

IT Investments Help SMBs Compete With Larger Competitors

By Lorna Pappas, Contributing Writer

SMBs Are Prepared For Stiff Retail Competition

Smart SMB retailers are investing in IT solutions to compete head-on with larger competitors. From mobile payment apps and web site optimization to CRM and email personalization, smaller-scale yet powerful retail technologies have prepared SMB retailers for stiff competition.

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said Raymond Boggs, VP of SMB Research at IDC, in an interview with *Retail TouchPoints*.

“SMB IT spending in the U.S. continues to rebound from the dip we saw during the economic downturn. We expect 2013 to finish with approximately \$150 billion in SMB IT investments, with growth at more than twice the rate of GDP. By the end of 2016, we expect the annual SMB IT spend to be \$20 billion higher than it is today, driven in large part by expanding investments in tablets, smartphones and related applications.”

Results from the fall 2013 [American Express OPEN](#) study of small businesses showed that smaller retailers are no longer taking a “wait and see approach” to growing their businesses, but are poised for active expansion. In fact, 32% of respondents said growth is their top priority over the next year. In addition, among the small business owners surveyed:

- 56% have a positive outlook on business prospects;
- 54% (up from 49% last year) said capital investments are a top priority;
- 43% are confident that their revenues will increase; and
- 35% (up from 29% last year) plan to hire.

To bring greater focus, and spend, to small businesses nationwide, American Express founded [Small Business Saturday](#) in 2010. The popular annual event, celebrated each Saturday after Thanksgiving, urges consumers to “shop small” in support of neighborhood SMBs. (For more SMB-related research from American Express, see this [recent article in Retail TouchPoints](#).)

For example, at Dunn Bros Coffee, a chain of more than 80 locally owned coffee shops, Small Business Saturday “gives our local franchisees and other small businesses a day that shines a spotlight on their contributions to their communities,” said Laura Radewald, CMO for Dunn Bros. “Being a part of a supportive community is incredibly important to the success and growth of smaller retailers.”

Dunn Bros Brews-Up Mobile Payments And Loyalty App

To help franchisees increase sales, speed checkout and save money on payment processing fees, Dunn Bros has implemented a franchise-wide roll-out of a mobile payment and loyalty app. Powered by LevelUp, the app provides customers with a fast, easy payment experience, includes a list of the closest shop locations, and rewards loyal customers: The mobile app automatically unlocks \$3 of Dunn Bros credit for every \$50 customers spend.

When the roll-out completes, targeted for the end of December 2013, each Dunn Bros franchisee will have access to customer purchase data and the engagement tools. For example, store owners can segment customers by purchasing pattern then provide more relevant offers designed to increase sales and shopping frequency.

“Dunn Bros understands the importance of moving quickly in order to remain relevant to customers,” Radewald stated. “While others might be content to sit on the sidelines until a clear winner emerges in the mobile payments space, we’ve adopted an ‘act and iterate’ strategy, and [are seeing] a significant lift in the average ticket for app customers.”

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The app helps franchisees compete with larger retailers in the coffee segment: “Consumers who pay with the app visit Dunn Bros more frequently, seem more willing to try new things and spend more per purchase than customers who don’t pay with the app,” said Radewald. “We believe a strong loyalty program is required to compete effectively

today. Our customer base is increasingly price conscious, and the next generation of coffee drinkers expects to be rewarded for their purchases and loyalty.”

Combined Loyalty And Gift Card Sizzles For Hwy 55

Some SMBs now are leveraging complex loyalty and gift card technologies, once limited to

larger retail chains, to drive sales and repeat business. [Hwy 55 Burgers, Shakes & Fries](#), a quick-service restaurant chain and franchisee, helps store owners draw more business with a loyalty program that also functions as a gift card. Powered by [FiveStars](#), the all-in-one loyalty and gift card stores pre-loaded values while engaging Hwy 55 customers with loyalty components. The strategy is designed to encourage gift card recipients to become repeat customers even after the balance is spent.



During the initial launch of the loyalty/gift card program in Q4 2012, Hwy 55 Burgers obtained more than \$50,000 in gift card revenue from more than 3,000 customers — a result primarily generated from holiday gift-giving. Now rolled out to all Hwy 55 locations, the program is poised for an even greater impact for the during the 2013 holiday season.

Digital Marketing Brings ‘Mom And Pop’ To A Google Top Eight

Many merchants that have been in business since before the digital revolution are discovering the benefits of new technologies. [Everett Vacuum Sales & Service](#), for one, is a single-store, family-owned business established in 1944. In the past, the company relied only on word-of-mouth and a telephone book ad to draw new customers. In 2003 the family created a web site, reported Mike Lane, Co-owner of Everett Vacuum, “but we were too busy running the business and had no knowledge about how to update the site.”

Lane then was approached by [Dex Media](#), a provider of digital marketing programs for small businesses, which proposed a more advanced way to market: An Internet package including updated PC/laptop and mobile websites; search engine marketing and optimization; Google+ and Facebook pages, reputation monitoring, call tracking services, a QR Code and more.

“The program gives us complete access to our online ratings and reviews, and puts full interaction and control in our hands,” Lane stated. After just two months, the digital package helped place Everett Vacuum “in the top eight results on Google, and we’re

getting customers from areas where we never used to do business. Our new web site is clear and up-to-date, and our Facebook page is refreshed twice a week with current, industry-related topics.”

Social Media And Mobile Search Benefit SMBs

Social media components such as those in the Dex Media offering are becoming a larger part of SMB retailers' online marketing programs: According to the fall 2013 American Express OPEN study of SMBs, more companies are using social media this year compared to last, primarily to:

- Attract new customers (71%, up from 57%);
- Drive sales (59%, up from 46%); and
- Create a dialogue with customers (55%, up from 31%).

At the same time, small businesses with mobile web sites are tapping into the nearly 86 million U.S. consumers now seeking local business information on their mobile phones, according to [comScore research](#). The study revealed that consumers' Number One activity on mobile devices is search, and that in just ten months, the total number of visitors to search sites via mobile devices had jumped by more than 26%, with local searches playing “a particularly important role.”

E-Commerce Platform And Plug-Ins Deliver Scale And Personalization

Smaller retailers also are realizing the benefits of working with third-party partners, rather than investing in the development of in-house solutions. [Moxie Jean](#), an online children's consignment store with three full-time employees, uses third-party partners for technologies that help the reseller compete head-on with much larger retail contemporaries. “My staff has no formal technical training, while one of my competitors has more than 10 program developers permanently on staff — which equates to about \$1 million a year in tech talent,” said Sharon Schneider, Founder of Moxie Jean. “I'm only paying a few hundred dollars a month and am competing quite successfully!”

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Schneider turned to [Shopify](#) for the core Moxie Jean e-Commerce platform, which includes all shopping cart functionalities for the online storefront. "The Shopify technology quickly scales for rapid growth throughout the year, as well as high-demand seasons like the holidays, when my traffic triples," stated Schneider. "In addition to managing server capacity, Shopify also handles the various plug-ins we utilize. With these tools and the results they bring, we won't be staying 'small' for very long."

Included in that plug-in toolbox are [Instagrator](#), an app that integrates customers' Instagram photos into the e-Commerce website, and [SimpleRelevance](#) for targeted email promotions. For huge retailers as well as small ones like Moxie Jean, said Schneider, "personalization is the future of e Commerce."

SMBs Build Customer Relationships With CRM And Targeted Emails

CRM, personalized email strategies and financial management tools are among the smart IT investments SMB retailers are making to succeed in the competitive retail market.

At [Moose Country Gear](#), an SMB wholesale retailer of outdoor gear, a CRM solution helps build more personalized shopping experiences and closer client relationships. A web-based contact management tool centralizes business and personal customer information, including email history, current projects, past purchases, family makeup, background, milestones and more.

The CRM tool, from [Insightly](#), a provider focused on the SMB space, "helps us build trustful and intimate relationships so that when customers call, they're talking to more than just a name on the other end of the phone," said Mark Infanger, President of Moose Country Gear, in an interview with *Retail TouchPoints*. "Customers want to trust and form close associations with retailers, so we have to focus on personalizing our service and building relationships, especially to survive the big box invasion. SMB retailers don't have the dollars to compete in any other way. As nice and 'touchy-feely' as CRM sounds, its capabilities really translate to more money on the bottom line. The benefit gained simply is this: Moose Country Gear can make more money."

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Since implementing the CRM tool, Moose Country Gear has increased sales by 150%, Infanger reported. “Not all retailers are capable of building relationships like that, and Moose Country gear couldn’t do it without tracking customer details with CRM.”

Email Customization Drives SMB Sales

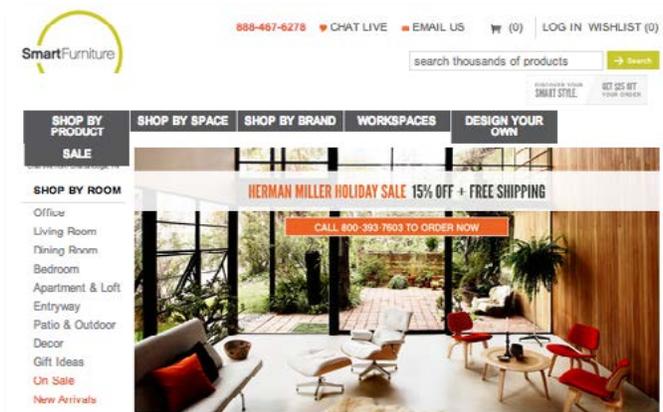
Personalization also helps drive sales for SMB retailers that leverage customer data within their email strategies. Email is still the number one purchase driver for e-Commerce, said Schneider, “so smaller retailers like us really need to leverage that strategy by turning generic emails into a customized yet cost-effective experience that helps create a sticky customer relationship.

SmartFurniture.com is an online-only furniture company with only 35 employees and revenues of just under \$20 million. The SMB leverages a series of personalized emails to connect with customers throughout their unique browsing and buying journeys. As previously reported by [Retail TouchPoints](#), targeted email campaigns help this furniture design company acquire customers and drive incremental sales. The targeted email initiatives include a cart abandonment program, welcome series, post-purchase emails and a loyalty campaign.

“The ability to create meaningful segments then automate email programs that target those segments helps lessen internal overhead, which helps us in our efforts to compete against larger retailers,” said T.J. Gentle, CEO of SmartFurniture.com. “Personalized recommendations and content make shopping with us easy and efficient. By really focusing on our customers’ needs and expectations, we can do a better job solving their problems and getting them what they need.”

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SmartFurniture.com partnered with [Listrak](#), an email service provider, to implement the customized campaigns. “As of October 2013, email marketing has accounted for an average of 13.44% of overall monthly revenue,” Gentle reported, “up from 8% in June 2013.”

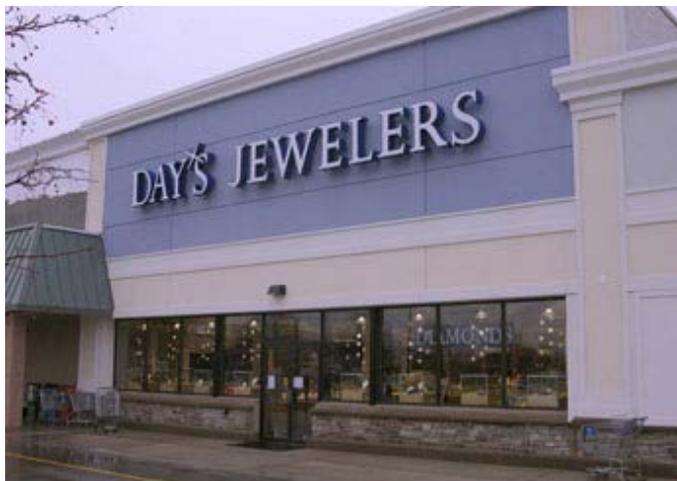
The SMB retailer's latest post-purchase campaigns focus on gathering Nielsen demographic data for customers then segmenting it into profile groups. Within those profiles, the company identifies purchase trends within customer groups. New customers are divided into these profiles then sent targeted post-purchase emails that suggest items popular within their segments. "Conversion rates for this campaign are 2.99%," Gentle said, "which is a big jump overall, but there is still plenty of room for growth, optimization, and automation. The increased insights provided by Nielsen customer segments allow us to target like-minded customers with a curated selection of recommendations, in addition to rewarding them for shopping again with us. As a result, we can drive more engagement back to the site as well as increase future conversions."

Financial Tools Help Day's Jewelers Shine

Personalized customer service is a core commitment at [Day's Jewelers](#), an online and six-store retailer founded in 1914. Today the SMB combines time-honored jewelry skills with modern technology without sacrificing the personal customer service that has helped the merchant succeed for 90 years, despite large-scale competition.

To facilitate the addition of new stores, grow the online presence, and expand and adapt merchandise to customer tastes, the boutique retailer implemented a financial management solution from [Centage Corporation](#). The Budget Maestro tool "provides more accurate forecasting and long-term planning, as well as a mile-high perspective built on down-in the-weeds detail," said Mark Ford, former CFO of Day's Jewelers. "We get a macro view of all the things we want to do, based on budgets created at the department level."

Every Day's Jeweler location is run as a self-contained business. Each store manager is responsible for forecasting product revenue by category, headcount planning, payroll and



benefits expenses, costs centers and service departments. The Budget Maestro technology helps store managers address financial tasks and accountability, without taking time from personal, face-to-face customer interactions. The tool manages everything from inventory on a 120-day sales cycle to building a three-year growth plan based on current numbers and future projections.

Day's Jewelers executives can measure profitability by store, product line and department, and analyze in detail which teams are delivering results and which aren't, and which expense reduction programs are most efficient. In addition, executives can test different scenarios to identify the best growth strategies and invest resources more effectively. The ultimate goal is to expand the business while concentrating on more customer-facing values — such as spending time building on a 90-year reputation for expertise and personalized service.

A Better Understanding Of Business Essentials

Financial tools such as Budget Maestro can help SMB retailers vie against larger competitors that can afford expansive business talent. A [recent survey by Staples](#) of 500 U.S. small business owners found that only 45% of respondents could define basic accounting principles such as “accounts receivable” and “accounts payable.” Another 23% admitted to bouncing a check in the past year, and 40% said they wish they had known more about management before starting their business.

“A firm understanding of finances and business performance is crucial for a small business to be successful,” said Steve Strauss, senior small business columnist for USA Today and President of [TheSelfEmployed.com](#). “Managing finances is a challenging process and many business owners are often unaware of the tools and resources available that can help them make smart decisions and, ultimately, improve their bottom line.”

SMB retailers that invest in financial, CRM, mobile payment, web site optimization and other IT tools will be best positioned to face stiff retail competition.



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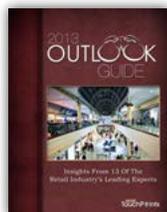
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