

The pros and cons of selling to your friends and family



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When starting out in business, the first people that you rely on to test out a product and pricing are those closest to you or low hanging fruit. But what do you need to keep in mind when using this as your first customer set? The feedback loop from selling to these people will be skewed and if you know this, you can build a business that will survive outside of 'easy targets'.



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Pros

1. Confidence boosting

Starting a business is ridiculously hard. To take the plunge is often the scariest thing that we attempt and with the failure rates being heavily stacked against business survival, it should be the goal of every new entrepreneur to boost your confidence. And nothing boosts confidence like an eager customer.

Friends and family make great confidence boosters. It's their mandated job to enthusiastically follow your business Facebook page and buy every product you have to sell, even if it is in the early development phase.

2. Gentle criticism

Intrinsically linked to the first pro, is the second pro that friends and family should deliver criticism in a gentle manner that will not break your fragile spirit. These people should be heavily invested in your personal growth and if this is true, they will be concerned about your infatuation with this business, and not breaking it.

And this may only be because they don't want to field phone calls late at night after the idea tanks or pay your rent when the funds dry up.

3. Cash flow

The lifeblood of any new business is the constant trickle of money coming into the business in the early days to keep yourself, the entrepreneur alive and fed. Don't underestimate the necessity of keeping money flowing, even regular but small amounts.

Friends and family are great sources of quick, regular purchases and they are more likely to choose your small business over a larger one because of the emotional investment in you.

Cons

1. Inflated expectations

Please don't be fooled by the outright enthusiasm that your family and friends have for your new product or service as the general sentiment carried by those that have no idea who you are. You will be sorely disappointed when you find out that all that hype was based on a personal connection and investment in you, the entrepreneur.

When people outside of your personal network see the value at the price you're charging, you are then quite literally, on the money. Until then, keep your expectations in check.

2. False feedback loop

I think like most of us who could just not bear the deflated façade creep across a friend's face if you gave them cold, hard feedback that the homemade mix of spices they have randomly thrown together and called 'chai tea' is not as tasty as she thinks it is. And thus, we buy a jar and stick it in the back of the pantry hoping it gets forgotten.

This type of feedback loop, whilst protects the relationship, does not protect the young business person from the harsh reality that their product is just not that good. You may be concerned about how a friend will take the news and the impact it will have going forward, a customer will not be that forgiving. The false feedback loop sets an entrepreneur up to fall even farther when the real feedback starts coming in.

3. Market exhaustion

If the only customers you actually have are those purchasing based on their investment with you this market will quickly become exhausted. If you have not devised a strategy to tell others outside of your network about your business, you will not be developing a continuous stream of new customers through a customer journey.

In marketing, it is almost never that people buy on the first encounter with a business. There needs to be a 'dating' process where customers get to know, like, trust and try before they make a purchase. If you have ignored growing these segments of your marketing and sales, you will eventually exhaust those in your network and be left with limited cash flow and little market awareness.

What then is the answer to this conundrum? By all means, take the confidence boosters from those closest to you that will keep you afloat in the early stages of growth, but keep your expectations measured and seek out the harsh criticism from strangers to refine your offering so as to have real value at a palatable price point.

Find people to buy your service or product that are easy to get to without spending time or money but we don't specify who they are rather to find the low hanging fruit in order to start but spend time marketing to a larger audience at the same time. Don't ignore the first stages of engagement, just because they don't result in immediate purchases.

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