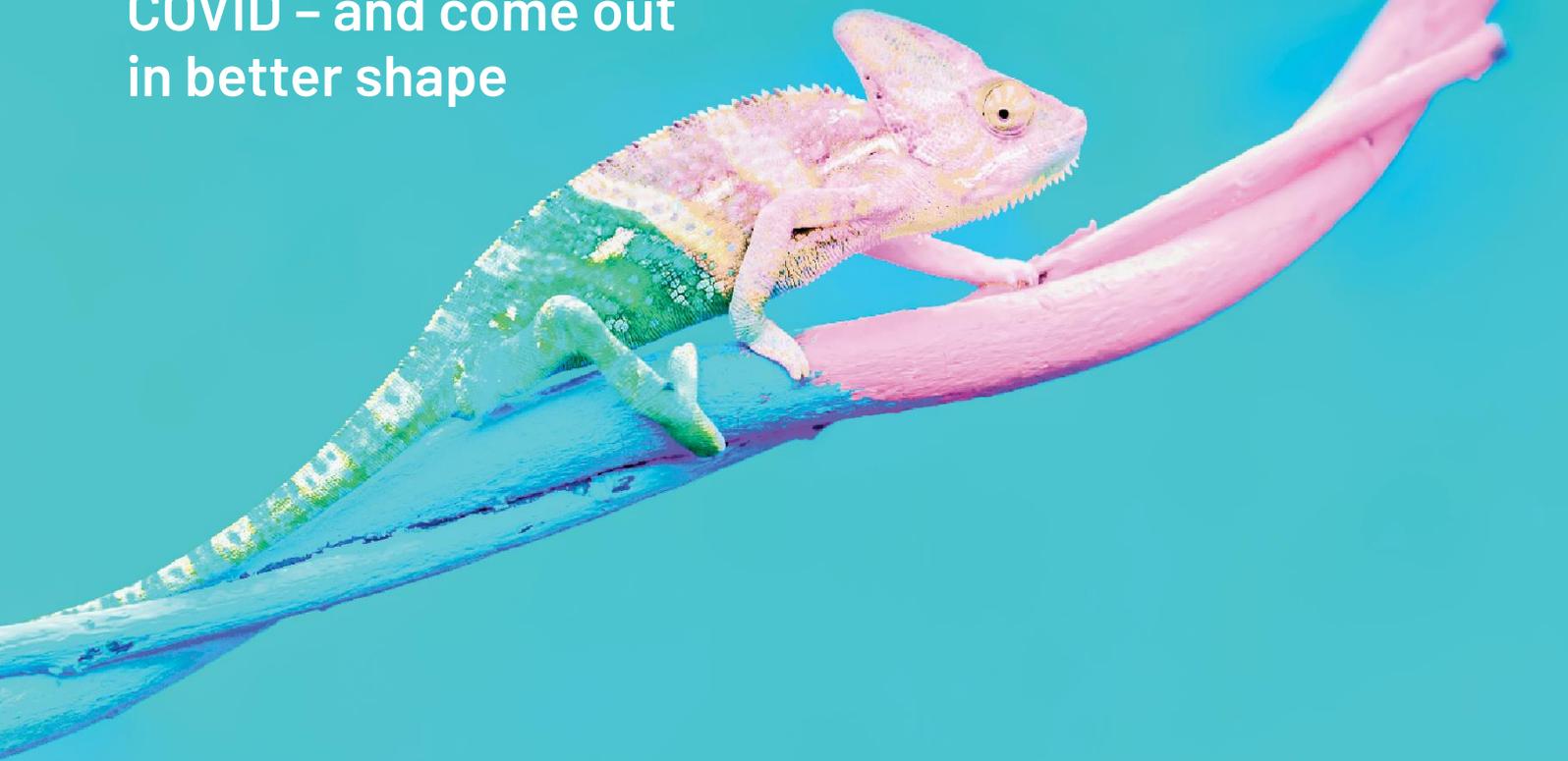


Behaviour Change:

How SMEs can pivot in tough times

Helping private enterprise get through COVID – and come out in better shape



April 2020

essence. Behaviour change experts.

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BEHAVIOUR CHANGE: HOW SMES CAN PIVOT IN TOUGH TIMES

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While there's no doubt that the current crisis is hurting a lot of people, history also tells us that some businesses emerge out of a crisis like this more resilient and prepared for a changeable future. When you think about how businesses weathered world wars and came out the other side, what was it that enabled them to innovate in a way that meant they flourished when the trading environment improved? We give you a few tips on how an SME might find a new advantage in this new world we now live and operate in.

We're certainly not saying you can buck a trend like this – there are some companies that just by virtue of the market they are in will have a really tough time – like a travel agent. And there will be others – like cleaners – that will do very well. But if you are like many other companies, you are caught in the middle of a situation not of your making, and you may need to think differently in order to get through this next few months and potentially longer.



Business strategy options

We're not promising you'll find every answer in this e-book – but we do hope that we can give you some practical ideas and tips that you can think about and implement yourself.

It's probably one of three options

Let's assume you have a business or business model that is suffering under the current trading environment. There are three main ways businesses can respond:

1. Sell different items to your existing market
2. Sell the same items to a new market
3. Sell new items to new markets

Let's go through each in more detail.

Sell different items to your existing market

The first option to consider is a business strategy that looks to sell different items to an existing market to leverage established contacts and channels to diversify. There is an assumed level of trust from the customer base which means that they are willing to purchase a product that may differ from your usual offering. We have seen a few examples of this as a result of COVID-19 including restaurants known for certain dishes, say, an Italian restaurant who is now producing and packaging pasta and sauces for direct sale to customers. Similarly, we have seen fruit and vegetable deliveries which now also include bakery items and wine and cheese. A clever expansion in a time when home delivery of a wider range of products than what is usually sourced is highly sought after.

Sell the same items to a new market

The second option to consider is selling the same item but to a new market and this in fact is a business as usual strategy which is the normal way in which most businesses seek to increase market share. There are clear benefits in taking what you currently know and love and finding new ways of getting it to more people.

This business strategy relies on the identification of a different route to market – eg, moving online, or home delivery, which we have also seen a lot of as a result of social distancing. This is the strategy for getting the same products or services to new customers (and of course your current ones) but delivered differently.

But what are the options to finding new markets to sell to? This is the marketing question that businesses would have had pre Corona days because it is the easiest path to new sales. Just expand your audience – easier said than done, we know. We've got some tips on how you might do that later.

The V8s jumped on this with the introduction of online races this season. Drivers use simulators logging-in from home to an iRacing platform and create their online profiles of either current Holden ZB Commodore and Ford Mustang Supercars. The competition is being broadcast on Fox Sports and Kayo and live streamed across Twitch and Supercars' digital channels. What a great idea in times when sport is a rare commodity!

We believe that some of the models that are being adopted currently could well prove to be so successful that people won't move back to them PC (post Corona). If you establish a great online business, do you need to go back to bricks and mortar and super-high rent? If you are used to paying for the convenience of home delivery – will you go back to fitting into shopping hours?

Sell new items to new markets

From a marketing perspective this third option has been the most fascinating to watch. Seeing how some businesses have reinvented themselves – certainly, out of necessity not desire – has been incredibly inspiring.

We've seen a number of distilleries including the Mornington Peninsula's Jimmy Rum who are now making hand sanitiser (given the by-product of ethanol), Erebus Racing making baby boxes for Coronavirus infants to protect health workers when they sneeze and F1 using breathing apparatus expertise to manufacturing ventilators – all impressive business strategies which have sought to sell new items to new markets.

This strategy clearly works better when there is an evident transfer of skills as in these examples – but has also worked in unaligned examples. For example, Rochford Winery is now making pastries and bread – something they would perhaps never have considered expanding into but it has worked because of the desire to support local businesses. There is a much greater 'elasticity' than what we normally see with businesses able to expand their service offering into areas that they may never have been given 'permission' to do.

How can you work out which option might be best?

These are three good business strategy options but if you are a business trying to navigate your way through the current difficulties, what advice might help you in working out the best way forward? Well here's five tips that we think will help you in making a decision about where to next:

1. Ask your loyal customers for support

The first place to look is always your current customers. They are the ones who have bought from you before, hopefully many of them are 'evangelists' and already know and appreciate your product or service. The opportunity is to appeal to them to help you through the tough times. Could you offer a discount so they could buy more at this time? Could they refer to a friend in

return for a discount? What about your cash flow – can you increase the number of customers who pay on time through discounts or even advance bookings or payments?

We just heard of a site vouchforyou.com.au that coordinates a discount on future services in exchange for the cash flow now. It's a not-for-profit online voucher marketplace, built by two Aussie small business owners. They connect businesses with customers who pay in advance for goods or services. Of course there is also the option to offer this directly. It's an interesting concept that we've not seen before which may well be more acceptable given the environment in which we are operating.

2. Look for other channels to sell

Clearly with social distancing the opportunity is to look for other channels to sell if your main interaction is usually face to face. The best option is shifting to online, or home delivery. Particularly if you know your customer base, this one can be easier to manage than completely retooling your company.

3. Map the journey of your customer and see where you could fit

So when you're trying to brainstorm HOW can you find that other channel, how do you actually do that? Where do you start? So as professionals we do this all the time, and it's called Journey Mapping. This is a process where you map every step of any potential customer interaction with your category, or similar categories – ultimately to identify where in their journey you could best fit in.

Put yourself in the shoes of a potential customer. Where do they go? What do they do? Where do they frequent? What are their hobbies? Take some time to map their typical week and look for all the ways you could potentially come into contact with them. Are they in a job that is relevant? Where is their workplace? When is their relax time? Where do they go to relax? Basically you trace a map of every step in the day, week, month – the journey of your audience and see all the opportunities to interact with them, thereby spreading your market.

4. Embed yourself in the local community somehow

What we are seeing at the moment is a massive resurgence in community spirit which is lovely to see. There are many local WhatsApp and FaceBook groups bringing people together. Initiatives such as Anzac Day in your Driveway, online singalongs, virtual pubs – all of these are bringing local communities together.

People are looking after 'home and heart' first and that extends to the local community. If you can find a way to embed – or help others build the social fabric of their surroundings – these are the networks that will maintain well after isolation has finished.

We have experienced this directly at Essence with a mobile coffee van that previously delivered coffees to workplaces is now the talk of Alison's neighbourhood. The van now has a regular route through the streets around Alison's home with neighbours coming out to collect their coffees and greet each other (at a distance) every second morning. Similarly, Penny dropped notes in her neighbour's letterboxes inviting them to join a WhatsApp group so they can support each other. She shouted them a coffee from the local bakery (and of course negotiated a bulk discount which they were keen to provide as part of their effort to embed locally).

Clearly coffee is the universal language of love!

5. Match your competencies with an environment scan

If you MUST retool or come up with a new idea because your business cannot proceed, it is a difficult position for sure. But as we discussed with the F1 teams manufacturing ventilators, hand sanitiser produced by rum distillers and home-made products by restaurants, it can be done. So the question is, if you had to retool how would you know where to start?

We recommend first cataloguing the skills and competencies that are in the business. What do you know how to do? Not customers you serve, but the technical know-how that you have. Second, do an environment scan – what is really needed at the moment? Porter talks about the 5 competitive forces – what benefit could you bring, where could you play? The final step is to ‘match’ your competencies with what the environment needs currently. You should have two separate lists – one that is your competencies, and the other that is the business opportunities, and you can match from there.

That’s the hand sanitiser solution, isn’t it? Who would have thought a distillery could diversify so successfully into hygiene products?

That’s it!

So that’s our five tips for thinking about how to help SMEs in the next few months. It’s not exhaustive, but we’re hoping it gives you some practical ideas about how to go about spending time ‘on’ your business rather than ‘in it’, which is more important than ever in the current trading environment.

As always, if there’s anything we can help you with, please get in contact or check out our website at www.essencecomms.com.au.