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The power of customer data

There is lots of literature about how some of the world's biggest tech companies have made fortunes out of mining the data that they collect to grow business empires that are larger than several nation states. It is worth a look to see exactly what they did with some of that data. One of the best examples was Amazon. Many years ago when they were still just a book store they would see what books you bought and then recommend either books by the same author or books with a similar theme. Suddenly they became the biggest book store in the world. It wasn't just that they had more books available than any "bricks and mortar" store. They were using the data that the customer freely gave them to target customers with specific products and offers. Most small businesses also collect data on their customers. It is probably as simple as a name and address, email address, the products and services that they purchased and how they paid. There's quite a lot you can do with that data. The first thing is to advertise your other products and services to the same customer. Another is to understand geographically where your customers are located. That might help you define local catchment areas that would be useful when targeting local advertising. Email addresses can be used to share special offers or promotions, but do remember to be compliant with data privacy rules. Knowing how customers pay can be useful in determining price promotions. For example, you may want to encourage customers to pay with cash or a debit card to reduce merchant charges. All salespeople will tell you that it is much easier to sell to a current or past customer than to a brand new customer. So using data in this way is a way of maximising the value of revenue from each customer. This is all that Amazon did all those years ago. Since then, of course, Amazon has gone on to develop an ever more sophisticated algorithm to increase sales, but it all started with maximising the sale of books. Another question that is not asked often enough from new customers is how they heard of your business. This can help you to understand what parts of your marketing budget are working and those parts that are underperforming. And it's all driven by data. Many small businesses do not use their data and rely on "gut feel" to understand customer trends and behaviours. Some are naturally good at this subjective style of assessment, but many are not. Can you afford the risk of not doing this properly?





Dealing with bureaucracy

Paperwork is the scourge of many small businesses. Depending on the country that you operate in there will be taxation, health and safety, data privacy and various licencing and registrations to deal with. For many all of this quickly becomes a total nightmare. The first thing to do is to respect this bureaucracy even if you don't understand it. The more frustrating you find all this, the more likely you need help. Help could come in the form of a bookkeeper, an administrator or it could involve employing a professional accountant. If this is the route to success then remember to engage with someone who has patience, is organised, has an eye for detail and has the experience to know what they are doing. These are not always the skills that entrepreneurs usually have so you almost have to pick someone who is your exact opposite. Not doing so can have big and dangerous consequences. Filing late returns to that tax or licencing authorities will mean fines and additional scrutiny that will definitely not be welcome. Having someone who is disorganised will be a serious headache when you require quick answers to your business questions and could mean that you are steering the business in the dark and without headlights. Experience will also count. All these issues require knowledge of sometimes very banal detail that the majority do not have the attention span to learn or the memory to retain. If you need help, choose well and carefully and resist hiring someone you simply like.

Leadership

Many small businesses struggle with managing their staff. Many small businesses were started based on the technical skills of their founders, but that did not prepare them for the peaks and troughs of managing employees. It should be remembered that employees expect to be led by their leader and can get quite anxious when they see a leader underperforming. Troops that trust their general's abilities will fight harder and put up with hardships that might otherwise seem unacceptable. The same is true in a business. Poor leadership will demotivate staff. That will impact the quality of their work, the level of customer service they will deliver and the length of time they stay in your employ. Staff retention is becoming increasingly important in lower-paid jobs where getting replacements is increasingly difficult. And this impacts customer service again as a new employee needs to be trained and will inevitably take time to match the performance of a seasoned veteran. There are things that a business leader can do to help. Get some training or coaching. Listen to what staff tell you. Treat people with respect, especially when you are having a bad day. It's not rocket science, but it is vitally important.



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