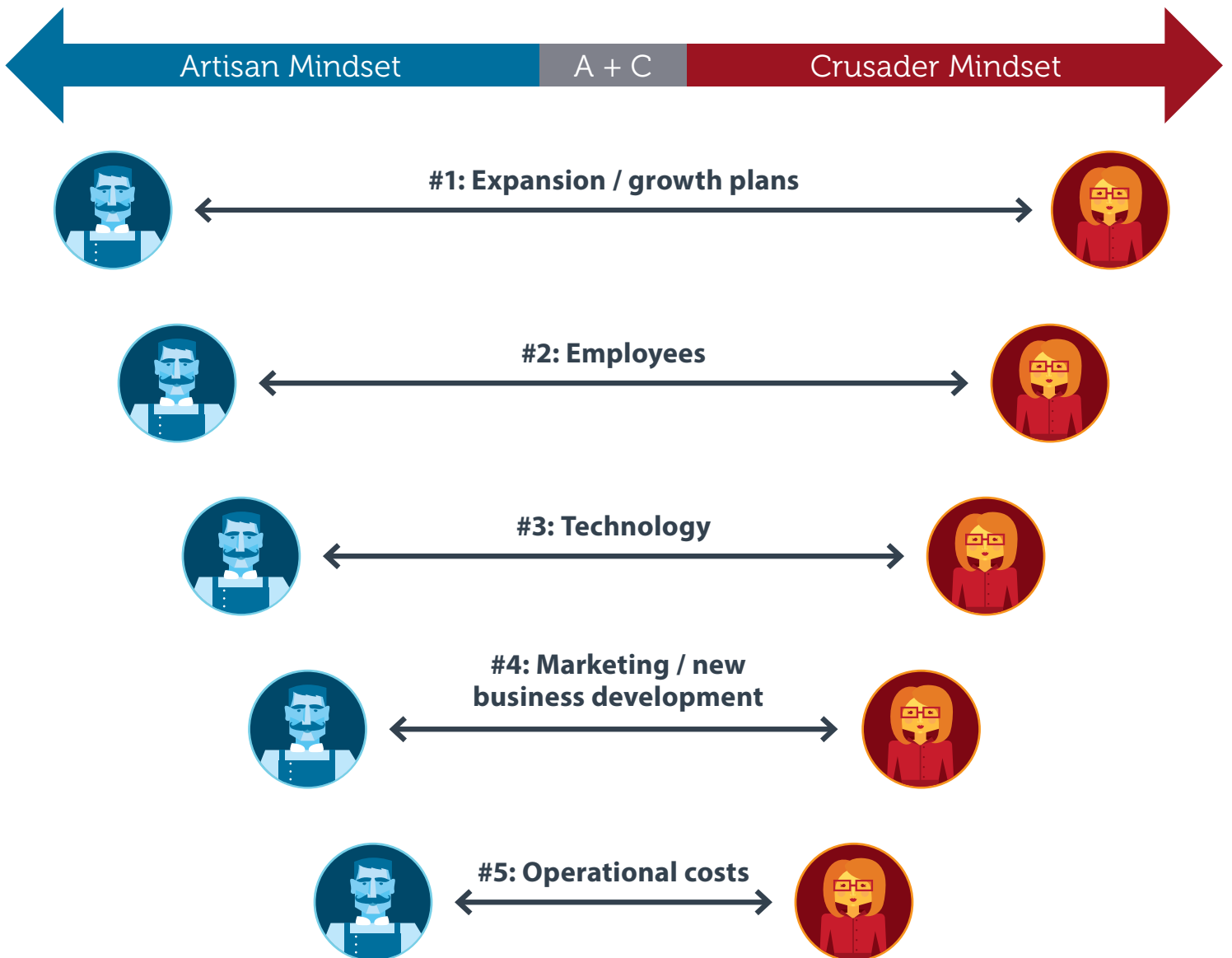


VS



The Artisan **versus** the Crusader

It's understandable why the Artisan and the Crusader Mindsets share some common attributes. Likewise, it's also understandable that there are some fundamental differences between the two as well. These differences are most apparent in a handful of key business aspects:



The area of "Growth and Expansion" shows an obvious split between the Artisan and the Crusader. Upon closer inspection we see the Artisan struggling to manage the growth of their business in an effort to maintain control. Also surfacing here for the Artisan is the familiar "Work / Life Balance" challenge that is a reoccurring struggle for SBOs. The Crusader, on the other hand, doesn't have problems in either area. Their main challenges deal with the use of technology and keeping their customers happy.



Top ten challenges	Artisan	Crusader
Managing cash flow	20%	20%
Balancing work and life	13%	9%
Incremental revenue growth	9%	12%
Keeping up with the latest technology	10%	17%
Capitalizing on opportunities	8%	6%
Keeping customers happy	7%	12%
Managing how quickly my company grows	18%	7%
Differentiating my business	8%	5%
Planning for tomorrow	7%	10%
Forecasting expenses	4%	5%

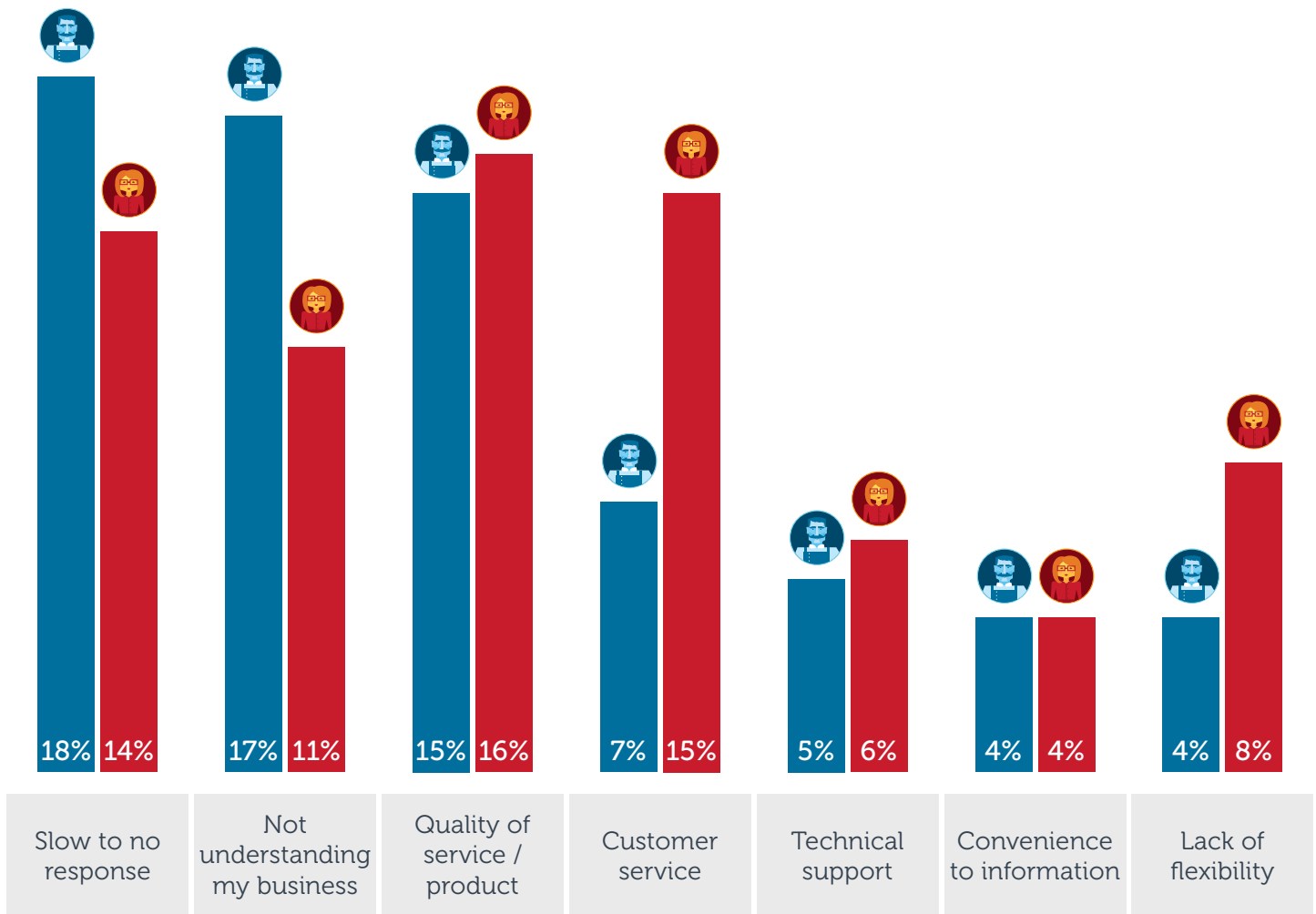
“Growth and Expansion” also becomes a point of difference between the mindsets when looking at future business investments. Naturally, the Crusader is looking for the growth, so they are more inclined to invest in areas that will provide that growth. Conversely, Artisans are looking to spend less, and sometimes considerably less, in order to manage their growth.



Will invest the same or more	Artisan	Crusader
Employee Investment		
Benefits	32%	45%
Recruiting	42%	48%
Training	40%	55%
Operations Investment		
Office supplies	72%	77%
Telephone / internet	77%	85%
Travel	50%	52%
Daily operations	79%	81%
Marketing / Business Development		
Business development	66%	70%
Marketing / advertising	61%	71%
Technology		
Computer equipment	68%	76%
Computer / IT services	62%	63%

With 64% of SBOs feeling underserved by brands, there are sure to be some frustrations with the businesses selling to them. But what, exactly, those frustrations are is another point of difference between the mindsets. The Artisan expects a brand to really take the time to get to know their business. They also expect a prompt response when they call on a brand. The Crusader is more concerned about the overall customer service experience. They are moving fast and need attention, and a lot of it.

Frustrations when dealing with marketers



Is a new marketing mindset in order?

Sometimes reaching a different customer requires a different approach. And if Volume 11 of the U.S. SMB Study has taught us anything, it's that Small Business Owners are indeed different. So should a brand change its approach based on these mindset insights? Possibly, but that all depends on the brand. Some brands may find themselves with an overwhelming amount of Crusader SBOs, so that brand might need to focus more on specific digital media channels and partners. They may need to adjust their language and the focus of their messaging in order to better engage with Crusaders. While a brand with a stronger Artisan customer base might look at focusing more on personalized grass roots efforts. Adjust their approach to be less heavy handed and more helpful. With Artisans, support and loyalty work hand in hand.

But above all else, just remember both Artisans and Crusaders are still Small Business Owners. They are wildly passionate, committed, driven, and strong. They make decisions with their hearts and their minds. Their businesses are an extension of themselves, and therefore reflect their personalities better than any study or psychologist possibly can. If you truly want to connect with them, genuinely get to know them. Because each and every one of them is different. And that's a beautiful thing.



“ If you truly want to connect with them, genuinely get to know them. ”

Where do we go from here?

The next volume of the U.S. SMB Study will take a deeper look inside the Artisan and Crusader Mindsets. We've only begun to scratch the surface on how these two individuals make business decisions. Demographics. Industry verticals. Learning how each defines success and growth. These are just a few of the areas we'll explore, so keep an eye out for the next installment.

Want to learn more about how Cargo can help your brand better connect with and sell to SMBs? Reach out at:

www.thecargoagency.com

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