



THE THREE GROWTH ESSENTIALS: DIGITAL, SALES AND FINANCES

Practical insights from the SmartCompany Growing Your Business Seminar 2015

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SmartCompany editor Cara Waters hosts a panel at the *SmartCompany* Growing Your Business Seminar 2015.

Introduction



Experts shared their best advice on digital, sale and finances at *SmartCompany's* 2015 seminar.

There is no magic recipe for growth, but there are three essential ingredients that every small-to-medium-sized business (SME) must focus on – digital, sales and finances. Without a solid strategy for each of these areas, SMEs can miss opportunities and fall behind competitors.

At the *SmartCompany* Growing Your Business Seminar 2015, our guest experts delved into these key areas, as well as what it takes to be a great business leader in an era of constant change.

In this eBook, we bring you savvy advice from the event across digital, sales and finances, with additional small business finance insights from our event partner Bibby. By the end, you'll have a greater understanding of why these areas are so vital, and lots of practical advice for how they can drive small business growth.

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Chapter 1. Focus your digital lens

The number one thing to understand about digital is that it runs through your whole business – it's not just marketing, says Deloitte Digital founder and chief executive Peter Williams. Which is why it is [important to plan and execute a coherent digital strategy](#).

"Marketing is a part of digital, so is HR, accounting and product development. When you begin to understand that and you apply a digital lens across your business holistically, that's when you can become successful."

No one is immune from the disruptive effects of digital technology, so the earlier you get started the more chance you have of getting ahead of the curve, Williams says.

"The thing we're always hearing about digital is that everything's got to be disruptive, or we're going to die," he says. "You need to get into the field of play, and if you don't know what you're doing, give it a crack."

Why digital matters

A recent study from Deloitte Access Economics for Google looked at various industries across Australia, how much they were being affected by new technology, and the impact it was having on businesses.

"One of the things we see with disruption is that it happens slowly until it happens fast," says Williams.

"In terms of engagement, 40% of the businesses who were highly engaged in digital were seeing their business growing. While at the other end of the spectrum, only [12% of the businesses with very low engagement were growing](#) and most were kind of flatlining."

Highly digitally evolved businesses are also the ones creating the most jobs, says Williams. "If you're sitting there thinking 'I don't believe in this stuff', then good luck. But we did the numbers and if your business is highly digitally engaged it is more likely that your business is going to grow."

Opportunities to innovate

According to Williams, when it comes to technology and connectivity, there are great opportunities for businesses that are proactive and innovative.

"Australians adopt technology like sponges," he says. "We're number two behind Finland in terms of mobile connections, we're number one in mobile banking, and we're number one per capita in terms of paying for content, as well as pirating content."

And while 80% of Australians regularly use the internet, there are in fact 32 million devices in the country for a population of 23 million. In terms of adapting to new technology, Australian consumers are catching on as quickly as anyone in the world, but businesses are lagging behind, says Williams.

"Trying to innovate in a large institution is like banging your head against a wall – that means there's an opportunity for SMEs to do things differently. Get aggressive about adopting new technology, because you'll be able to out-adopt and out-absorb big people."

4 key steps to focus your business's digital lens

1. Know your customer

Get to know what customers think about their experience and then work out how you can provide superior experiences, says Williams. "Our expectation is that our life should be like Spotify – it knows me and what I want better than I know myself."

2. Have a digital strategy

Be prepared to experiment when implementing new technology. "Have a vision about where you want to go," says Williams. "It's about the notion of small moves, smartly made, that set big things in motion."

3. Enable a digital culture

Think about how you can get the most out of your people, content and customers. "Make sure you are employing people that complement your strengths and get them to be your amplifiers."

4. Leverage cloud, mobile, social and data

"Technology prices have collapsed, technology is so much cheaper and so much quicker and more accessible than it's ever been," says Williams. "Anything you want to do is probably available in the cloud for free or next to nothing."



Deloitte Digital founder and chief executive Peter Williams gives expert advice on digital success.

Chapter 2: Adapting and innovating with technology

Adapting your business to technology is not about out-spending your competitors, it's about out-thinking and executing, says Williams.

The Deloitte Access Economics [study also found](#) 16% of SMEs were 'highly digitally engaged', with 25% exhibiting medium levels of engagement, 24% somewhat engaged and 35% barely engaged at all.

So there are still a lot of gaps within SMEs to adopt new technologies really fast, and if you don't know what the best path forward is, ask someone who does. "The ability for us to tap into the tacit knowledge of the world through digital means you need to know everything," says Williams.

Technology is getting increasingly easier, more accessible and cheaper, and this is changing the way businesses approach digital innovation, says Williams. "People used to think that technology was like a well," he says. "You needed to dig the thing, manage the infrastructure and put in effort to pull stuff out. Now people think of technology like a tap: turn it on when you need it and if it doesn't work, try another tap."

Engage with the disruptors

Over the past 10 years, cloud, social, mobile and data analytics technologies have been the 'super disruptors' changing the way businesses work.

"Cloud technology used to be expensive, now it's cheap and world-class," says Williams. "Through social, the web has become much more about people-to-people connections. It was very hard to post anything online in the mid-1990s as you had to know coding. But now these platforms are out there and in your smartphone."

Cloud technology used to be expensive, now it's cheap and world-class...

- Peter Williams

Likewise with data, and Williams suggests SMEs ask themselves: What kind of data can I get, what can I do with it and how can I pull it together?

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Chapter 3: Keep your customers wanting more

No small-to-medium-sized business can exist without customers, but finding them and getting them to sign up, and then keeping them coming back for the duration, can be one of the toughest tasks that owners face. This is why connecting with your customers via social media can be so effective, and it's important to [include a plan for various platforms in your business strategy](#) going forward if you don't already.

"The world of selling is often trivialised and belittled," says Sue Barrett, founder and managing director of Barrett Consulting Group. "Going out and finding a new client is not for the fainthearted. A lot of people run their own businesses and don't have a salesperson to go out and do this for them. But it's the oxygen that fuels the fire, without sales we don't have a business."

Barrett says sales success depend on how you engage and work with your customers to help them achieve their goals. "If our business is for the long term, we need to think about how we keep our customers wanting to work with us on the way forward," says Barrett.

"One of the challenges in the marketplace is that a lot of things can be copied in the blink of an eye and a lot of people are finding that the margins they had in their businesses are being eroded because they do not know how to sell and value the end product."

Barrett says that SMEs need to think about what salespeople are really offering customers and stresses that fostering relationships with your customers can extend the value of a business beyond merely providing the product or service itself.

"Good selling is about being interested and wanting to help people," she says. "It's not about ripping people off, or bragging about how great a company or product is – that's not good selling. Great sales is about helping business be better."

Sales isn't the same as marketing

Despite a common perception that selling and marketing are roughly the same thing, successful businesses understand the different ways in which they operate, Barrett says.

"Selling is selling, marketing is marketing," she says. "Marketing talks to groups, sales talks to individuals. Selling is often shoved under marketing and people are just told to go out there and sell stuff – but you can't do that. Marketing tells the story of your business and creates brand awareness."

A lot of people run their own businesses and don't have a salesperson to go out and do this for them. But it's the oxygen that fuels the fire, without sales we don't have a business... - Sue Barrett

"That reality that you promised with your brand awareness manifests itself in a real-world experience, whether that's online, over the phone or face-to-face. You need to make sure the work you do in marketing stands up when you actually get in a real-world situation with someone."

Chapter 4: Sales in action



Sue Barrett, founder and managing director of Barrett Consulting Group, talks about the art of sales.

The fundamental role of a salesperson has changed dramatically, says Barrett. In the 20th century, salespeople were the encyclopaedias of the industries of their expertise; they would go and speak to clients and help educate them, she says.

“Now buyers are looking online for their information. A lot of them think they know what is good, but a lot of them aren't necessarily well-informed – they're confused by the tsunami of information they're trying to navigate.”

Barrett says that you've got to listen to your clients, ask questions and find out what their perspective is.

“If you try and help them without the context you're on a highway to nothing. If you're only talking about how great you are, it's a failure. You need to talk about how you're going to help people and how they'll be better off. Use simple language so they can understand and trust you, and provide evidence to back it up.”

Barrett says that SMEs need to take advantage of their agility to best position themselves in the marketplace to meet the demands of customers. “If you're an SME it doesn't mean that you can't play with big business, in fact we're more nimble and quick. But we have to work out a way to position ourselves to be really clear and effective.”

If you're an SME it doesn't mean that you can't play with big business...

- Sue Barrett

The internet can be a great way to get your message out there and [improve your customer service levels – with technological innovations like live chat](#) – but Barrett says that the internet alone will not make sales. “You have to have some way to facilitate more opportunity for your business and directly bring people in to talk to them,” she says.

The three growth essentials: digital, sales and finances

The way buyers think has changed

While the internet has changed the role of the salesperson, it's also changed the nature of the decision-making process for buyers.

"If you're in B2B selling, the decision-making process is taking 20% longer because people are so confused and lacking courage that they think they need to involve more people," Barrett says.

"Be mindful that you're going to have a longer lead time to get these sales over the line and it's not just one person making a decision."

Trying to run your sales process in a linear time line fails every time, says Barrett. "We'll never have a pipeline so accurate you can set your watch to," she says. "CEOs and executives want predictability, but I'm sorry it doesn't work like that in a complicated, complex world."

Barrett says that businesses need to have a hybrid sales model, where selling is viewed as a value beyond a simple product and a price. "You need to have a strategy that tells your people who you're going to talk to and which market segments you're going after... Do not just throw more info on your clients, help them sort through the crap and get to the kernels of truth that will help them make better decisions. Be consistent across your whole value chain and make sure the promise you put out there on the internet is consistent all the way through.

"At the end of the day, if we don't have sales coming in we don't have a business."

Be mindful that you're going to have a longer lead time to get these sales over the line and it's not just one person making a decision... - Sue Barrett



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Chapter 5: Financial fundamentals: cash flow and invoicing



Cash flow and invoicing are fundamental to business growth. But unfortunately, while vital, they are key steps where companies can potentially trip up on the path to growth.

“There are many examples where profitable businesses have failed because they don’t have sufficient cash flow,” says Rob Lamers, Bibby Financial Services’ regional sales manager for the southern region. “There’s always been that saying: cash is king.”

If you’re growing a business and your sales are increasing, you generally need to incur more expenses – whether it’s buying more stock, employing more people, upgrading to bigger premises or buying more equipment, says Lamers.

“You’re incurring additional expenses, so your costs will be higher and [you’ll need to increase your cash flow to meet those costs.](#)”

Invoices matter on the path to growth

The gap between invoicing and payment can also leave SMEs facing a cash flow gap when looking to expand.

“If you’re selling B2B, the average payment terms are generally about 50-55 days,” says Lamers. “You’re incurring those costs when you’re growing and you’re not getting your money for 55 days, meanwhile you’re providing goods and services. Potentially you could have a severe cash flow gap.”

Lamers says SMEs need to ensure they’re sending regular and accurate invoices. “You don’t want to have an error in your invoice because you might not get paid,” he says.

“A lot of SMEs might be doing a good job running their business, but if you’re not invoicing immediately and accurately, then you run the risk of not getting paid.”

The three growth essentials: digital, sales and finances

SMEs need to have diligent policies for account servicing processes to ensure they get paid on time and minimise the risks of costly disputes with customers, says Lamers.

“Your systems are very important when it comes to invoicing regularly and making sure you send statements at the end of every month,” he says. In addition, having the right credit checks upfront to identify customers who are slow to pay can help you stay cash flow positive.

Spread your customer base

Overly relying on one customer can also lead to financial difficulties, Lamers warns. “Businesses often fail because their customers haven’t paid them,” he says.

“If you have a concentrated customer base you might only have one customer that is 80% of your work. That means you’re at the mercy of them and if they don’t pay you’re in big trouble.”

Having the [right management tools in place can help you avoid these pitfalls, says Lamers.](#) A business that runs off an Excel spreadsheet is going to have problems in terms of growing. Having the right tools and the right professional advice to support you and manage your cash flow is very important.

Your systems are very important when it comes to invoicing regularly and making sure you send statements at the end of every month...

- Rob Lamers

“When a business is looking at growing, they often focus on other areas like generating sales and managing margin costs,” he says. “They might be the key focuses, but particularly for smaller business, doing the bookwork side of things they often get left behind and can lead a profitable business to fail.”



Chapter 6: Tips to help you avoid debt

If your business is growing then you need to fund your expenses, says Lamers, and that means you need access to cash, whether it be through debt or equity.

It's important to have the right cash flow finance facility to fund your working capital, says Lamers, and you need to be proactive in managing that and considering your different options.

"Specific industries are going to have shorter working capital cycles," he says. "That can make a huge difference, but regardless it is important to know you have the right cash flow finance tool in place for your business."

Debt is generally cheaper than raising equity and you don't have to give up part of your business, says Lamers. But it also has some potential downsides.

"Traditionally banks can provide you with an overdraft facility, but generally they require property for that and it may not always be sufficient for your needs. If you're a growing business and your sales are increasing, your costs are also increasing. Your cash flow needs to increase and an overdraft may not be sufficient because it tends to be linked to the value of the property, not the needs of the business."

There are many reasons why people don't want to put property up as security to fund their business's growth, he says. "A lot of people want to keep the family home segregated from the business debt. You might also find various business partners may not have equal amounts of property to use as equity."

Customer incentive options

Another way businesses fund their growth is by offering their customers a discount for early payment, says Lamers. But he warns that's a very expensive way of improving cash flow.

"For instance, if you're offering a 5% discount for paying before 30 days, if you annualise that discount, say over 12 invoices, it can be a very substantial hit to your margins," he says. "So offering early payments to your customers is a very expensive way to fund your growth."

You might also find various business partners may not have equal amounts of property to use as equity...

- Rob Lamers

Lamers says that invoice financing, where you can receive financing based on the invoices you send, can be a great way to fund growth. "Credit is linked to your sales, so your funding availability increases as your business grows. The business can fund itself and you can use its assets to fund your growth rather than external property."

It could also be cheaper than offering discounts for early payment with Lamers saying that invoice finance will cost you on average between 1% and 2% of the invoice face value.

"There can be some expensive interest rates for businesses that are short on cash flow. I've often found that businesses come too late, if they had come earlier it would have prevented the problem."

Take the risk: Back yourself and become a better entrepreneur

SME owners are among the most hard working and biggest risk takers around, but there are ways to be a better entrepreneur.

1. Self-auditing: What are you good at?

Republica Education founder Ryan Trainor says that a self-audit can help you work out what your strengths are and what your business is lacking. "If you look at different businesses there's always the leader or the visionary. But you have to ask yourself: Am I a number one, two or three? Sometimes it's just about what skill set you have and what you need."

2. The next big opportunity

There's always the next big opportunity out there, but seizing it means being prepared to take a risk. "There are times in life when you need to take a quantum step and make a decision about risk", says Trainor. "The risks are calculated, but at some stage you need to take a step forward."

3. Risk versus reward

If you do decide to take that risk, remember it takes the same amount of effort to play big as it does to play small, he says. "I think sometimes you have to take big bets. Sometimes you take lots and lots of little bets that sometimes are a riskier option than doubling down and taking a bigger risk. You have all the same problems but the reward isn't as great."

4. Is debt worth the risk?

One of the keys to taking these risks, Trainor says, is learning how to leverage equity and use debt in a responsible way. "One of the things I learnt about was debt and how it can actually be used responsibly. It's not about being reckless – it's about knuckling down and backing yourself."

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