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Marketers Move the Needle for Entrepreneurs

Can a marketer have a measurable impact on a small business? A field experiment in Africa quantifies, at last, how much marketers matter.

Based on the research of Stephen J. Anderson



When you think of the essentials for growing a small business, you typically think of innovation and financing. But new research provides the first evidence that marketing deserves its own pocket in the entrepreneur’s tool bag.

When entrepreneurs in Kampala, Uganda, were paired with marketers for virtual coaching, they enjoyed dramatic growth, unlike those who received no coaching.

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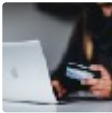
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The study, led by Stephen J. Anderson, Texas McCombs assistant professor of marketing, speaks to the potential contribution of marketers, and it offers some evidence on the effectiveness of virtual business coaching: Entrepreneurs randomly matched with marketers saw their monthly sales increase by 52% on average, monthly profits by 36%, total assets by 31%, and the number of paid employees by 24% compared with a control group that didn't get any outside business support.

But most importantly, the study provides insight into how a fundamental concept of marketing — product differentiation — works for small business in any economy.

Anderson recently answered questions for us about this research.

Why did you choose Uganda for this study?

Our partner Grow Movement was active in Uganda, and we also believed it was an entrepreneurial setting with high potential for impact. More critically, I wanted to empirically isolate the role of a marketer on company growth: think of a medical drug trial, but for business solutions. That's hard to do in the U.S., partly because small businesses here have more resources and implement marketing practices alongside other business techniques.

That's less the case in Uganda, so there is a better chance of running a clean field experiment with hundreds of entrepreneurs.

The marketers had an impressive impact. Do you think small businesses in other countries would experience similar results?

**The telephone is
still the king of
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Perhaps the local conditions in Uganda's emerging economy, or maybe a low starting threshold in terms of the entrepreneurs' marketing capabilities, allowed the virtual coaching to drive large effects in company growth.

But leveraging a marketer's viewpoint — to obtain novel product insights and distinguish them from other options in the marketplace — is fundamentally important, regardless of whether I'm in Austin or Africa.

So, the direction of these effects should generalize to any economy. If I'm starting a new business venture in the U.S., I'm going to face a lot of the same company growth challenges as someone in Uganda.

How does marketing address some of those challenges?

When we analyzed the text of the coaches' call logs, we found the marketer coaches focused more on products and how to differentiate them from competitive offerings. Their advice related to researching other products in the marketplace, changing their offering in some way, and getting customer feedback. It was up to the entrepreneur to do the work.

One entrepreneur in the study had created his own sauce for rice, but his sales increased when he added a unique spice mixture that best met customer tastes. A salon owner distinguished herself by training in new, sought-after hairstyles. And a car mechanic was struggling because his business lacked focus — he was providing a broad mix of services, some profitable, some not. The coach urged him to narrow the focus to those services in highest demand and that he does better than others. Now he offers only quick tire rotations and oil changes. His business is thriving.

So, one key takeaway for entrepreneurs is to differentiate your product in the marketplace by understanding what customers want, then delivering that in a way that is unique from alternatives. Essentially, differentiating helps the entrepreneur answer the question: “Why should a customer buy from me and not someone else?”

You studied coaching via Skype, email and mobile calls, but the research was conducted before the pandemic made such collaboration the norm. Do you think virtual coaching works more generally?

We had 930 small businesses, with coaches from 60 countries. If you consider someone in the U.K. virtually coaching someone in Africa, it seems very challenging. But our results show this kind of virtual business coaching — even across very distanced and different markets — can be effective.

This is the first evidence that a virtual collaboration between professionals can effect changes in a business that directly impact firm performance. That’s good news for any business today.

“Do Marketers Matter for Entrepreneurs? Evidence from a Field Experiment in Uganda” is online in advance in the Journal of Marketing.

Story by Judie Kinonen

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