

**2018-2019**

# **State of Small Business Global Report**

Insights from 573 product-focused commerce  
businesses all over the world worth \$1.9 Billion



Golfdale Consulting, Inc., 2018

# Executive Summary

Starting a small business is a big achievement for entrepreneurs, but growing one is the bigger challenge. It can also be a lonely and overwhelming endeavor. To overcome these challenges, small and midsize business (SMB) operators typically lean on other entrepreneurs in their network for advice, search for tips from popular business publications and turn to social media to follow trends.

While a lot has been written about SMBs, you would be hard-pressed to find best practices that decision-makers within eCommerce SMBs would find valuable or actionable.

To better understand the drivers and barriers to business growth, Golfdale Consulting polled over 1,197 small business operators around the world, of which 573 were businesses that offered products versus services.

## **The objective of the survey was to know:**

- [Demographic profile of SMB decision-makers](#)
- [Types of products they sell](#)
- [Sales channels they rely on](#)
- [Factors that contribute or impede business growth](#)
- [Trends that impact business](#)
- [Digital tools and new technologies](#)
- [Opportunities and threats](#)

This whitepaper expands on the insights from the survey findings to better understand how small and midsize business operators can remove barriers to growth, beat their competitors, get ahead of trends and take hold of opportunities.

The world of commerce is undergoing seismic shifts along with customer expectations. Consumers expect they can buy anything, anytime and anywhere. It will be crucial for SMBs to harness their strengths, automate and delegate time-intensive tasks, and reinforce their operational infrastructure to meet market demands and exceed customer expectations.

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# Introduction

Ever wish you could see how other successful small businesses operate and win in today's environment? When you run your own business, advice comes from all directions - but a lot of it is from people who don't understand the hurdles you face every day.

We partnered with TradeGecko to check in with true subject matter experts - more than 500 small and medium sized businesses just like yours. From around the world entrepreneurs told us,

- the kind of businesses they are growing,
- their sales channels and social media marketing,
- the tech they learn and buy,
- the challenges and opportunities they see in the future.

We peeked inside their practices and crunched the numbers. From patterns within these numbers emerged stories of growth and frustration, of sales and inventory approaches, of social media practices, and of technology adoption. There were stories of persistent obstacles - and of big opportunities. We applied our insights to the lessons we learned from these stories and formulated practical advice to help you build a strong business.

## Our Method

The TradeGecko 2018 - 2019 State of Small Business Global Report is based on the results of an independent global survey conducted by Golfdale Consulting, Inc. We surveyed 1,197 small business operators around the world, of which 573 were our primary interest — businesses that offered products versus services. These included 123 businesses in Australia, 385 in the USA and 65 from other countries globally. This Paper outlines our findings from the product-centered small businesses that we surveyed.

The survey was fielded from August 22nd through to September 17th, 2018. Respondents were gathered from both TradeGecko's global database supplemented by CINT online B2B panels.

## Who We Spoke To

For the purpose of this research, small businesses were defined by a company's annual revenue size.

- Just over half of those surveyed, 58%, had annual revenues under US\$1M (half of which were under the \$100k mark),
- Another 24% were in the \$1M to \$5M range,
- 19% were in the \$5M to \$15M range.

The study is important and unique in its focus on small business practices. While a lot has been written about the small business topic, actual practices have often been ignored in popular business journals. A search on prestigious business publications like the Harvard Business Review or MIT's Sloan Management Review reveals few articles on the topic.

This scarcity stands in stark contrast to the reality of the importance of small businesses to the economies of the world. In the US, for example, there are more than 30 million small businesses. That amounts to 1,500 small businesses for every large firm that exits.<sup>1</sup> In Australia, a remarkable 97 percent of all businesses are small businesses employing less than 20 people.<sup>2</sup>

Taken together, the small businesses we surveyed employed some 107,000 employees and sold \$1.9 billion in products this past year.

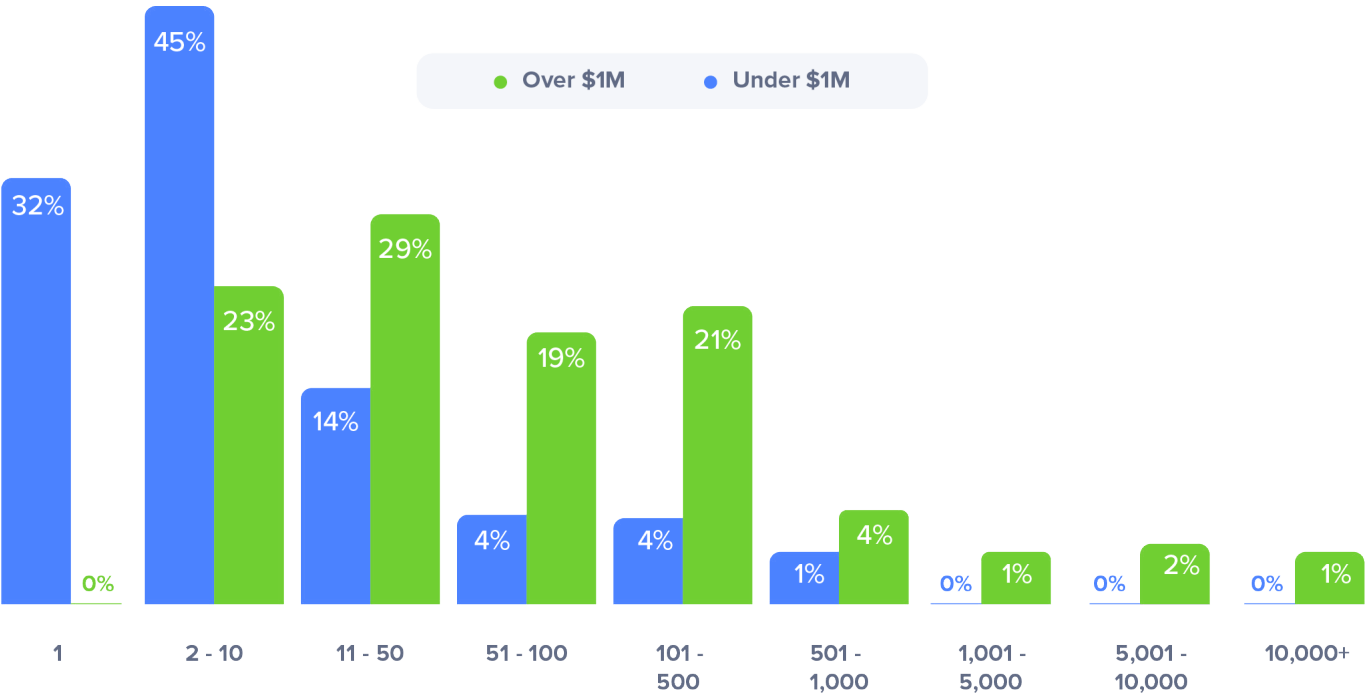
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<sup>1</sup> SBA Office of Advocacy. (n.d.). 2018 Small Business Profile. Retrieved from <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

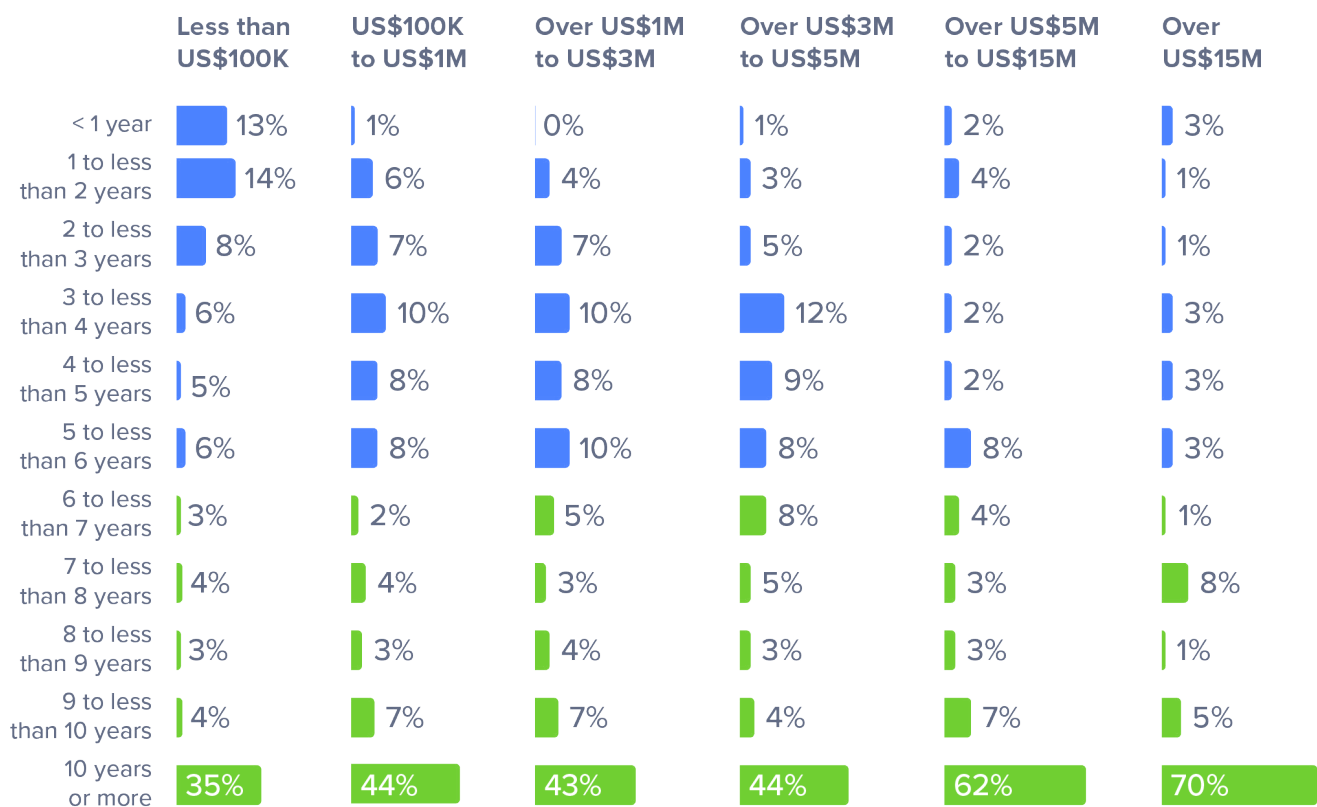
<sup>2</sup> Parliament of Australia. Statistical Snapshot: Count of Small Businesses. (2015, December 3). Retrieved from [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1516/Count](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1516/Count)

# Demographic profile of SMB decision-makers

Company Size  
(# of employees)



## Company Size and Tenure

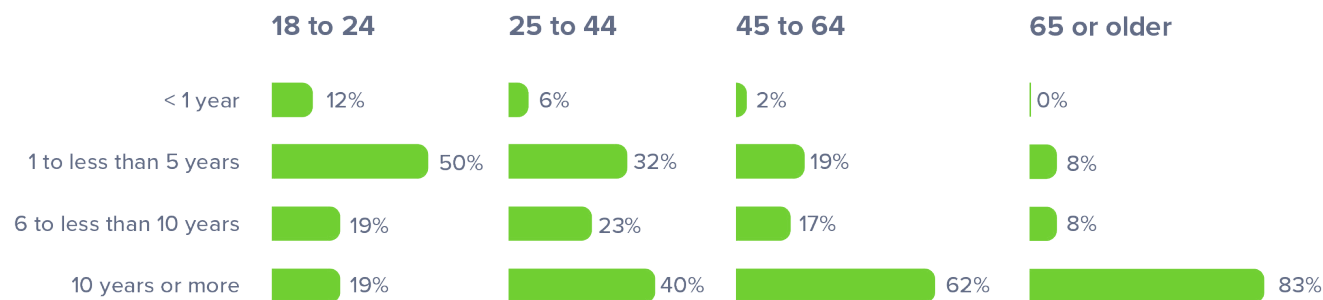


As expected, larger businesses among our cohort had typically been around for over 10 years. However, over a third of very small businesses — those with revenues under \$100,00 per year — had also been around for over a decade.

While many discussions of small businesses focus on survival and growth, this finding suggests taking a broader view. From the onset, our survey confirmed what most small business people undoubtedly know.

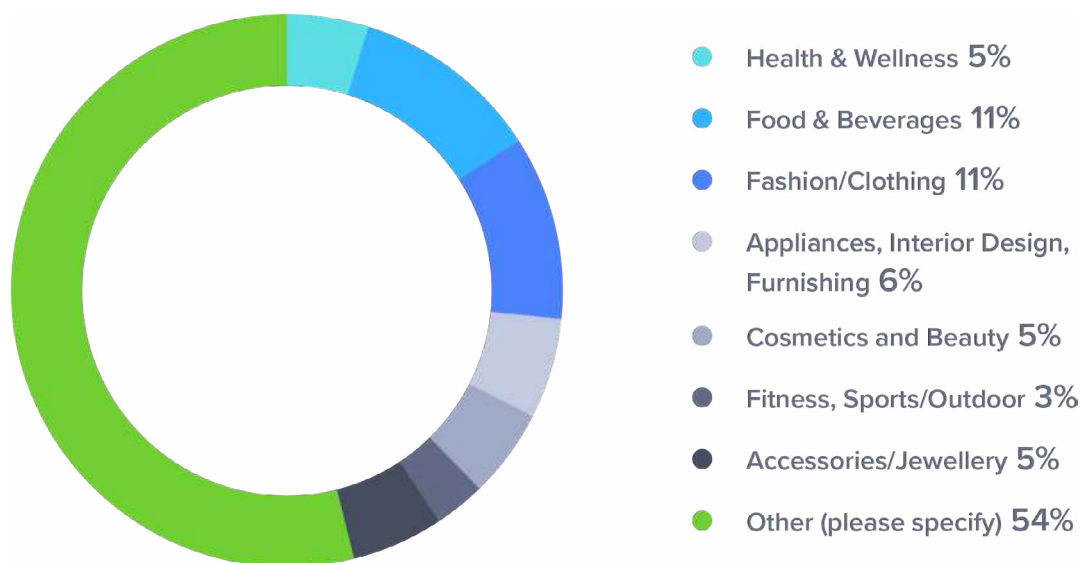
Owning and operating your own business is not simply a means of adopting risk in the hopes of great monetary rewards. It is also about providing owners with freedom from traditional employment. “Be your own boss” clearly has appealed to many, even when it is not a lucrative undertaking.

## Company Tenure



Further, many start their business at a young age, and many keep at it until over aged 65.

## Company Industry



In the section that follows, we explore how these businesses grow (or shrink), navigate through challenges, manage their current state, and seize on new opportunities.



# Findings

## Gains and Growing Pains

Small businesses are vital to economies around the world. According to The Organisation for Economic Co-operation and Development (OECD), small businesses create employment and income, they respond to new or niched demands, and they enhance our social inclusion.<sup>3</sup>

The many differences that make up the small business community contribute substantially to diversity and respect in society, without government intervention or social engineering. As for the economic contribution, in the United States, small businesses have generated 66 percent of all net-new jobs for the past four decades.<sup>4</sup> Small businesses also professed optimism and widespread belief in the economy and their prospects.<sup>5 6</sup> Factors such as having healthy and growing sales, being an established business, having specific business strengths, and favorable business conditions each contribute to confidence levels among SMBs.

This aligns with findings from our survey of small and midsize business operators.

Of the operators we surveyed, almost half reported real revenue growth this past year - with those making over \$1 million growing the fastest. Businesses with accelerated growth were selling more units to customers and substantially expanding sales territory and number of partners.

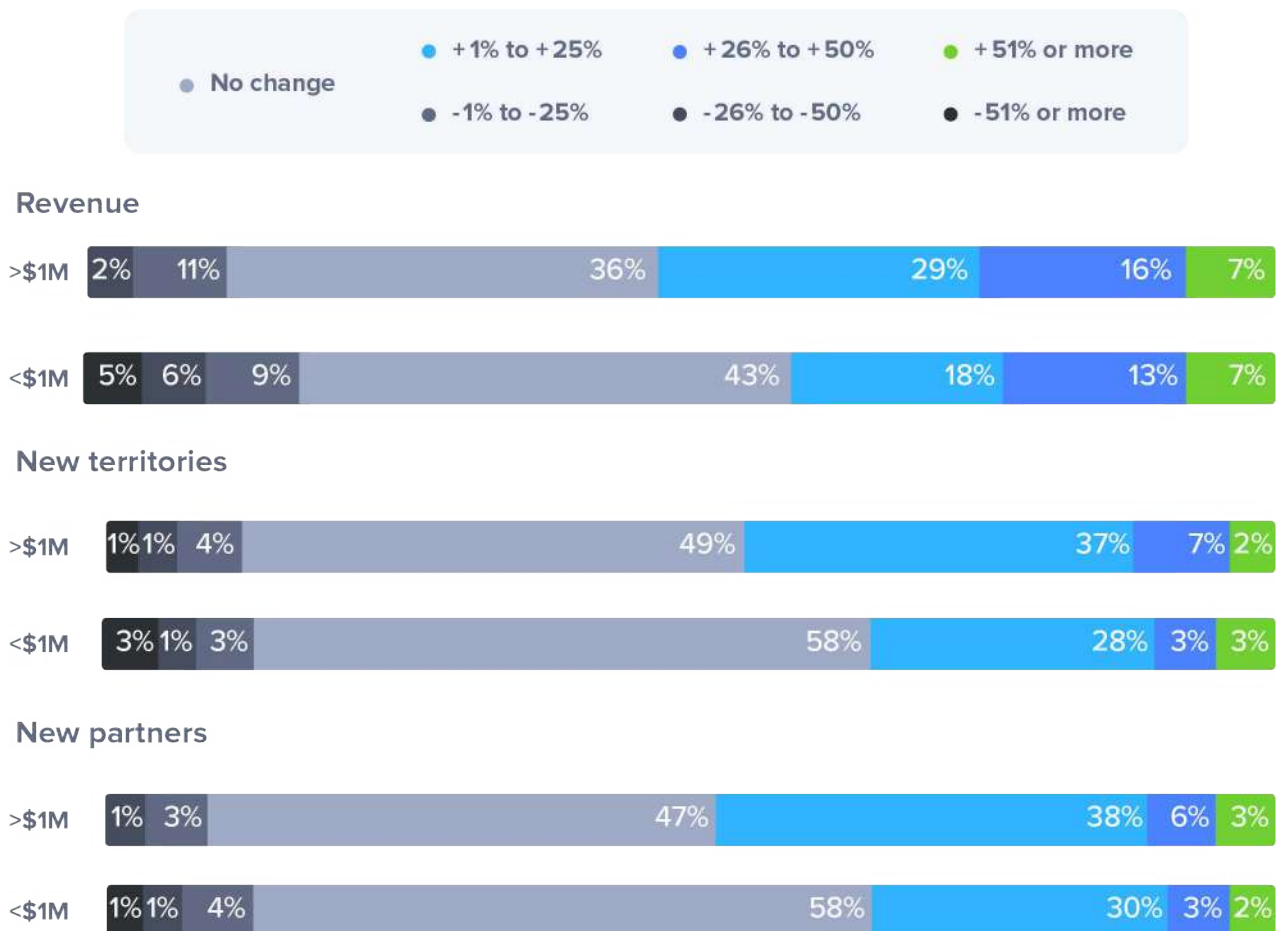
3 OECD. (2017, May 15). Small, Medium, Strong. Trends in SME Performance and Business Conditions, OECD Publishing. Retrieved from <https://doi.org/10.1787/9789264275683-en>.

4 Headd, B. (2017, September). Small Business Facts: Small Business Job Creation Deconstructed. Retrieved from [https://www.sba.gov/sites/default/files/Job\\_Creation\\_fact\\_sheet\\_FINAL\\_0.pdf](https://www.sba.gov/sites/default/files/Job_Creation_fact_sheet_FINAL_0.pdf)

5 September 2018 Report: Small Business Optimism Index. (n.d.). Retrieved from <https://www.nfib.com/surveys/small-business-economic-trends/>

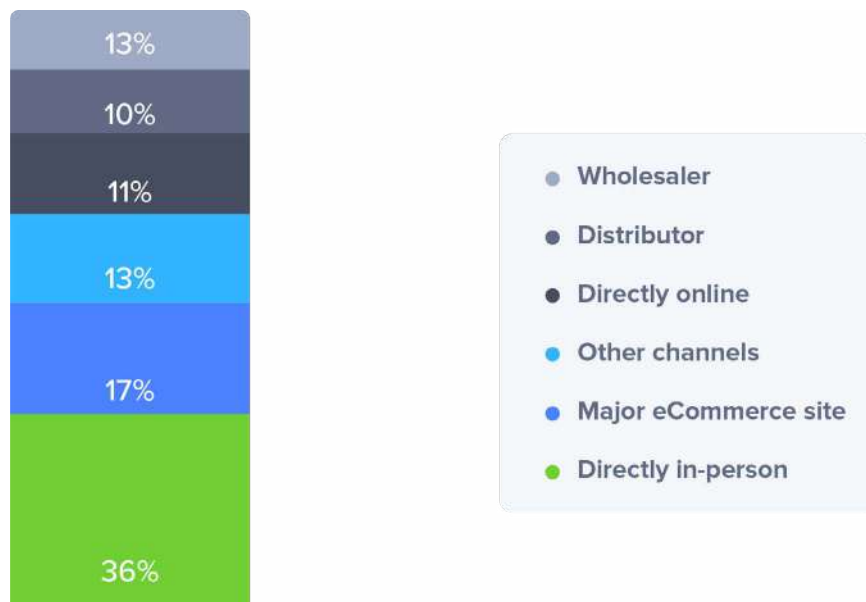
6 Sensis. (2018, April 17). Sensis Business Index March 2018. Retrieved from [https://irp-cdn.multiscreensite.com/535ef142/files/uploaded/Sensis\\_Business\\_Index\\_March\\_2018.pdf](https://irp-cdn.multiscreensite.com/535ef142/files/uploaded/Sensis_Business_Index_March_2018.pdf)

## How much did your business shrink or grow in 2018?



When businesses are small, they usually sell direct to customers, relying mostly on WOM or “word of mouth” for their marketing needs. Online major eCommerce marketplaces like Amazon and eBay have made selling and gathering more “reach” to new prospective customers much easier to do, so not surprisingly many small product-oriented businesses rely on eCommerce sites like these.

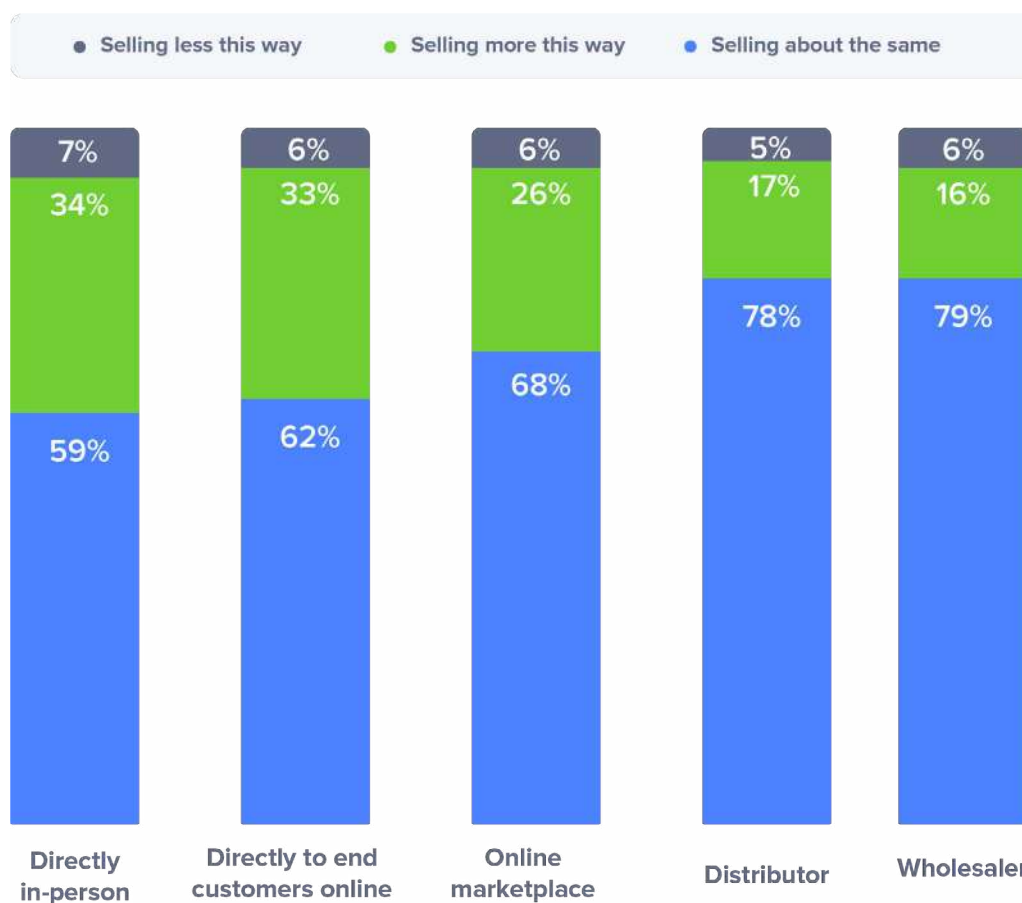
## Roughly what percentage of your products are sold through each of the following channels?



As small businesses grow, they make deliberate investments and adjust their approach. In our survey, firms making over \$1 million and again over \$5 million were more likely to take on professional salespeople, and expand through wholesalers and distributors.

That is not to say that most expect to change. If businesses are already selling through a distributor or wholesaler, they will most likely stay their current course. Most are planning to keep their current approach and if they're growing, doing more of it. But with success, they also start to expand and experiment with new ways of selling.

## Which ways do you expect changes in the way that you sell by the end of 2018?



eCommerce has been a real game-changer, offering up new opportunities for many small businesses to participate in the global economy and enabling significant growth.

According to a report by Deloitte, “digital platforms and tools are empowering brands to open new channels and broaden their customer reach – driving increased revenue streams, profits, and financial performance.”<sup>7</sup> And, with global retail eCommerce sales set to increase threefold, reaching \$4.5 trillion by 2021, there remains substantial market growth for small businesses to take advantage of in the future.<sup>8</sup>

7 Deloitte. (2018). Going digital, going direct. Retrieved from <https://www2.deloitte.com/ca/en/pages/consumer-business/articles/going-digital-going-direct.html#>

8 Shopifyplus. (n.d.). Global ecommerce: The executive guide to scaling your brand internationally. Retrieved from [https://cdn.shopify.com/s/files/1/0898/4708/files/Shopify-Plus\\_Global-ecommerce-guide.pdf](https://cdn.shopify.com/s/files/1/0898/4708/files/Shopify-Plus_Global-ecommerce-guide.pdf)

eCommerce can be a double-edged sword: offering both the opportunity to expand sales and the threat to compete against Amazon on a global stage.

So what is holding businesses back? Despite strong growth and good prospects, the reality is that operators are all too short on time, capacity and resources. So, we also asked about what makes growth more difficult — the things that hold them back.

The top two concerns? Tough competition and not enough time. For businesses making over \$1 million, the number one growth impediment was tough competition. But, for businesses making less than \$1 million, insufficient time was top of the list.

## What held you back from growing more?



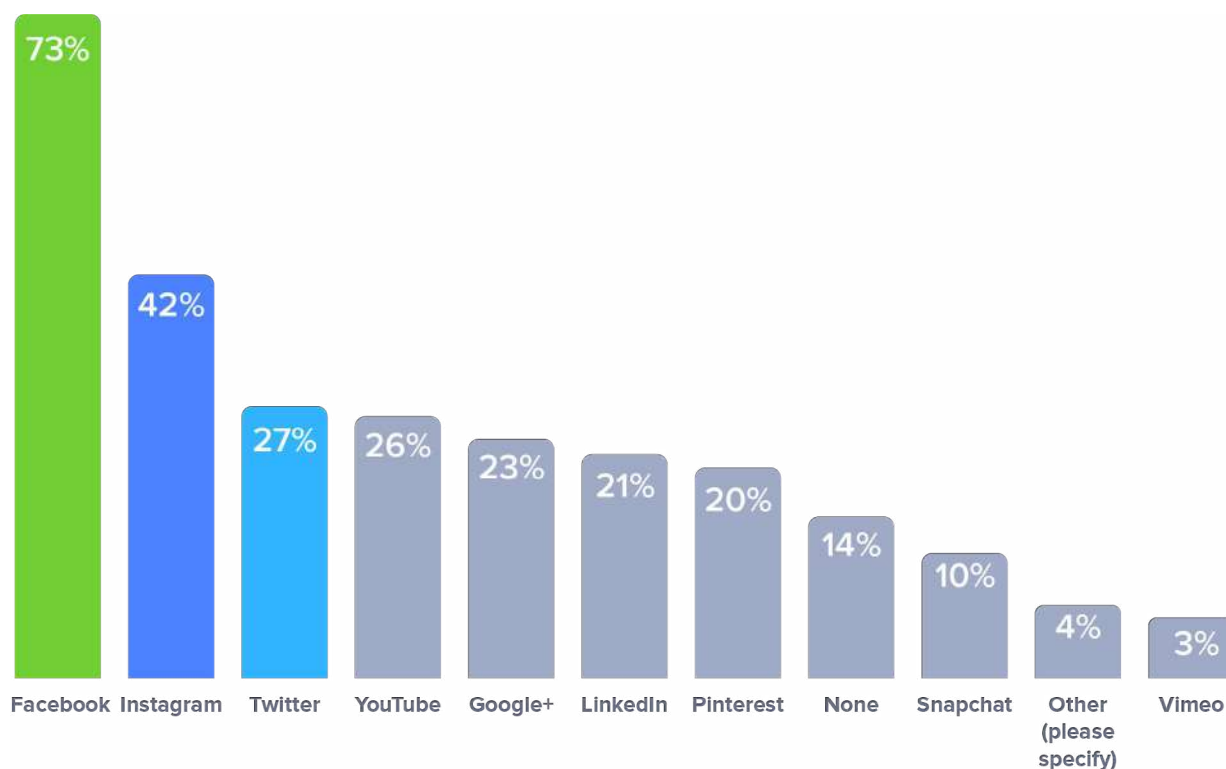
Knowing how best to grow a small business is not easy. Traditional small businesses have turned to new social marketing and technologies to ensure their continued survival in highly competitive and changing environments. Which leads us to...

## Social Connections

Word of mouth is a powerful force that customers and businesses of all sizes rely on. When customers are deciding where to make a purchase, recommendations from personal connections and consumer opinions posted online are the top two trusted sources.<sup>9</sup>

In a hyper-connected digital world, social media channels are the conduits for word of mouth (WOM). A social media presence is critical for sales in most small businesses. It was no surprise therefore that the majority of businesses we surveyed are active on multiple social media channels with about three-quarters on Facebook and around 40% on Instagram. Small businesses making over \$5 million also tended to report a stronger presence on Twitter, YouTube and LinkedIn. Great small businesses build brands, not just companies. They defend against naysayers, and they build out a chorus of yea-sayers around their brand with social media.

### Which of the following social media channels do you use for promoting and/or marketing your business?



9 The Nielsen Company. (n.d.). Global Trust in Advertising. Retrieved 2015, from <https://www.nielsen.com/content/dam/niensglobal/apac/docs/reports/2015/nielsen-global-trust-in-advertising-report-september-2015.pdf>

A recent Atlantic article<sup>10</sup> offers insight into our findings on both the age range of operators and the longevity of many businesses:



*many business owners' children are... staying put at the family shop, where they've become unofficial, and sometimes unpaid, translators between the cash-based, word-of-mouth traditions of the past and the Square payments, social media, and Instagrammable products of today.*

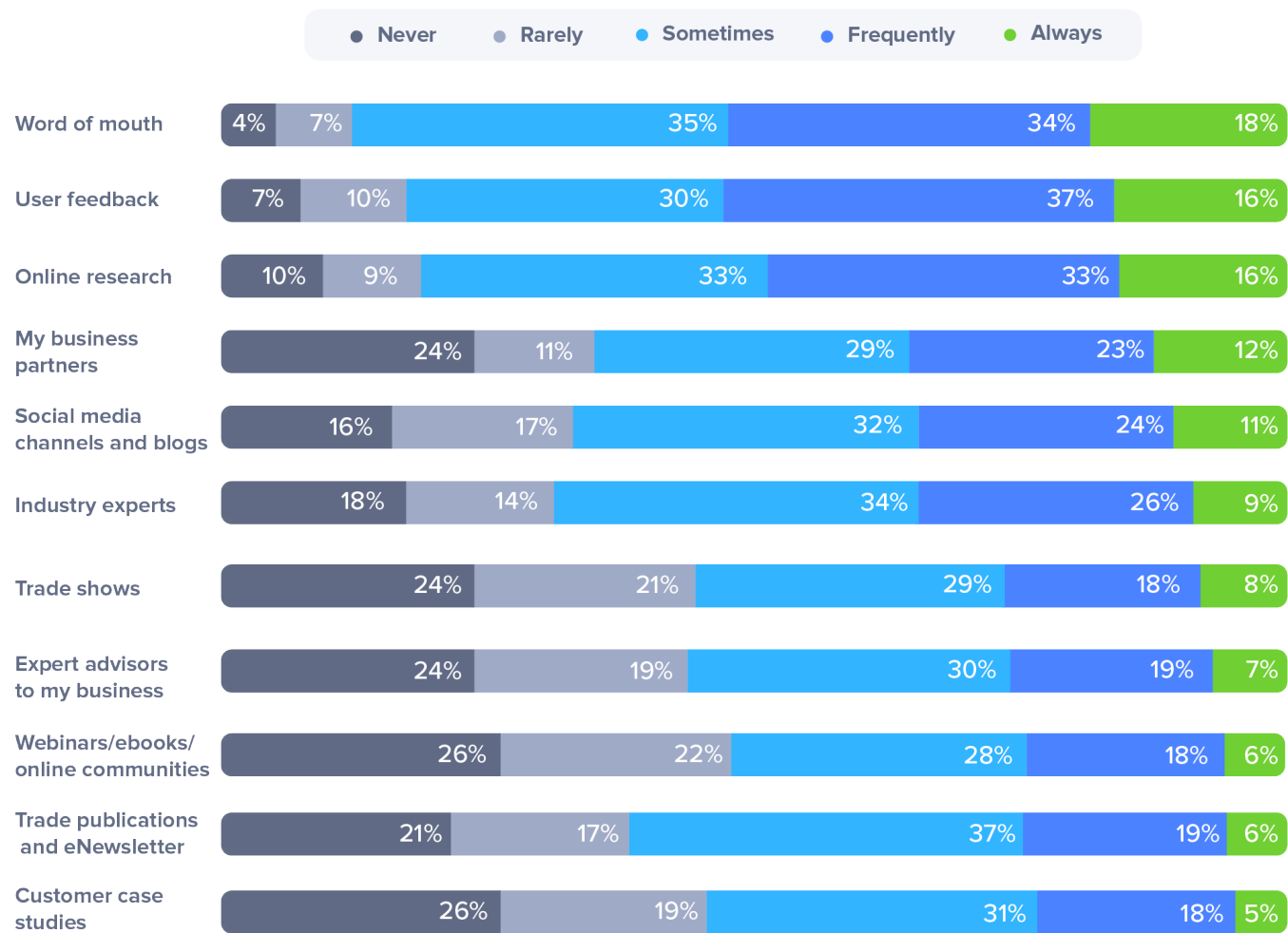
Digital savviness is not just a way to spread the word about a company's offerings. It is also a principle means for business owners to learn more about the trends impacting their business.

Our research revealed that when businesses are looking to learn more about trends they are most likely to “frequently” or “always” turn to user feedback (53%), word of mouth (52%), and online research (49%). As sales channel complexity increases as businesses get larger, so do their sources of learning. In particular, small businesses over \$5 million in size also rely on trade shows (52%) and industry experts (49%).

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10 Reiss, A. (2018, October 19). Taking Over the Family Business in Chinatown. Retrieved from <https://www.theatlantic.com/business/archive/2018/10/chinatown-landing-page/564656/>

## Please rate the following in terms of how you learn about trends in your industry



Of course, digital technology is more than just a way to stay connected. Increasingly, in all areas of business, it is the primary way of organising, managing and operating a business.



## Technology Adoption

Technology is reshaping how we live and the way we do business. Nearly 80 percent of all Americans now own a smartphone — up from just 35 percent in 2011.<sup>11</sup> U.S. retail sales made via smartphone are expected to grow by 18 percent per year over the next five years.<sup>12</sup> Most of our respondents (91%) consider themselves digitally savvy, and the corollary is also true, with just 10% believing their lack of tech knowledge is an obstacle to growth.

Tech solutions are not only a means for sales growth but increasingly are central to actually managing a business. However, while consumers are adopting new technologies quicker than ever, many small businesses are not taking advantage of even the most basic tech solutions. According to Deloitte, 80% of small businesses in the United States “aren’t taking full advantage of digital tools such as data analytics and more sophisticated online tools” despite the potential gains.<sup>13</sup>

A study of how small businesses leverage software to simplify day-to-day operations found that the majority of businesses are not using basic software for accounting, payroll, web hosting, website building or email marketing.<sup>14</sup>

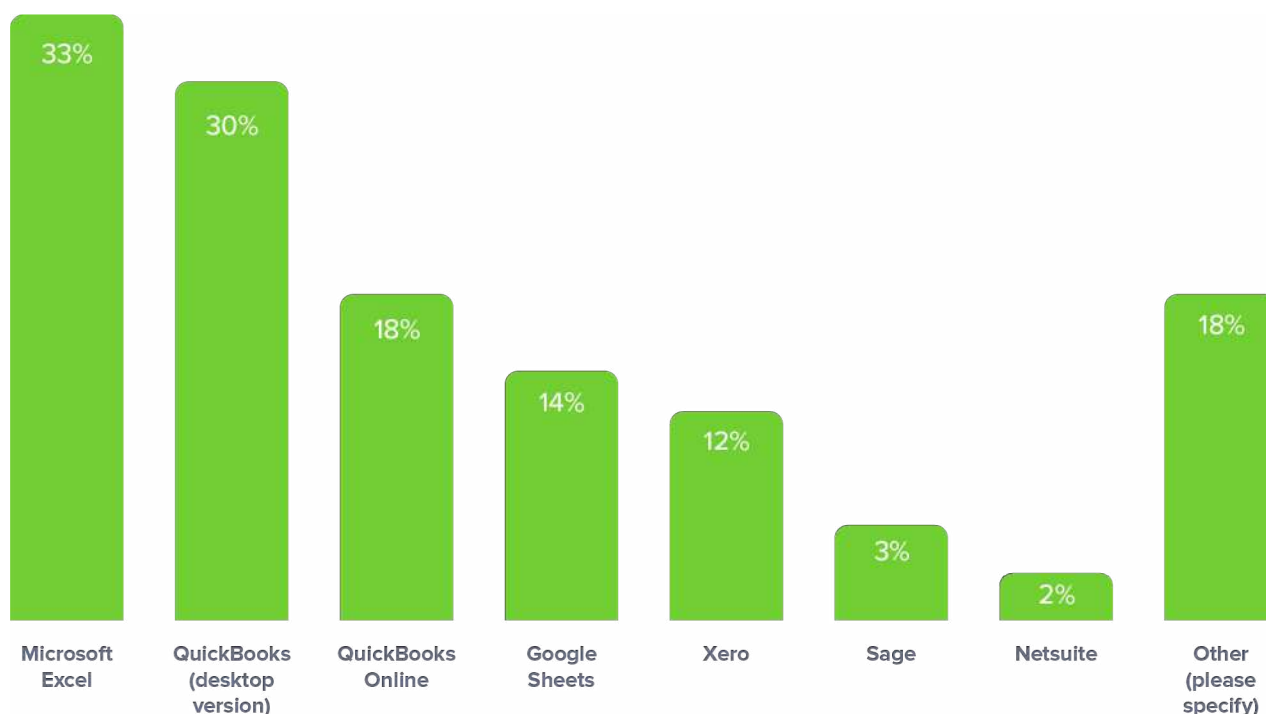
In our study, 58% viewed new technologies as an opportunity versus 7% as a threat to their business. Further, 50% thought payment innovations were having a positive impact versus 1% a negative impact. Yet still we found that even for their accounting needs, many use Do It Yourself (DIY) Excel or Google Sheets solutions versus software designed specifically for that purpose.

11 Pew Research Center, N. (2018, February 05). Demographics of Mobile Device Ownership and Adoption in the United States. Retrieved from <http://www.pewinternet.org/fact-sheet/mobile/>

12 Miller, B. (2018, February 2). 2018 Retail Best Practices: Mobile Web. Retrieved from <https://www.forrester.com/report/2018-Retail-Best-Practices-Mobile-Web/-/E-RES141594#>

13 Deloitte. (2017). Connecting Small Businesses in the US. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology-media-telecommunications/us-tmt-connected-small-businesses-Dec2017.pdf>

14 Kanapi, H. (2018, July 11). Small Business Software Survey: Key Findings About Small Businesses. Retrieved from <https://fitsmallbusiness.com/small-business-software-survey/>



As businesses grow, it is not just their accounting and eCommerce that increasingly becomes complex but also their ability to monitor, forecast and manage their customer demand.

## Tools of the Trade

It is hard enough to monitor customer demand accurately, even more so predicting surges and planning for contingencies. Research by HubSpot found that 40% of salespeople still use informal means such as Microsoft Excel or Outlook to store lead and customer data and 32% are spending an hour or more on data entry each day.<sup>15</sup> Further, many businesses experience inventory frustrations — including almost half of those we surveyed. Success certainly brings its own new challenges.

<sup>15</sup> Hubspot. (n.d.). The Ultimate List of Marketing Statistics for 2018. Retrieved from <https://www.hubspot.com/marketing-statistics>

Looking closer, we found that frustrations jumped from 39% for businesses under \$1 million to 62% for those over this mark. As a company gets larger, manual and DIY systems become much more unwieldy, labor-intensive and prone to inaccuracies due to sheer volume, complexity, or both. The more transactions or types of products that there are, the more inaccuracies.<sup>16</sup>

Good inventory management is critical to reducing costs without sacrificing performance.<sup>17 18</sup> For small businesses, academic research has demonstrated that systematic inventory practices have a number of clear business benefits. These include a direct positive impact on performance<sup>19 20</sup>, productivity<sup>21</sup>, and enhancing efficiency, competitiveness and market share.<sup>22</sup> Good inventory management is particularly important when a business is expanding or trying to meet high demand.<sup>23</sup>

The corollary is also true. Poor inventory management has a direct negative impact on small businesses.<sup>24</sup> Again, academic research is informative demonstrating that the consequences are wide-ranging, from spoilage to storage costs, wasted time and lost sales.<sup>25</sup> Running out of just one item increases the likelihood that a customer will cancel other items in the same order. One study estimates that “retailers can lose nearly half of intended purchases when customers encounter stock-outs, translating into sales losses of about 4 percent for a typical retailer.”<sup>26</sup>

16 Dehoratius, N., & Raman, A. (2008). Inventory Record Inaccuracy: An Empirical Analysis. *Management Science*, 54(4), 627-641. doi:10.1287/mnsc.1070.0789

17 Jakšič, M., & Rusjan, B. (2009). Heuristic Approach to Inventory Control with Advance Capacity Information. *Organizacija*, 42(4). doi:10.2478/v10051-009-0010-5

18 Koumanakos, D. P. (2008). The effect of inventory management on firm performance. *International Journal of Productivity and Performance Management*, 57(5), 355-369. doi:10.1108/17410400810881827

19 Chalotra, V. (2013). Inventory Management and Small Firms Growth: An Analytical Study in Supply Chain. *Vision: The Journal of Business Perspective*, 17(3), 213-222. doi:10.1177/0972262913496726

20 Koumanakos, D. P. (2008). Ibid.

21 Rajeev, N. (2008). Inventory management in small and medium enterprises. *Management Research News*, 31(9), 659-669. doi:10.1108/01409170810898554

22 Chalotra, V. (2013). Ibid.

23 Baron, O., Berman, O., & Perry, D. (2010). Shelf Space Management When Demand Depends on the Inventory Level. *Production and Operations Management*, 20(5), 714-726. doi:10.1111/j.1937-5956.2010.01201.x

24 Mbonyane, B., & Ladzani, W. (2011). Factors that hinder the growth of small businesses in South African townships. *European Business Review*, 23(6), 550-560. doi:10.1108/09555341111175390

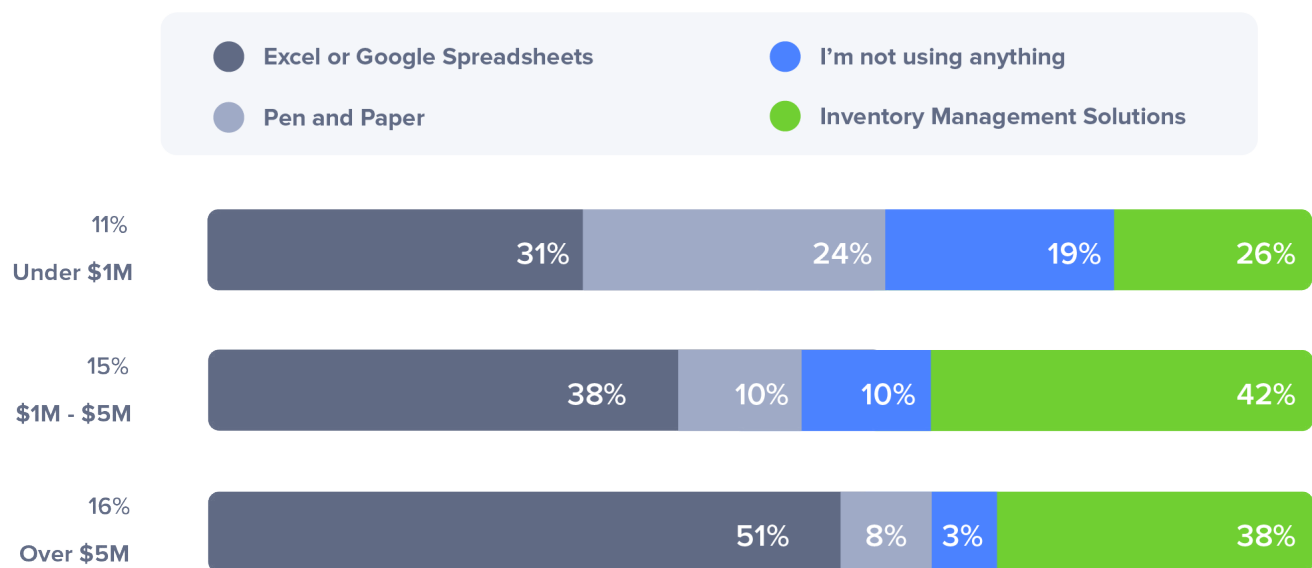
25 Dehoratius, N., & Raman, A. (2008). Ibid.

26 Gruen, D. C. (2014, August 01). Stock-Outs Cause Walkouts. *Harvard Business Review*. Retrieved from <https://hbr.org/2004/05/stock-outs-cause-walkouts>

Clearly, businesses that do not find the right balance between the inventory they need to “satisfy unpredictable demand” and the “cost of carrying such inventory” risk paying a steep price.<sup>27</sup> Our research further confirmed this finding. Too many small businesses have no effective inventory management systems in place.

What we found particularly surprising and disconcerting, however, was that DIY solutions actually were *more* prevalent the larger the small business. Just over half of businesses over \$5 million were using Excel or Google sheets to do their inventory management versus just under a third (31%) for businesses under \$1 million.

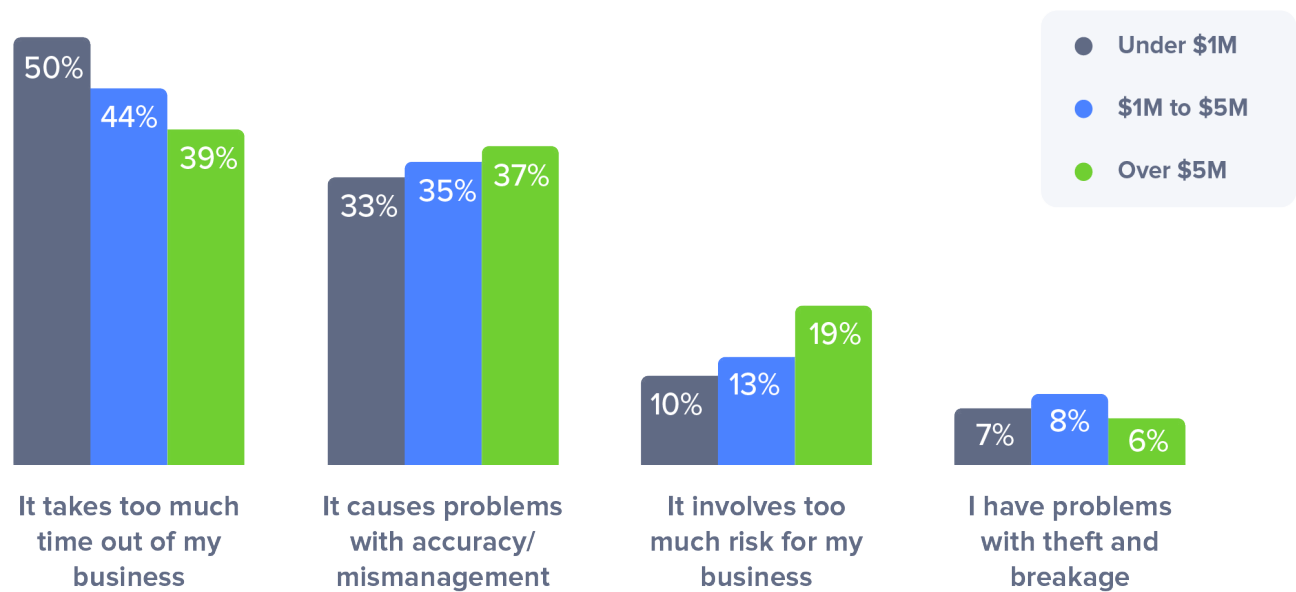
### Primary tool to manage inventory



Little wonder then, that we found so many small businesses that are frustrated, complaining of wasted time, accuracy and risk problems due to poor inventory management. We see that businesses under \$1 million identify the problem as primarily a time waster. Larger businesses see it increasingly as introducing unnecessary risk into their business.

<sup>27</sup> Eicker, T., & Cilliers, J. O. (2017). Equipping small business retailers to manage logistical supply chain drivers: A theoretical guideline. *Journal of Transport and Supply Chain Management*, 11. doi:10.4102/jtscm.v11i0.332

## Frustration you have experienced (among businesses with problems)



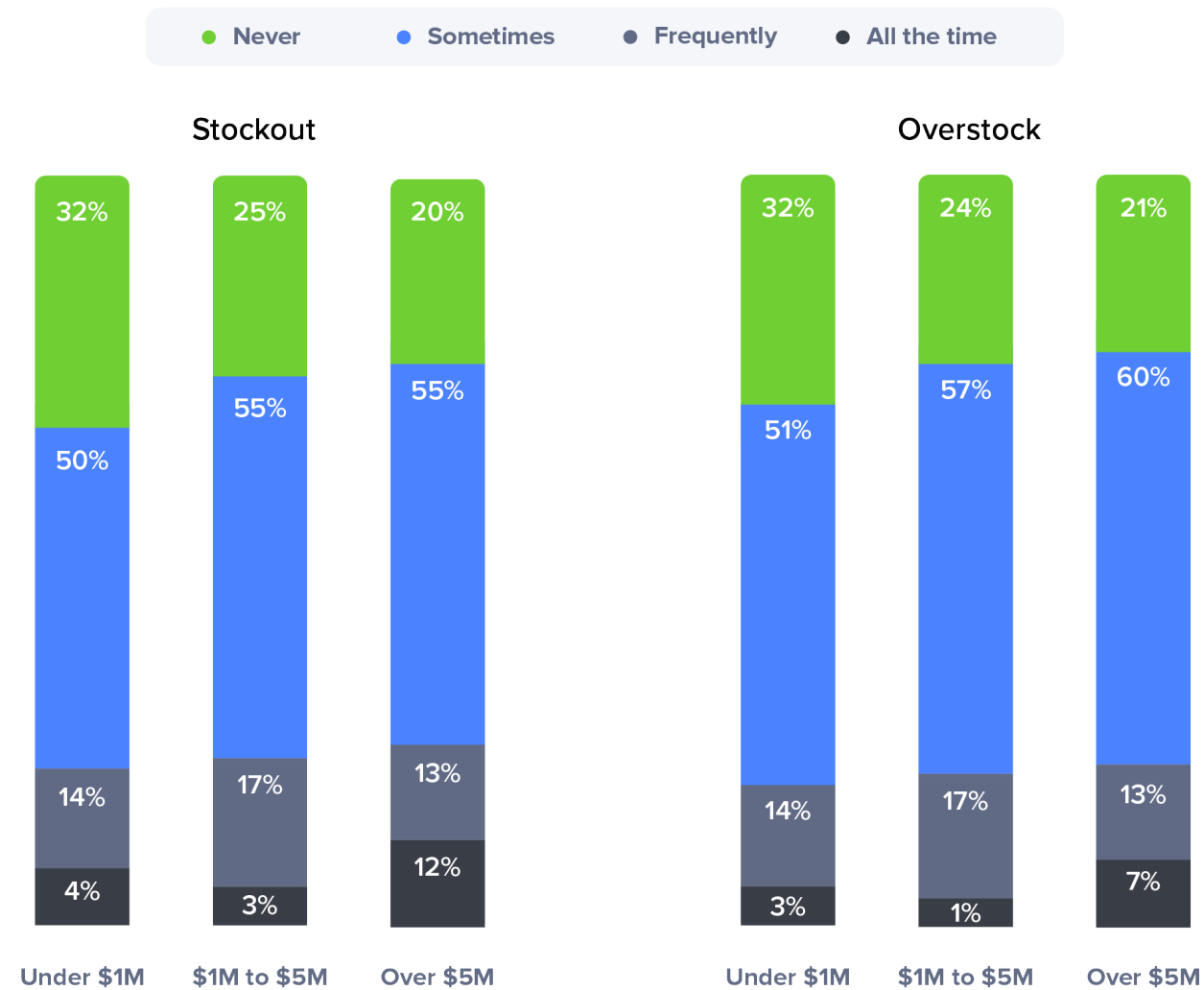
Again, our study is consistent with other research demonstrating that micro and small firms using manual inventory management would benefit from switching to computerized systems.<sup>28</sup>

The reason for doing so becomes more compelling when examining the issue more closely. It is not enough to say operators are often times frustrated or worried about this issue. That statement applies to many areas of running your own business. For operators who consider themselves digitally savvy, have bootstrapped much of their enterprise, and largely prefer DIY solutions, we want to understand better if, over time, more experience leads to mastery and competence such that the issue “goes away.” More realistically, perhaps, is inventory management put in its place. To do so, we sought to quantify this issue.

First, we uncovered that the issue is quite prevalent. The majority of small businesses experience both ends of the spectrum, either stocking out or overstocking. For every company that claims no issue with inventory management, a roughly equal number claim stock problems either “frequently” or “all the time.”

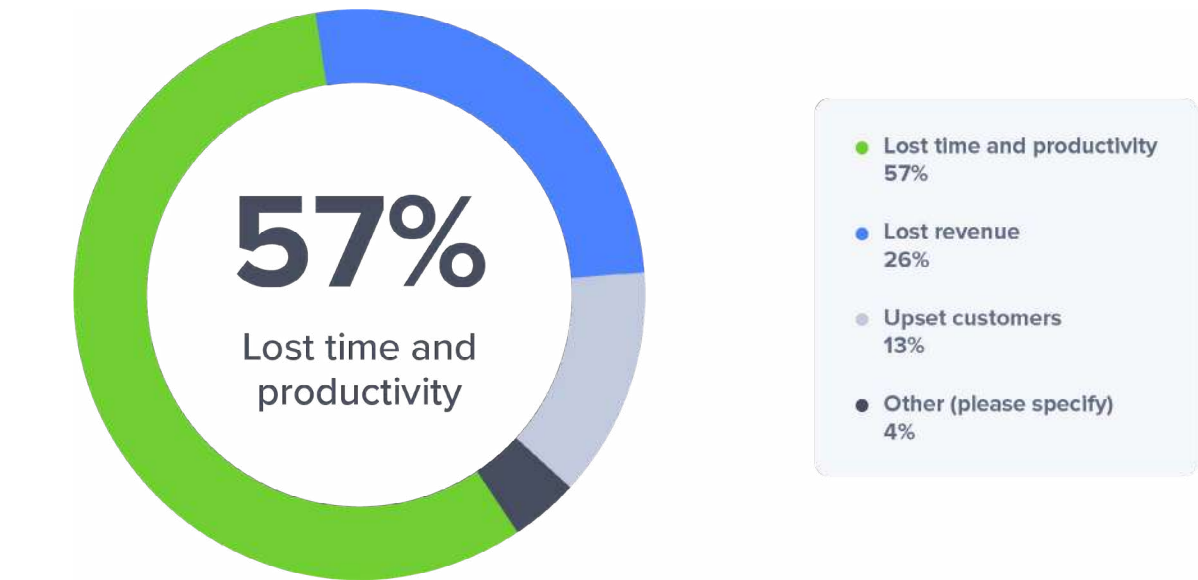
28      Atnafu, D., & Balda, A. (2018). The impact of inventory management practice on firms’ competitiveness and organizational performance: Empirical evidence from micro and small enterprises in Ethiopia. *Cogent Business & Management*,5(1), 1-16. doi:10.1080/23311975.2018.1503219

Half or slightly more claim it happens sometimes. What is startling though, is that size does not equate with mastery. Businesses larger in size experience both problems in increased forms over their smaller counterparts. With more at risk, more problems happen.



Success has its challenges. According to our respondents, the biggest consequences were lost time and productivity.

## #1 consequence of your inventory management frustrations



How much of a problem it represents in terms of lost time was then exposed by asking business operators how many hours approximately they spend monthly on the following activities.

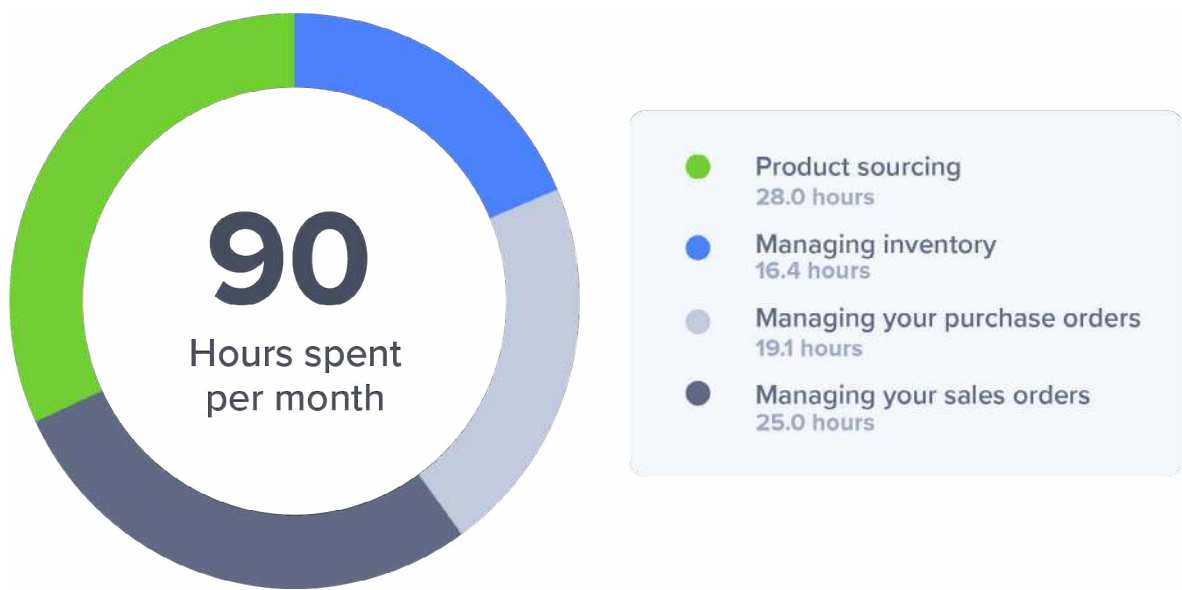
### Time spent monthly in hours



These numbers demonstrate the real business impact of order management issues in general and inventory management issues specifically, on small businesses.

Over 90 hours a month for businesses under a \$1 million are spent on managing orders, inventory, and product sourcing.

Time spent monthly in hours



If we take an average full-time employee (FTE) at 160 hours per month, we see that it's half or more of one employee's time per month. Even at a fairly low wage, that's \$1,500 or so of expenses in total. These findings are consistent with previous research on the topic. Proportionately "the inventory investment for a small business takes up a big percentage of the total budget, yet inventory control is one of the most neglected management areas in small firms."<sup>29</sup>

It was not surprising then when asked what their biggest headache is in running their business when Inventory Management came up second on the list.

29 Atnafu, D., & Balda, A. (2017). Inventory Management Practice in Micro and Small Enterprise: The Case of MSEs' Manufacturing Sub Sector Arsi Zone, Ethiopia. Industrial Engineering Letters,7(7), 1-7. Retrieved from: <https://iiste.org/Journals/index.php/IEL/article/viewFile/39653/40771>



## What is the single biggest current headache in managing your business?

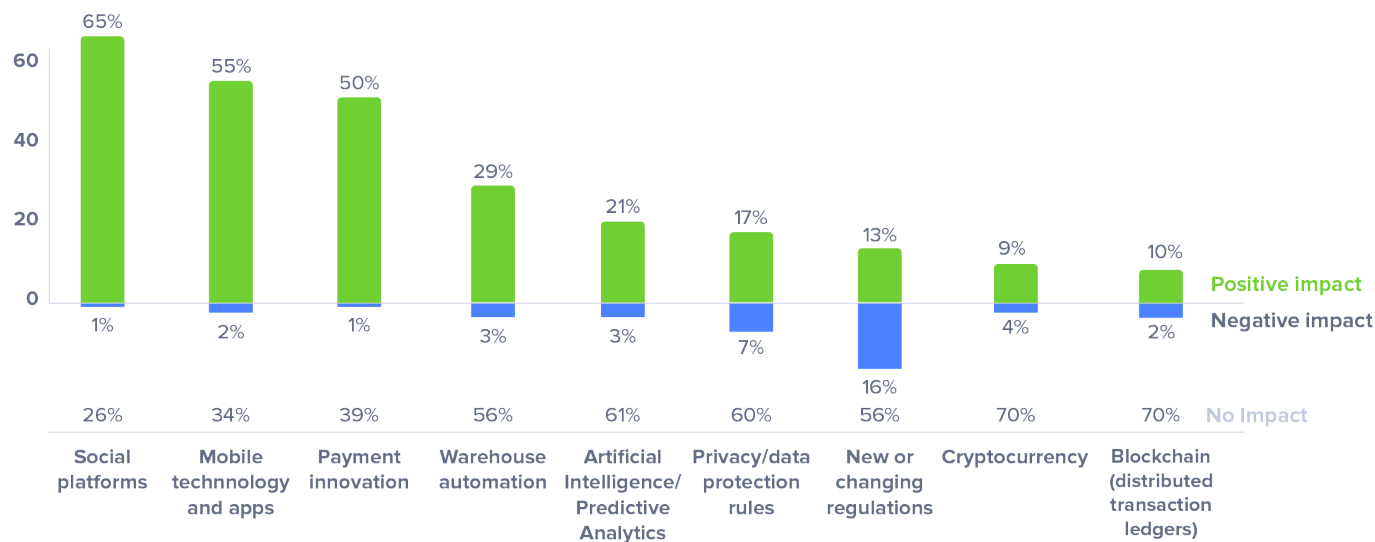


Threats to small businesses don’t just come from the outside, from competitors, but also from the inside especially with costs in the supply chain and in distribution. Operators look at these internal threats and for potential solutions to them by considering taking on new technology and capitalizing on new social trends.

## Threats and Opportunities

We asked business operators to rate various trends impacting their business. A few results stood out. Our first insight is that trendy news items like blockchain and cryptocurrencies—both of which could be directly applied to the operations and commerce of a small business— are largely viewed as having little impact. Only one in ten view them positively, one in fifty as a negative, while the vast majority believe they will have no impact.

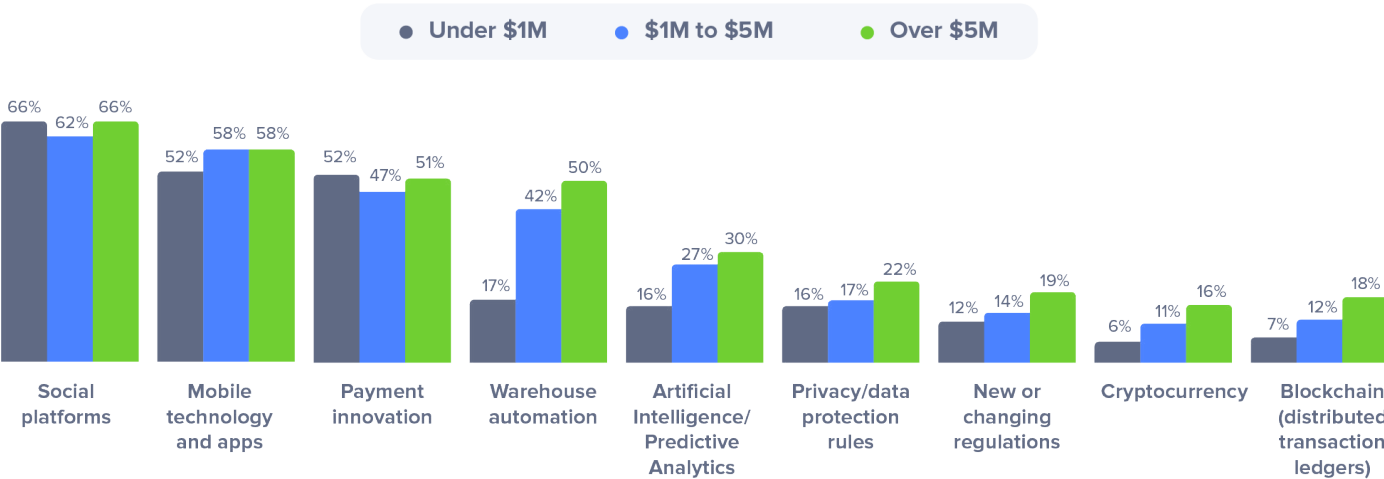
## How will the following trends impact your business this year?



On the flip side, social platforms, mobile technology and apps, and payment innovations are all viewed as having a positive impact this next year. Looking more closely at how these positive views play out among small businesses of different sizes, we discovered the following.

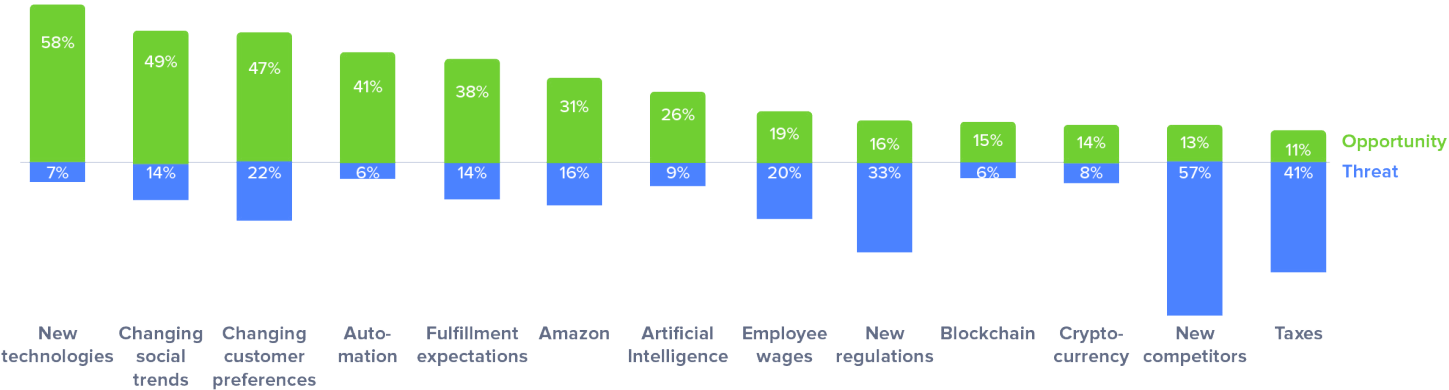
While small businesses of all sizes are bullish on these top 3 trends, businesses over \$5 million in revenue also are very optimistic about the benefits of warehouse automation and to a lesser extent, artificial intelligence (AI), and predictive analytics.

## Percent positive impact this next year



We also asked: “What do you see as the opportunities or threats to your business in the next year?” While most operators are, not surprisingly, threatened by new regulations and taxes, new competitors remains the biggest threat.

### Opportunities and threats



Small businesses were very optimistic about new tech, changing social trends, changing customer preferences, and automation.

Does this optimism hold across the globe? Peering into the hopes and practices of small businesses on two opposite sides of the globe, Australia and the US, we found many commonalities and several interesting surprises.

## Australians and Americans

Differences in business climates affect small business operators in Australia versus the US.

Wages, for example, are one important difference. National minimum wage standards in Australia run some 80% higher than that of the US (US\$13.19 vs. US\$7.75 or AUD\$18.29 vs. AUD\$10.05). While minimum wage workers in Australia are paid more, their professional wages tend to run lower.

For our research, we checked to see with every question we asked, if real (and interesting) differences emerged for small business owners in these two countries. We found 6 areas that stood out, noting for each whether big or small.

### 1. Tough competition (big differences)

As it is in Australian rugby and American football, so it is in business. Tough competition in business stands out in Australia as the #1 impediment to growth, some 15% higher than in the US. The #1 impediment in the US is insufficient time.

## Impediments to growth



Along with this challenge, a higher percent in Australia claim impediments in hiring and meeting customer demand for products.

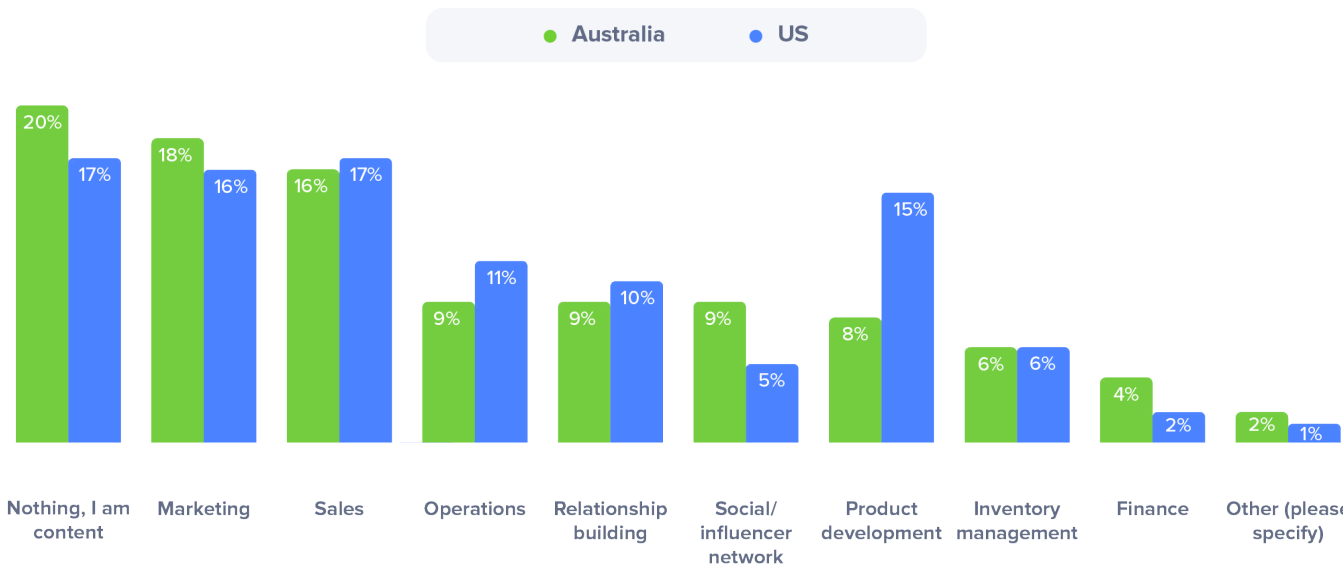
These findings were very consistent with what we found when later asking about the biggest headache in their business. Again, a higher percent of Australians said competitors.

## Biggest headache running your business



If they had more time, where would Australian versus American business people spend their time?

## One thing you wish you could spend more time on

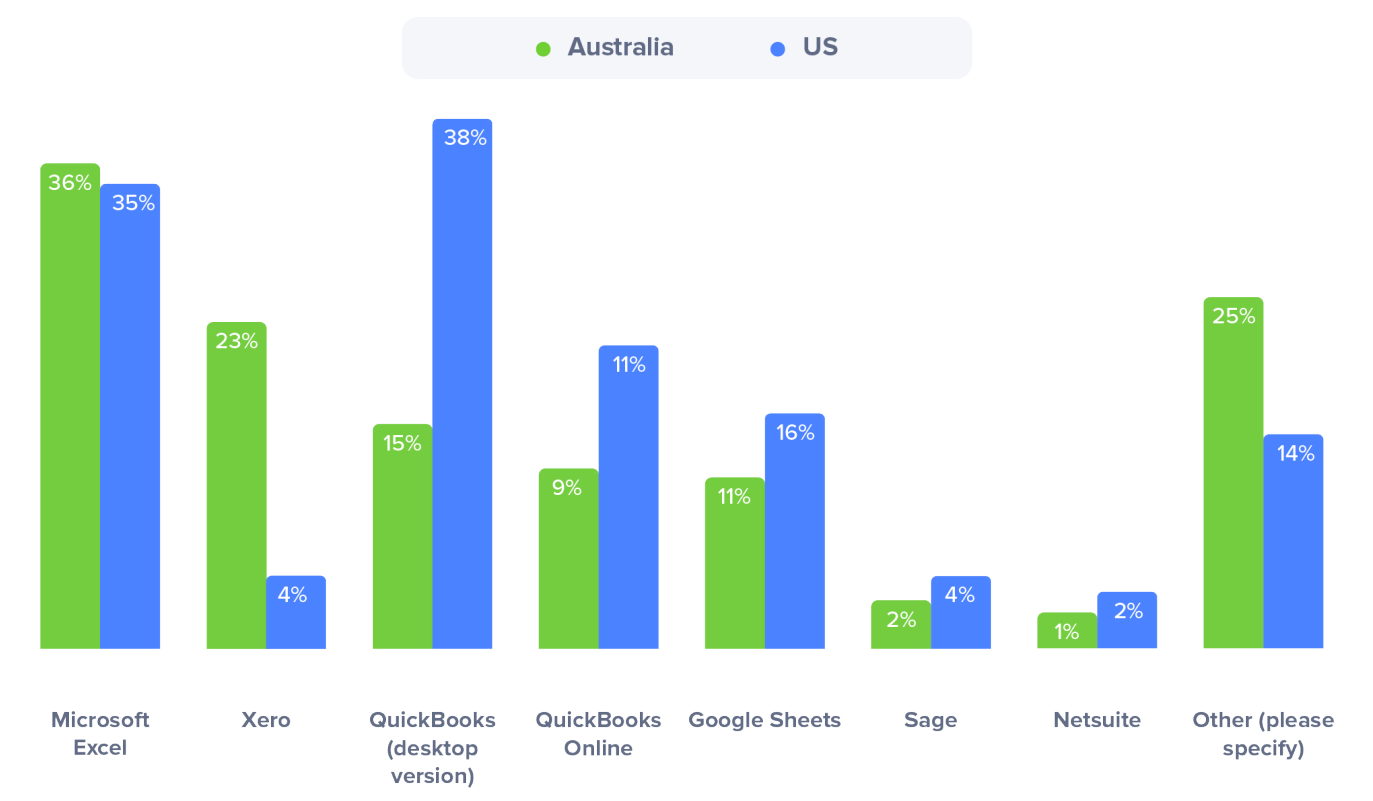


For those who are not content, marketing and sales in both geographies top the list. One important difference did emerge though. US businesses are much more likely to want to spend more time on product development.

## 2. Keeping scores (big and small differences)

The penchant for keeping score leans heavily toward DIY solutions in both countries, with about half of businesses using either Excel or Google Sheets.

### Accounting Software

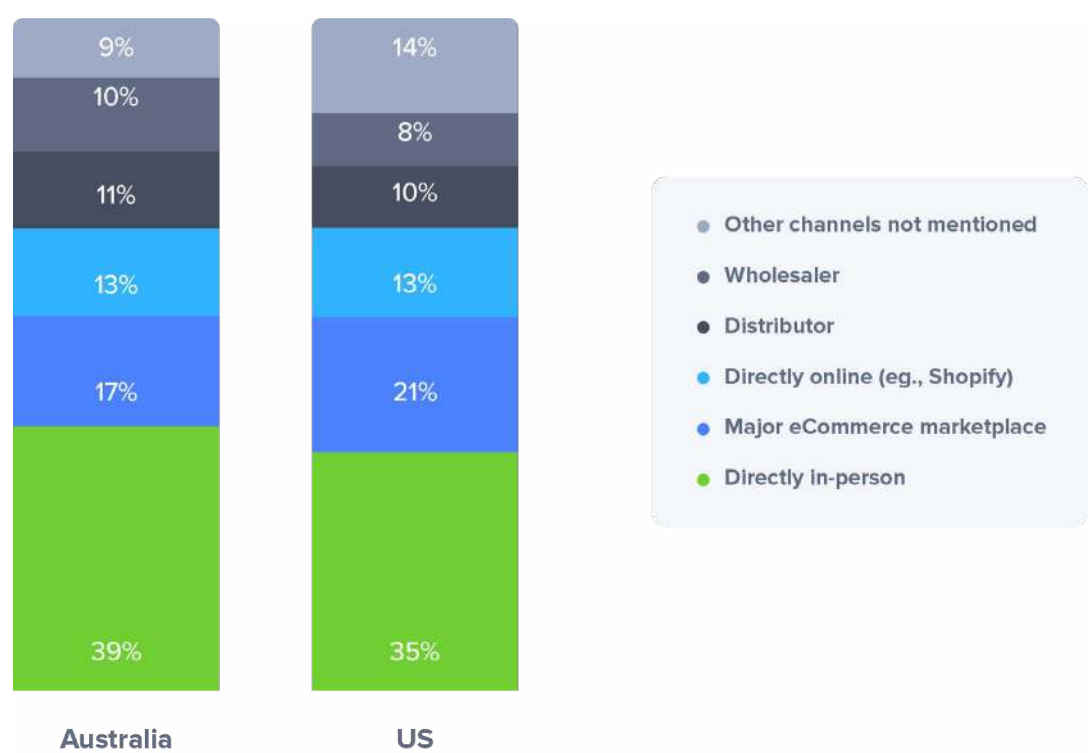


For those who use accounting software, Xero clearly has a strong hold on users in Australia; QuickBooks in the US.

### 3. How the game is played (small differences)

While competition may be (perceived as) tougher in Australia, the sales channels in which small businesses sell through are roughly the same.

#### Sales channels

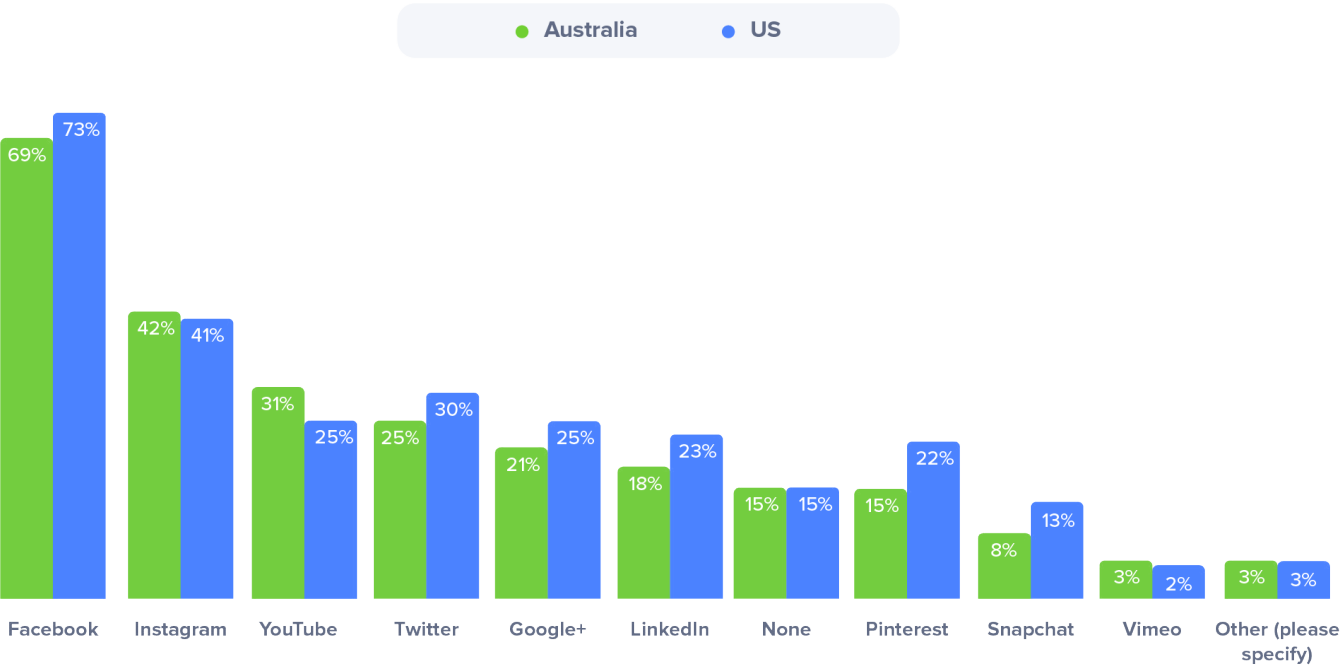




## 4. Finding Fans & Followers (small differences)

Social media platforms have proliferated and taken hold globally. Certainly that is easily seen when looking at the social media sites small businesses use across the globe.

### Social channels for marketing and promotions



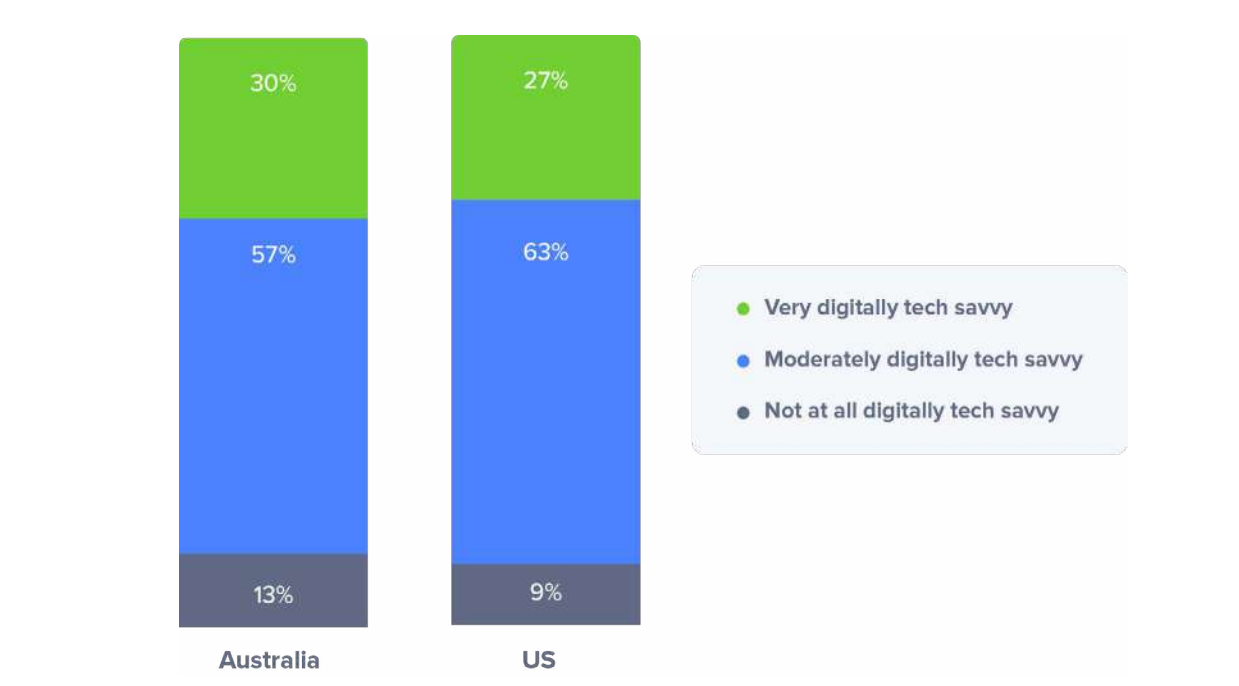
*Note: On October 8, 2018, Google announced plans to shut down Google+ as a social network.*

The overall usage pattern are the same. Twitter, LinkedIn, Pinterest and Snapchat all have modestly higher use rates in the U.S. while YouTube is notably a little lower.

## 5. Tech Savvy Players (big and small differences)

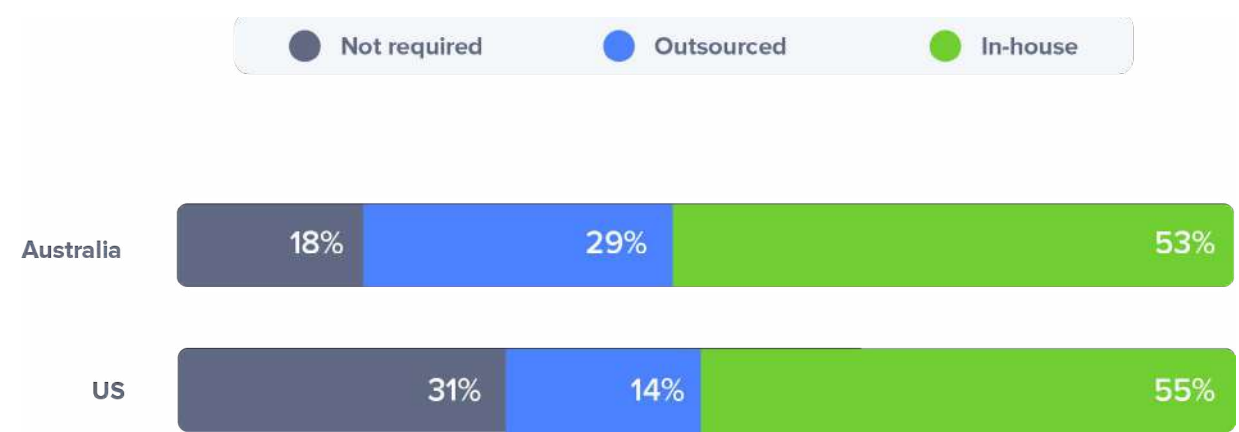
Most small business owners rank their technology savviness pretty high. There are only very slight differences in both geographies, with approximately 9 out of 10 operators considering themselves competent.

### Tech savviness



Where the differences do stand out is in where primary expertise for eCommerce solutions resides. In the US, almost a full third consider it as not required versus just under one in five in Australia.

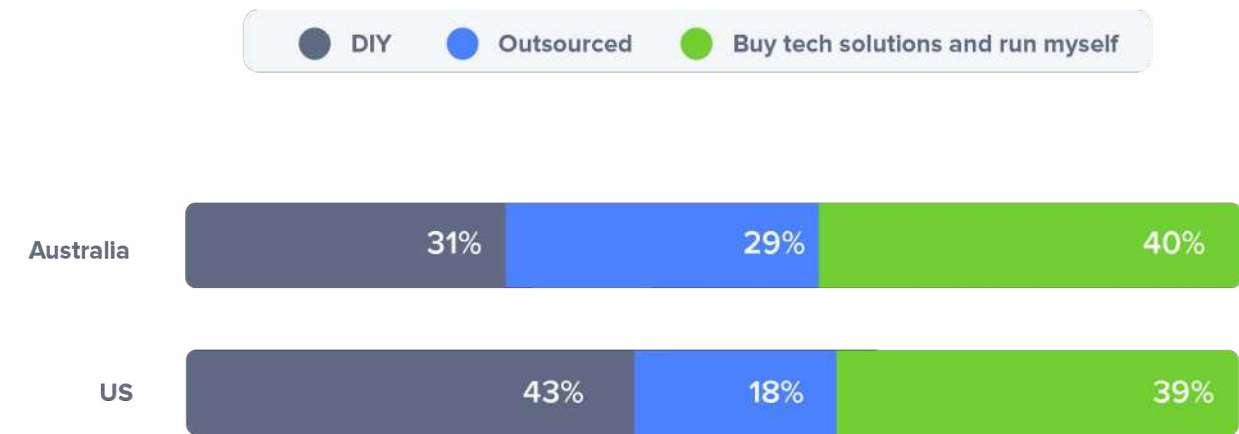
### Where primary eCommerce expertise resides



The result, there is much more outsourcing of technology requirements in Australia.

Consistent with this finding, a lot more American businesses tackle technology with DIY solutions than in Australia, who again have a much stronger propensity to outsource.

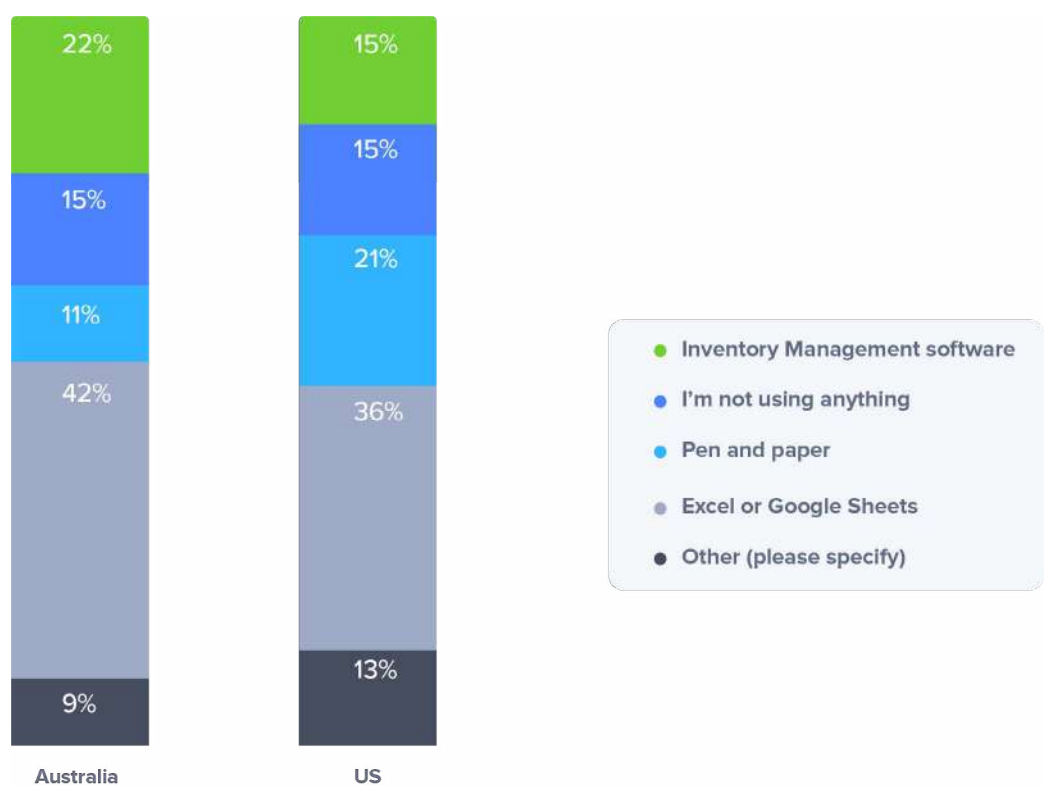
### Relationship with tech in general



## 6. Inventory Management (big differences)

Looking specifically at Inventory Management, we see that one in five DIY US businesses are actually still using paper and pencil, no tech (thought to be) required.

### Inventory management solutions



Despite appearances as being more tech laggards in use of Inventory Management software, stockout and overstock problems are slightly worse in Australia than in the US.



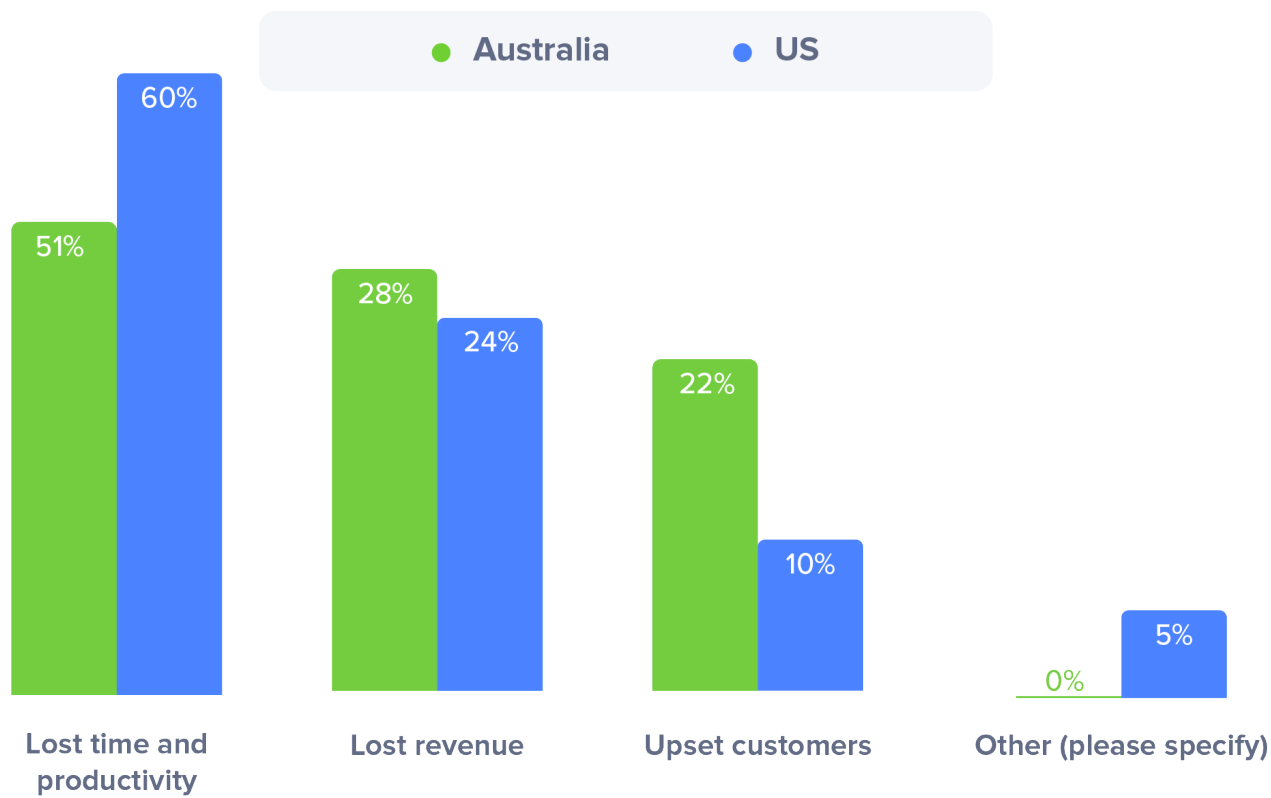
Although Inventory Management and purchasing orders are less affected in terms of hours spent on operating tasks, product sourcing appears to be the real time killer in Australia.

Hours spent per month



Again, we see that American business people are slightly more likely to be worried about lost time, Australians have more upset customer issues.

#1 consequence



With these Inventory Management challenges in mind, we delve into four evidence-based, practical solutions for small business operators to free up time to pursue their core business passions.

# How to build momentum

## 1. Keeping It Simple

To be applicable and effective, business solutions must be simple.<sup>30</sup> In the past, proposed solutions to organisational and process challenges have often been IT, HR or Operations intensive, requiring specialised knowledge and complex training, or involved the building of complex systems — often lengthy and expensive with uncertain outcomes.

While that has been the approach of larger businesses, small businesses can now consider a wide range of comparatively inexpensive solutions that are easy to implement and free up time. Subscription-based online services available in all areas of a small business - accounting, marketing, sales, payroll, and inventory management — not only avoid investing in headcount but also provide “out of the box” solutions that have been proven easy to implement.

It is difficult for a small business to make significant commitments to investment when margins are tight and costs unpredictable. However, over-reliance on DIY solutions and manual data entry processes can leave a small business vulnerable to costly errors and come at the expense of growth opportunities. The time saved from using the right tools at the right time can make the upfront cost of a new tech solution more palatable. Deloitte has found that adopting digital tools is associated with large growth dividends.<sup>31</sup>

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30 Kimmorley, S. (2016, December 25). 20 things about Australian working culture that can surprise foreigners. Retrieved from <https://www.businessinsider.com.au/20-things-about-australian-working-culture-that-can-surprise-foreigners-2015-3>

31 Daunt, V. (2017, October 11). 2017 Global Human Capital Report | Deloitte Ireland | Consulting. Retrieved from <https://www2.deloitte.com/ie/en/pages/human-capital/articles/2017-Global-Human-Capital-Report.html#>

Especially for small firms, innovation should focus on a company's core competence, what it builds and sells, not on re-inventing the proverbial wheel. There is little to no point in designing from scratch homegrown solutions to problems when online "out of the box" solutions exist that are relatively inexpensive and are easily accessible.

Solutions that improve real-time tracking, eliminate costly manual errors and integrate processes across multiple platforms are some of the biggest time-savers, freeing up time for operators to build, sell and service their clients better.

As our research clearly demonstrates, operators need to primarily out-market and out-sell competitive threats. To do so requires time, which means freeing it from cumbersome tasks including one of the top frustrations, inventory management. Software-as-a-service (SaaS) inventory management solutions should top the list for many product centered businesses.

## 2. Hone Your Advantage

Where we spend our time is an investment strategy. To win in business (and at life), we need to spend more time on our strengths to charge us up, and less time on our weaknesses, which drain us. This philosophy is powerful but should not be confused with an avoidance strategy. If we want to spend less time on what we are not great at, then typically we need to approach it differently.

Freeing up our time to focus on our passions, whether they are building and perfecting our core product(s), evangelising through marketing and sales, or keeping our customers happy, requires that we get a handle on the time wasters in our business. We spend far too much time on what we are worst at and insufficient time at what makes us stand out from the crowd.



Not only did our study demonstrate this need, but previous research has also shown the consequence of its neglect. Many business failures can be attributed to “a lack of strategic fit between the competitive and supply chain strategies”.<sup>32</sup> Small businesses, in particular, are marked by a limited ability to manage their logistics.<sup>33</sup>

For example, evidence suggests that most of the time retailers are to blame for stockouts, with one study finding that around 72% of stockouts were the result of mismanagement, such as ordering too little too late and inaccurate demand forecasts. Unfortunately, “Many small firms have an excessive amount of cash tied up to accumulation of inventory sitting for a long period because of the slack inventory management or inability to control the inventory efficiently.”<sup>34</sup>

Small business operators should not confuse this advice. Many would read the above and conclude that they should focus more on the logistics of day-to-day operations and neglect areas of their passion, like designing a new competitive product or launching a marketing campaign. Our advice is the opposite.

Confront this business challenge head-on by working smarter, not harder. Track and quantify how much inventory management is costing you - not only in hours spent but also in the bookends of mismanagement in missed sales and overstocking. Direct immediate attention towards the reduction of these tedious parts of a business.

Our research, along with others, have demonstrated that by achieving improvements in these areas, small businesses can distinguish themselves from the competition<sup>35 36</sup> and reap the rewards of lower costs and increased consumer satisfaction.<sup>37</sup>

32 Eicker, T., & Cilliers, J. O. (2017). Ibid.

33 Soinio, J., Tanskanen, K., & Finne, M. (2012). How logistics-service providers can develop value-added services for SMEs: A dyadic perspective. *The International Journal of Logistics Management*, 23(1), 31-49. doi:10.1108/09574091211226911

34 Atnafu, D. and Balda, A. (2017). Ibid.

35 Nicols, J. (2017, February 22). Transportation and Logistics Companies for Small Business. Retrieved from <https://www.business.com/articles/transportation-and-logistics-companies-for-small-business/>

36 Wisner, J., Tan, K., & Leong, G. (2018). *Principles of Supply Chain Management: A Balanced Approach* (5th ed.). Boston, MA: Cengage Learning.

37 Eicker, T., & Cilliers, J. O. (2017). Ibid.

### 3. Scale... Out of the Weeds

As businesses scale up, they run the risk that increasing sales volume and expanding product offerings to satisfy more and more diverse customers may compromise service and increase costs.<sup>38</sup> This research has found, for example, that the frequency of inventory counts does not impact record inaccuracy but rather, prevention, rather than inspection, has the most impact.

It is tempting to want to stick with Excel or Google sheets, doubling down on inventory counts. What works in carpentry — measure twice, cut once — unfortunately does not always work successfully in business. When we asked about the one thing small business operators want to spend more time on, most chose sales, marketing, and product development. Only 6% wanted to spend more time on inventory management.

Making this a reality requires abandoning DIY solutions and implementing formal but convenient online systems. By switching over to automated systems when a company is still small, operators can later avoid inputting years of unreliable back data and get a head start on tracking new orders, ultimately saving money and accelerating growth.<sup>39</sup>

For sustainable growth, rethink established processes. Standardise and automate the most onerous ones to free up bandwidth and refocus on more rewarding parts of running your business.

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38 McKevitt, J. (2017, January 26). Inventory management is vital for small businesses, too. Retrieved from <https://www.supplychaindive.com/news/small-business-supply-chain-inventory-management/434772/>

39 Towers, N., & Burnes, B. (2008). A composite framework of supply chain management and enterprise planning for small and medium-sized manufacturing enterprises. *Supply Chain Management: An International Journal*, 13(5), 349-355. doi:10.1108/13598540810894933

## 4. Tech Connections

Technology has made it easier, and less expensive than ever before, for retailers to collect, store and assess information about the flow of goods and customers. For the past 20 or so years, the expansion of eCommerce has been providing businesses with massive amounts of information. Increasingly, businesses are realising that getting more data is not the issue. Of course, they need accurate, timely information that helps them with typical day-to-day operations. However, they also need help coping with volatile and uncertain conditions. For example, anticipating supply shortages and adjusting ordering to prevent stockouts.

Seamless integration across systems is now a critically important capability for adopting new technologies. Digital solutions must now capture, organise and centralise information by connecting existing platforms and integrating existing organisational functions. For inventory management, this means that data captured along the supply chain combined with analysis of customer demand is needed to “augment the accuracy of production planning and demand forecasting, enhancing performance.”<sup>40</sup>

Inventory management, the lifeblood of many small businesses, often suffers from neglect. For many businesses, it is the unchecked “high blood pressure” that if not brought into a healthy state can undermine even the best of products and the most ambitious of marketing and sales campaigns. The good news is, like other important business functions, the technology to deliver on it is now coming into maturity just as other business functions have, like accounting and eCommerce technologies.

Smart SMBs are now tackling inventory management front and center. They do so to free up time for the passions that spawned their businesses — great products combined with great sales, proudly delivered to their customers.

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40 N. Towers and B. Burnes, (2008). A composite framework of supply chain management and enterprise planning for small and medium-sized manufacturing enterprises.

# Conclusion

The ability to compete and succeed over decades—and even longer— is every entrepreneur’s dream. Business longevity requires offering products that customers demand and the ability to adjust to dynamic marketplaces to deliver.

Longevity in business also hinges upon nuanced growth strategies, disruptive competitive offerings, and the adoption of new, vetted technology. Small businesses are optimistic about what the future holds for them with advances in social platforms, payment tech, and automation. Every new technology breakthrough comes with a new mindset and approach. The 2018 - 2019 State of Small Business Global Survey findings point the way for small businesses to free up time and beat the competition through better-managed operations. Excelling at inventory management, orders and fulfillment – the backbone of great product companies – will free business owners and operators to out-build, out-sell and out-serve their competitors.

Our recommendations on how to build momentum can help small and midsize business operators take hold of emerging opportunities in eCommerce and give them time back to pursue their goals and passions.



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