

What do Small Businesses Want Anyway? Demand!

There is understandably a lot of talk about what ails small businesses, especially in California. At our recent Next Steps for Small Business event held at the Hyatt we heard a number of elected officials kick off the program with their thoughts on what small businesses need to rebound from the Great Recession. The lowering of taxes, reducing regulation and relaxing underwriting standards were all discussed. While such moves would certainly help, are these at the core of what is hurting small business today?

Lower tax rates would free up additional dollars; reduced regulation would reduce compliance expenses and timelines to open a business; more flexible underwriting standards might enable more companies to access debt (although as recent experience has shown that can swap near term liquidity for long term problems) . Assuming all are put into place, these steps would set the table to react more quickly and profitably. But absent a critical piece, that reaction would remain just a potential and not an actual reaction.

What is the missing piece? Demand.

While all these steps would help businesses, until there is increased demand for their goods and services sales won't grow, capital needs will remain static and jobs won't be created. Businesses must see increased demand for their goods and services to generate positive economic activity.

In the Federal Reserve Bank of New York article on "Why Small Businesses Were Hit Harder By the Great Recession", they concluded:

"Although both large and small businesses felt the sting of job losses during the 2007-09 downturn, small firms experienced disproportionate declines. A study of the recession's employment effect on small firms suggests that poor sales and economic uncertainty were the main reasons for their weak performance and sluggish recovery . . . Although a tightened credit supply constrained some small firms, weak consumer demand for the firms' products and services was a more pressing factor, reducing revenues and dampening new investment spending".

In fact, the National Federation of Independent Business reports that poor sales is now the No. 1 concern of for about one third of all small businesses.

So if lack of demand is the key problem, what steps should small businesses be taking?

- **BE CUSTOMER CENTRIC** – Learn your customers desires, needs and wants. How? By asking them. Use a variety of channels to obtain this information including face to face conversations, and social media tools like Facebook, LinkedIn and Yelp (where important customer feedback is provided without asking). Make the purchase process as smooth as possible for them based on their desires.
- **MAKE YOUR LOCATION A DESIREABLE PLACE TO BE AND LEAD WITH VALUE.** Spend time making your online presence meaningful and engaging. Offer small important pieces of

information for free based on the customer's needs. Build an escalating series of value propositions based on the customer's engagement with your firm, but always make the first one free.

- **DEVELOP COMPLEMENTARY PRODUCTS AND SERVICES** – A key to any business's success is asking and answering the question "what business am I in?" Narrow definitions can lead to niche businesses that are highly susceptible to market fluctuations. Robust definitions lead to the identification of new products and services that you are qualified to provide and customers need.
- **MAKE SURE EVERY EMPLOYEE PRESENTS YOUR BUSINESS IN THE OPTIMAL LIGHT** – People are the heart of any transaction – even those done on-line. The interactions customers have with your employees are critical to shaping their impression of your business. And remember, the impression you want to leave has to be positive in their eyes, which may be slightly different from what you would like to see. Know your customer, read your customer, and give them what they want.
- **EXPAND YOUR MARKETS** – This can mean reaching across the valley, across the region or across the world. Roughly 95 percent of consumers and 75 percent of the world's spending power exists outside the United States. We live 90 minutes from the largest port complex in America, so exporting should definitely be part of your toolkit if you are looking for ways to increase the demand for your goods and services.

Small businesses face a number of obstacles in today's economic climate, but one they can tackle directly is consumer demand. The Small Business Development Center (SBDC) hosted by College of the Canyons is here to provide free and low cost technical assistance to small businesses looking to grow demand. Contact us today to get started with our team of business experts.

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