

THE SMALL BUSINESS GROWTH PLAYBOOK



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For many small businesses, the prospect of growth elicits a mix of excitement and fear. Recent NetSuite commissioned research by Frost & Sullivan found that more than half of all Australian small businesses expect to grow in the next 12 months, yet less than a quarter intend to expand their operations overseas and only 5 percent have plans to launch new products or services. In other words, growth is good—but only if it comes as a by-product of continuing business as usual, without the risks that come from innovation and expansion.

How can small business owners grow while mitigating these risks? First of all, they need to understand the specific kinds of complexity, inconsistency and loss of control that growth can cause. Once they grasp this, owners can take steps to maintain the competitive edge of being small—often derived from extremely close relationships with customers and partners—even as they scale up their operations. At this stage, small businesses will have succeeded in growing; but to make growth a sustainable process, they must translate their greater market share into even better products and services for their

customers. Doing so forges a virtuous cycle where growth, if properly paced and planned for, creates higher and broader satisfaction with the business—and, in turn, more growth.

The Small Business Growth Playbook outlines the four tactics that can get any small business started on this virtuous cycle—no matter their size, industry or target markets:

1. **Stay true to their core** by Ensuring that the small business' USPs (unique selling propositions)—like customer service, high quality and niche or personalised products and services—remain unchanged even as operations expand.
2. **Build strong partnerships** with retailers, resellers and other organisations that can lend their market share and reach to the small business.
3. **Standardise and centralise** operations, supply chain, and business administration to avoid dips in quality and productivity as a result of growth.
4. **Use the data** from increased market share and customer feedback to further enhance USPs.

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Tactic 1

STAY TRUE TO THE CORE

Small business owners instinctively know that although size matters, bigger isn't always better—particularly when building a brand that inspires loyalty amongst customers. In fact, 34 percent of Australian small businesses expect to grow by building closer customer relationships, more than three times the number who see overseas expansion as the key to growth. The more any small business grows, however, the harder it is to sustain the unique values and culture that attracted customers in the first place.

Is it possible for small businesses to scale up without losing touch with their customers? Just ask the founders of Emma & Tom's, one of Australia's most well-recognised producers of healthy drinks and snacks. The business earned its reputation by providing extremely personal levels of customer service, including visiting all customers face-to-face regularly. It also took all of its distribution process in-house to guarantee that products would reach shops and consumers as quickly—and freshly—as possible. Yet as Emma & Tom's continued to grow organically, its operations became increasingly large and complex, potentially threatening its ability to deliver the same level of customer service as before.

Growth Plays

- Clearly define the brand values and goals that any new investment—technology, infrastructure or product development—will achieve.
- Get more from less: trimming overhead and boosting sales to existing customers can enlarge revenues without the risks of expansion.
- Don't be afraid to slow down organic growth if it threatens to compromise customer service quality. Small businesses that expand too quickly may find themselves unable to cope with greater operational complexity.

In response to growing complexity, Emma & Tom's adopted the JCurve edition* of NetSuite as an end-to-end business and supply chain management platform, using it to track its inventory and fleet of 40 distribution vans as they deliver to more than 3,000 cafés and retail outlets all across Australia. NetSuite also allows Emma & Tom's operations staff to quickly add extra vehicles to its fleet, ensuring that the business' distribution network can grow even further without compromising the quality of its products.

Emma & Tom's has grown its revenue by an average of 30 percent *per annum* since 2013, a rate that virtually any other business would envy. The secret ingredient in the business' growth recipe, however, was neither the technology nor logistics network which it implemented, but the broader vision that both these elements served. That vision—of making fresh, healthy, convenient food and drink products an everyday part of Australians' lives—has remained unchanged ever since the business was established in 2004, and continues to define the brand in customers' eyes. Although Emma & Tom's has encountered significant opportunities for expansion in Asia Pacific, the business has so far kept its market share local, opting to strictly regulate growth rather than risk compromising core customer values.

Like Emma & Tom's, other small businesses can only scale successfully when growth comes second to their underlying values and mission. They must adopt technologies and processes which safeguard their USPs—whether these be exceptional customer service, personalised products, value for money or anything else—as a clear top priority for all staff. As long as small business owners keep their values aligned with those of their customers, their businesses should start to organically grow. Fail to stay true to the core, however, and any growth—whether intentional and otherwise—will prove short-lived.

Tactic 2

BUILD STRONG PARTNERSHIPS

Small businesses face much higher stakes than their larger counterparts when they invest in expansion and growth. If a new market proves unreceptive to their offering, or a new product or service fails to resonate with customers, the small business may find itself unable to sustain not only that investment, but also its existing operations. No wonder only 5 percent of Australian SMBs plan to launch a new product or service in the next 12 months—for many, the capital costs and risks of doing so are just too high.

How can small business owners gain market share without risking too much of their own capital? By partnering with other, larger companies. Partnerships can give small businesses immediate access to existing retail networks, supply chains and—most importantly—a well-established customer base. In some cases, they can also supplement the small business' in-house resources, like customer service and support teams, with the manpower and infrastructure needed for successful expansion.

Most small businesses will be no strangers to partnerships: wholesale distribution models, for example, have helped small

Growth Plays

- Partner with larger enterprises whose customer and distribution networks fill gaps in your own operations.
- Use exclusivity or other terms to negotiate for full control over logistics, staffing and other customer service essentials in the partnership.
- Keep complexity low by using a single team and technology platform to manage all operations, both those within and outside of the partnership's purview.

businesses cost-effectively access new markets for decades. The most effective partnerships, however, take into account a range of factors like branding, cross-selling opportunities and exclusivity arrangements that benefit both the small business and its more established supporters. As they negotiate partnerships with distributors, retailers, and other large enterprises, small businesses should stay mindful of two things: maintaining control over their brand while minimising operational complexity.

The Lingerie Company of Australia, which represents the world-renowned Simone Pérèle

brand in Australia, did exactly that when it set up a partnership with national retailer David Jones. The partnership offered the Lingerie Company of Australia an opportunity to more dramatically expand the size of its national retail presence with only minimal capital costs. Rather than a typical distribution model, however, the organisation operates an exclusive direct-selling model within David Jones' premises, giving it full control over its own inventory and staffing—and ensuring that potential customers receive the same quality of advice and product knowledge that they would in the business' own stores.

Although partnerships often deliver rapid growth, they can also result in overwhelming increases in complexity, potentially compromising the customer's experience of the brand. The Lingerie Company of Australia

tackled this by using NetSuite OneWorld to accurately manage its 20,000 SKUs across all proprietary stores, David Jones presences, and wholesale accounts, correlating transactions to over 200,000 Australian customers in its loyalty programme. Doing so allows retail and marketing staff alike to deliver more personal discounts, deals, and even complimentary items, both in-store and through digital channels.

As long as small businesses can stay true to their core values, partnerships offer a quick way to expand or test products in new markets, minimising risks to working capital and simplifying operational set-up process. However, most small businesses cannot afford to rely on partnerships to sustainably grow. They need a way to generate low-risk, high-efficiency growth on their own terms.

Tactic 3

STANDARDISE AND CENTRALISE

For many small business owners, expansion—particularly overseas expansion—raises questions that often prove confusing, if not discouraging. Where can they find quality staff? What sorts of new regulations or laws will they face? How can they translate their brand so that customers not only understand but desire it? While there are no easy answers to these questions, small business owners *can* standardise and centralise their operations to make expansion as simple, consistent, and repeatable as possible.

Standardisation allows small businesses to grow quickly and easily. By adopting the same underlying technologies and operating processes regardless of location, small business owners reduce the time it takes to successfully enter a new market: following a pre-determined order of operations requires much less deliberation than devising an entirely new strategy from the ground up. Centralisation, on the other hand, involves business owners and their teams—usually small, trusted ones—maintaining full visibility and control even as operations expand and diversify. Every market has its own unique nuances and pressures, but small business owners will find even these easier to address when they have a consistent and centrally-managed operating model to build upon.

Growth Plays

- Adopt cloud-based platforms from Day 1 to avoid capacity constraints when the business expands. Half of Australian small businesses that use the cloud have expanded overseas in the past 5 years, compared to just 13 percent of those who do not.
- Embrace automation wherever possible, particularly for routine, time-consuming tasks like financial and inventory management.
- Maintain a small core of decision-makers and equip them with remote access and visibility over all markets. Doing so ensures small businesses retain their responsiveness even when they grow in scale.

For standardisation and centralisation to work, these processes and technologies must be able to scale quickly and efficiently. Small business owners should design processes that require minimal upfront investment and can be run by small teams, ideally remotely. They should also seek out technologies that automate repetitive processes, even as workloads and business demands grow. This helps the business

grow its reach without necessarily expanding on headcount or capital investment.

In 1995, a small group of Melbourne entrepreneurs founded what went on to become REA Group, the digital business responsible for Australia's leading property website *realestate.com.au* as well as operations in 13 other countries. As REA Group grew, it faced many of the issues that fast-growing startups often encounter: increasingly complex differences between markets, underperforming IT systems, and fragmented processes. By standardising its financial management on NetSuite OneWorld—which automatically handles differences in currency, tax and even regulations for transactions in more than 100 countries—REA Group eliminated many of the inconsistencies that were hindering growth, for current and future markets alike.

Mons Royale, a manufacturer and wholesaler of high-performance wool garments, took a similar approach to managing its global supply chain, but to centralise rather than standardise its operations. Headquartered

in New Zealand, Mons Royale's supply chain includes manufacturing in China, offices in Austria and Switzerland, and more than 20 warehouse locations spread all over the world. For Mons Royale, NetSuite OneWorld allows its leaders to track all these various functions in real-time, from a single centralised console that also automates many of the global supply chain processes involved.

REA Group and Mons Royale have come a long way from their small business roots, but they demonstrate how important standardised, centralised processes are for sustainable growth. Both businesses adopted NetSuite's ERP platform because they recognised that the complexity of their operations—a natural consequence of organic growth—would eventually cap their potential for further expansion. Small businesses, because of their size, will find it much easier to adopt more scalable technologies and simplify organisational processes than their larger counterparts. Their founders should do so before they begin to expand their operations, not after.

Tactic 4

USE THE DATA

If small businesses stay true to their core values, leverage partnerships with other firms and take a standardised and centralised approach to how they expand, they can and will enjoy sustained growth with less risk. That may be enough for some small business owners. But for others, growth means more than just new markets or products: it means improving the fundamentals of how customers experience their business.

Doing so is the key to growth that is not just successful, but sustainable. As small businesses grow larger, they must accommodate a greater variety and volume of customer demands than ever before. But as transaction numbers grow, so does the amount of data that reflects the specifics of those demands—and the means by which the business can meet them.

For growth to be sustainable, small business owners must keep extending their competitive advantage with this data, even as they expand their scale and market reach. If they have standardised their processes and technology, they should be able to access and understand this data with relative ease. Most will be able to derive some insights immediately, such as how customer behaviours differ between direct and

Growth Plays

- Use data from ERP and supply chain platforms to personalise sales and marketing efforts, both online (such as email marketing) and offline (such as loyalty cards and in-store promotions).
- Regularly compare financial data from different stores or channels to identify trends that might impact long-term growth, such as cash flow and available liquidity.
- Automate how supply chains and sales channels respond to data. For example, ecommerce stores can automatically hide certain products when inventory levels fall below a specific threshold.

partner sales channels. A centralised approach to operations should ensure that the business can, once it has those insights, carry out prompt action to improve the situation or take advantage of the new opportunity.

To do this, small business owners need data that is simple, comprehensive and accessible whenever they need it. Otherwise, making sense of any customer information will demand advanced technical and analytical skills—and data scientists are a luxury that few small

businesses can afford. Even businesses with minimal resources to spare, however, can find ways to cost-effectively gain value from the data at their disposal.

It may only have the resources of a small business, but the International Women's Development Agency (or IWDA) operates on the scale of a multi-national enterprise, with staff and partners deployed throughout the Asia Pacific region. The Melbourne-based agency can only accomplish its mandate with access to reliable and consistent data from its programme network, including locations as disconnected as Cambodia's jungles and New Guinea's native communities. Adopting NetSuite OneWorld helped the IWDA improve the quality and integrity of its data so that its staff—few of whom have any formal training in

analysis or financial reporting—can evaluate socio-economic indicators, track fundraising efforts, and jointly develop situational responses based on a single trusted source of information.

Few small business owners will face the challenges of huge scale and scarce resources that make up everyday conditions for the IWDA. Yet despite these challenges, data plays a key role in all the agency's major decisions, something which small businesses in every industry can and should seek to emulate. As small businesses grow, their owners need tools that can help them maintain a close understanding of customers. With that understanding, they can continue delivering the levels of quality and service which allowed them to grow in the first place.

CONCLUSION

Any truly successful small business will inevitably grow, with or without its owner's intention. These businesses can establish a level of intimacy with their customers, and a responsiveness to their needs, that larger businesses often struggle with. This intimacy creates the demand that enables small businesses to grow—but often declines or disappears entirely once they reach a certain size. In order to grow successfully and sustainably, small businesses must maintain a “small business” level of service no matter the volume or variety of transactions they handle.

The examples in this playbook show just how important it is for small businesses to design their processes to grow without compromising

the quality of their USPs or customer service. Partnerships, standardised and centralised processes, and greater use of data all help small businesses expand their reach efficiently, while retaining control over how customers experience their brand. The right technologies, particularly cloud and analytics platforms, play a major role in simplifying and informing growth strategies. But of greater importance is that small business owners maintain their close relationships with customers—no matter how big they get.

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