SMEs

Smallish Misunderstood Enterprises

How service providers can unlock growth
in this underserved, undervalued but
hugely valuable market

April 2018

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Content

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Introduction

With the consumer market becoming ever more competitive we've noticed an increasing number of companies focusing on the SME segment as a new growth opportunity. A highly valuable sector, it remains woefully underserved. Most service providers (banks, telecos, utilities) approach this customer group as a homogenous community, in spite of their size, diversity and ambitions for growth.

We wanted to better understand this exciting growth opportunity, so we conducted an in-depth study into the SME community's unique wants and needs from the companies that serve them.

This involved an extensive quantitative survey* amongst 500 UK SME business owners followed up by face-to-face interviews to provide more qualitative insights.

We uncovered a deep-seated dissatisfaction among SMEs for their current service providers, in some instances bordering on contempt.

Yet, SME owners also revealed that they were ready to pay for those services that would enable them to meet their goals.

It's the perfect competitive storm: new entrants who can offer better services have a strong opportunity to win new business, while lacklustre incumbents stand to lose hard-won customers.

Where do we come in?

We help identify ways to improve how service providers sell, serve and support this neglected customer segment - and then help our clients build and launch new and reinvigorated products and services.

This report outlines some of the valuable insights we uncovered and makes recommendations on how to better serve SMEs. It starts with a more rigorous approach to segmentation. With the ability to bring deeper context beyond turnover and size, service providers can deliver the tailored service SMEs believe they need and deserve - and more importantly, are willingly to pay for. So if you're a blue chip service provider with a large existing SME customer base, a start up with a small SME customer base, or are thinking about how you can grow your business by offering SME specific services, this report is designed for you.

Are you looking for the next growth opportunity? Let's talk! **sme@adaptivelab.com**

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About us

We design and build Beta Businesses.

Business leaders all over the world are experiencing exponential change in their market. To keep up and win in these fast moving times, businesses need to reinvent themselves.

And doing that successfully requires a new mindset and a new way of working.

A Beta Business is one that has adopted the new model that is essential for survival. At the heart of this model is a very simple idea: experimentation. The learning that comes from experimentation is the key to unlocking growth.

How are we helping companies unlock growth? In the last year, we've teamed up with Vodafone to design, build and launch their flagship IoT service, V-Auto, in 32 countries, helped a FTSE 100 investment company to completely redefine their business model and create a first of its kind robo-advice service, and worked with Three UK to design, launch and grow a new virtual mobile network, SMARTY.

We were recently featured in the Financial Times as a Management Consultancy to watch. That was nice, although we've probably never thought of ourselves as one!
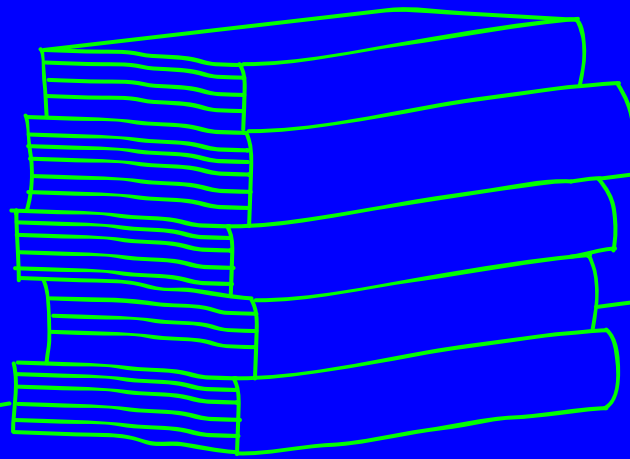
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Executive Summary

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How B2B service providers can win this underserved, undervalued but hugely valuable market

Small but mighty: The lifeblood of our economy

The small and medium business sector — traditionally defined as those businesses with fewer than 250 employees and £50m in revenue — is a mighty force in our economy.

SMEs account for 99% of all private businesses; generate 51% of all private sector revenues [1]; and have created 73% of all new private sector jobs since 2010, despite accounting for 60% of all private sector employment [2].

The health of this community is important to us all.

Ambitious and determined - but demand better services and more support

Despite having weathered tough business conditions over the last three years, SMEs are an ambitious bunch; over 71% are aiming for growth in the next three years. Nearly all SMEs (95%) now rely on technology in some way to run their business, and 53% see technology as central to their business proposition. Despite this view, many SMEs lack the confidence to fully deploy and utilise technology to their advantage.

This lack of confidence can be blamed on their low regard for their service providers to help them achieve their goals; 59% see current offerings as 'one-size fits all', with little tailoring to their business needs. In categories including telecoms, banking and insurance, 40 percent of business owners saw little difference between consumer and small business services — except for the inflated expense.

[1.] Federation of Small Businesses)
https://www.fsb.org.uk/

[2.] Nesta (2017)
http://stateofsmallbiz.com/

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SME dissatisfaction represents huge opportunity for entrants, and a threat to incumbents

SMEs are willing to pay for services that free up their time to focus on their business. **55% stated they would definitely pay more** and a further 34% said they would consider it. The more complex the business or the more the ambitious the business owner, the more willing they were to pay. And, SMEs are switching to get what they need.

Even high inertia services like telecoms and banking have experienced significant switching. Other factors being equal, SMEs prefer to give their business to fellow small businesses, who are viewed as more empathetic, more innovative, and able to offer more tailored services.

But they also need reliability - **so what they truly desire is a stable, larger service provider with 'a smaller start-up mentality'.**

Winning with SMEs: Creating services they'll love

Our analysis **identified three core building blocks** needed to win this huge and diverse community: 1) meet their basic functional requirements; 2) support their emotional needs; 3) segment using a data-driven, relevant approach to design and deliver tailored products and services.

One way to inform a more effective SME strategy is to **segment according to a business' complexity and ambition,** rather than the usual measure of size.

Complexity can signal where the business is today, while ambition can indicate aspirations. And, as this study shows - it's a strong indicator of digital receptiveness and appetite for new products and services. Understanding ambition can also help frame the right advice and 'support relationship' business owners are looking for, as well as indicate future customer value.
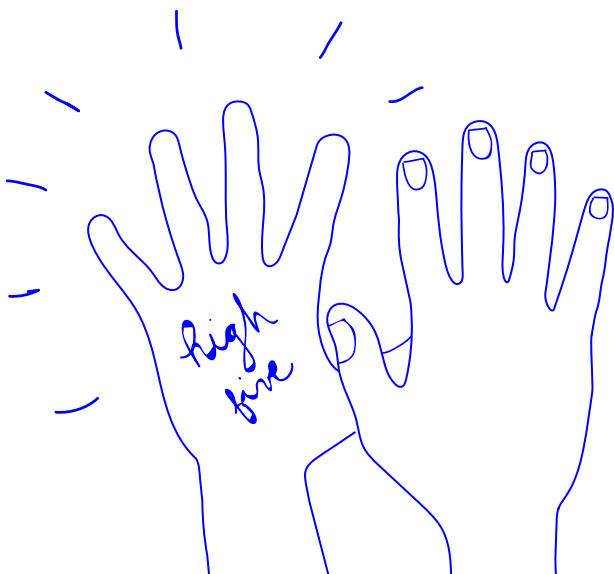
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SMEs deserve our attention
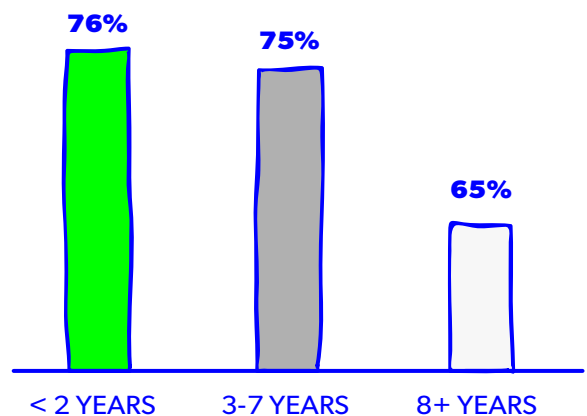
Their ambition and optimism is driving growth

Small and medium businesses are an important engine of growth in our economy. They represent a vital sector, invigorated by ambition and optimism for the future.

We asked business owners about their ambitions for growth over the next three years and found that over two thirds expected some level of revenue growth.

And, half of these ambitious business builders were setting growth targets above 5% annum.

Delving more deeply into the characteristics of these ambitious business builders, age was a factor. Younger and newly formed businesses have the drive for growth. We found no significant difference across sector or size of business (by employee or revenue).

Ambition for growth by age of business

76%   75%   65%

< 2 YEARS   3-7 YEARS   8+ YEARS

Anticipate any growth in next 3 years
BASE: All respondents

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SMEs are unique: it's time we recognised this

SMEs represent a diverse number of companies, from sole traders, to micro entities of less than 10 employees to those that employ over 100. The one thing they have in common is their insistence that the standard definitions that usually describe businesses under 250 employees cannot all apply to them.

In fact, 50% of SMEs believe their particular business needs are unique.

And, service providers are clearly failing to address their distinct requirements.

51% of SMEs described the services provided as 'one size fits all'.

For over half of the respondents, this was a clear indication that big services did not understand their business.

"The fact most banks treat all SMEs as the same is insane. Small business is like a thousand different things. SME goes from 1 person to 300 - it's not really a capture all, my business is so different to one with 200 people it's crazy to think that we're the same"

Owner, Manufacturing Company

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The more ambitious they are, the more technology is critical to their business

When analysing ambition and receptiveness to digital products and services we observed a strong correlation suggesting the role technology plays in helping our ambitious business owners achieve their goals.

95% of businesses we spoke to said they rely on technology in some way to run their business with 53% stating it as central to the business proposition.

Despite this huge reliance on technology, only 23% would rate themselves as 'highly digitally savvy', and 10% would rate themselves as 'completely at a loss'.

Tech savviness becomes increasingly important the more ambitious and/or the more complex the business is. This suggests that businesses recognise the potential competitive advantage that technology can bring by streamlining processes, improving efficiencies and so on.

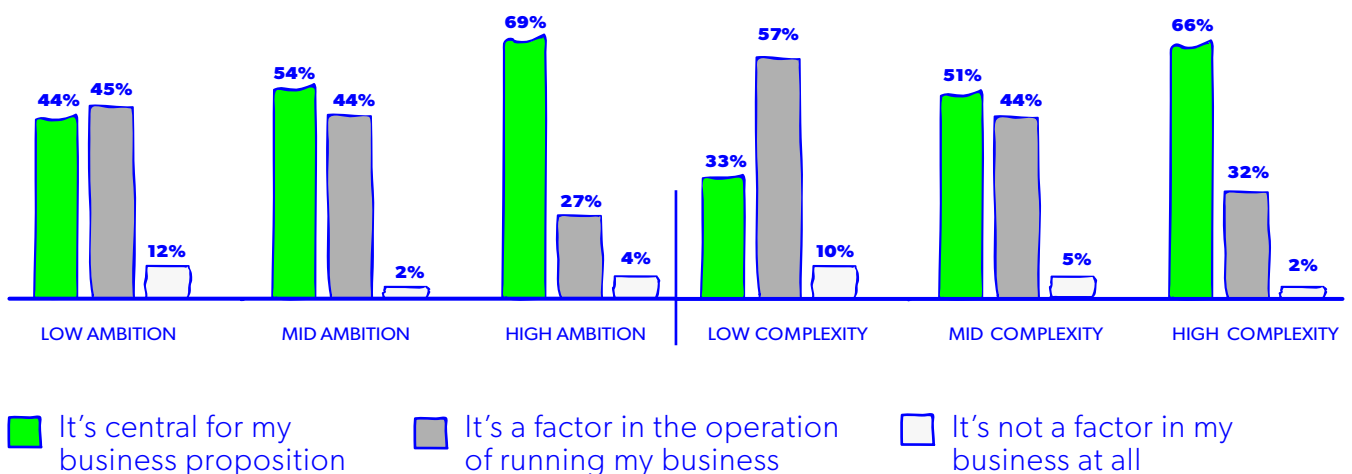**Anticipate growth in next 3 years by receptiveness to digital tech**

Bar chart: LOW 55%, MID 68%, HIGH 76%

Anticipate any growth in next 3 years
BASE: All respondents

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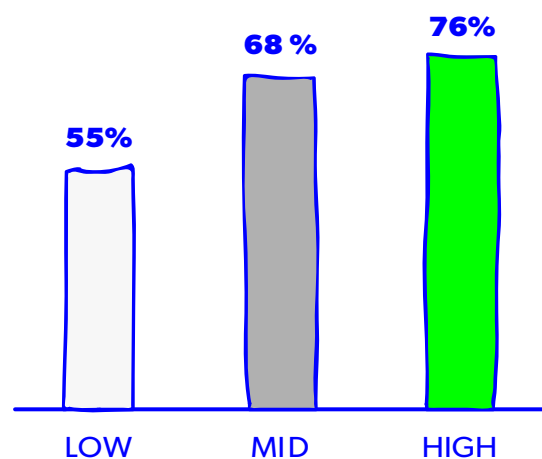
"Today you almost have to be seen to be really digital as a start up. My target market is young grads - who are all digital themselves so I have to be able to mirror that for credibility. But I also think you can't be a young business or entrepreneur in any field and not be using things like Xero or iZettle - you just wouldn't be taken seriously by customers or peers which is almost as important."

Owner, Recruitment company

Importance of technology to your business by growth ambition and business complexity

	LOW AMBITION	MID AMBITION	HIGH AMBITION	LOW COMPLEXITY	MID COMPLEXITY	HIGH COMPLEXITY
It's central for my business proposition	44%	54%	69%	33%	51%	66%
It's a factor in the operation of running my business	45%	44%	27%	57%	44%	32%
It's not a factor in my business at all	12%	2%	4%	10%	5%	2%

How integral is technology to your business?
BASE: All respondents

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As competitive and future uncertainty hangs over the market, SMEs need and want support

It's not easy being small. When asked about the challenges they've faced over the last three years, 73% of our respondents had experienced conditions that have significantly impacted their ability to do business. They cited increased competition from new entrants, reductions in margins and increasing customer expectations as the key factors.

Looking ahead, 70% of SMEs anticipate that they will continue to be hit by further challenges in the next 3 years - with a downward pressure on margins increasingly cited. On top of this, Brexit uncertainties continue to worry them; two-thirds stated they were concerned about the potential impact of Brexit on their businesses.

Which of the following have you experienced in the last 3 years?	
Increased competition from new entrants	**51%**
Reduced ability to make margins	**30%**
Increasing customer expectations	**37%**

Which of the following do you anticipate will impact your business in the next 3 years?	
Increased competition from new entrants	**31%**
Reduced ability to make margins	**40%**
Increasing customer expectations	**39%**

BASE: All respondents

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SMEs feel shortchanged

SMEs feel shortchanged by service providers

The large corporate service providers typically operate in a very different world from the SMEs they serve. Despite best intentions, it is hard to empathise with a way of life -- and business -- that is fundamentally different from your own.

Respondents in this study overwhelmingly agreed with this. 59% of respondents felt big corporate service providers treated all SMEs the same and 56% stated they didn't trust big corporations to understand the challenges of running a small business.

The more ambitious the business, the more they felt they were being shortchanged. Over 60% of the high ambition businesses felt underserved and undervalued by their big service providers.

Business owners recounted many experiences where service providers paid lip service to wanting to help without genuine conviction or action.

"You are dying constantly. You live with the knowledge in your head every single day of how long your business has left to live. It's exhausting, psychologically. I don't think they understand that."

Owner, Brewery Start Up

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"I approached a Big Law firm who sponsor the Start Up incubation space. They took 5 days to respond to a key question... for me, that was the difference between getting paid and not, but they didn't care."

Owner, Recruitment business

**"Big service providers often make me
feel small and unimportant"**

LOW AMBITION	MID AMBITION	HIGH AMBITION
50%	55%	61%
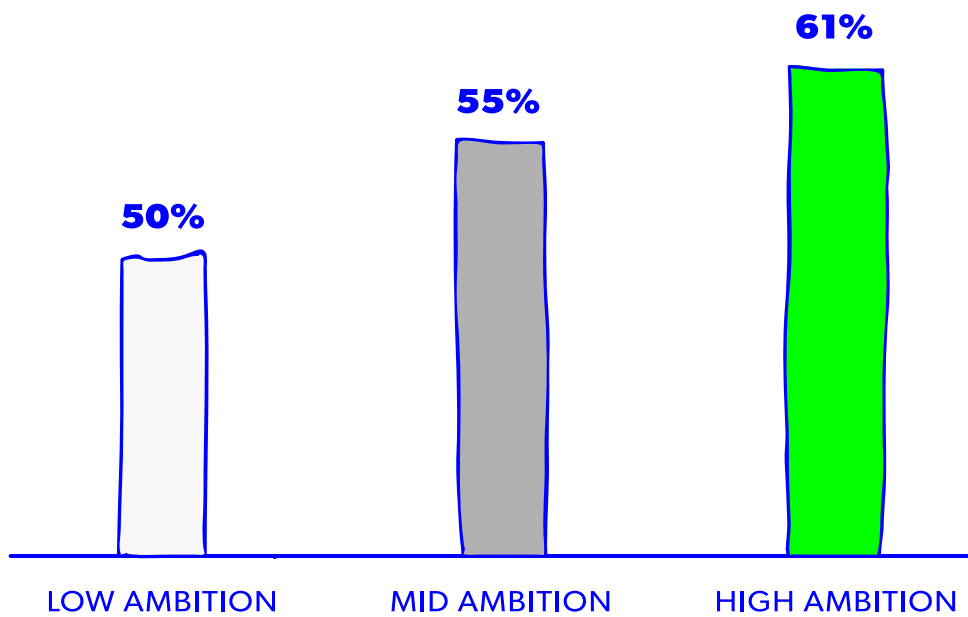
BASE: All growth ambitions, 355

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Many services aimed at SMEs just aren't that great, or that different from consumer services

Many business owners we spoke to wanted to 'do the right thing'. They wanted to get proper business accounts and business services but felt bogged down by 'tedious sign-up processes and forms required'. Once set up, they often felt the specific business services were underwhelming. They often compared their business service with their personal experience in the same category, e.g., telecommunications or banking.

42% feel the digital experience of their business products and services lags behind that of personal.
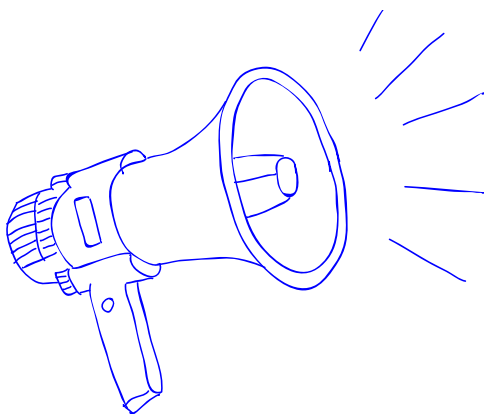
We also heard from different respondents about how the digital experiences fell short of their expectations.

"NatWest business banking is a joke. If you want to make payments of more than £20k per day, you need a different platform, a different card reader and so on."

"I looked into getting business mobile, but you end up paying 3 times as much for no real benefit over personal."

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Providers don't support SMEs on the tough journey of building a business

Starting up a business is hard. Running and growing a business doesn't get any easier. It's a constant and steep learning curve. When SMEs grow they often expect more help from their service providers. Often, the reality is very different. Whereas they may have been a 'big fish in a small pond' before their growth, once 'recategorised' they end up as 'small fish in a bigger pond'. For some this can mean the loss of specialised 'Start up' support or changes in the way they are 'account managed'.

These bumpy transitions are especially critical; this 'midsection' of scaling up is a key moment where businesses need more support and business owners feel the least confident. At this stage, it is a real opportunity not only for service providers to offer flexible products and services to fit changing needs, but also to give businesses the support and advice they crave at this vital moment.

43% of people running businesses turning between £2 - 10m feel unconfident in running their business versus 38% for turnover under £2m and 19% with turnover over £11m.

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"You are always going to need more "advice" and education than a big company, maybe not quite as much as at a startup but your business is still always changing and you don't know what you don't know, none of us have run a business before."

Partner, Recruitment start-up

"I think that the support you get as a startup can often be quite good because it's sexy, it's exciting. I'm more concerned with what happens when you're trying to make the leap to the next stage, because I'd imagine it all sort of just disappears then."
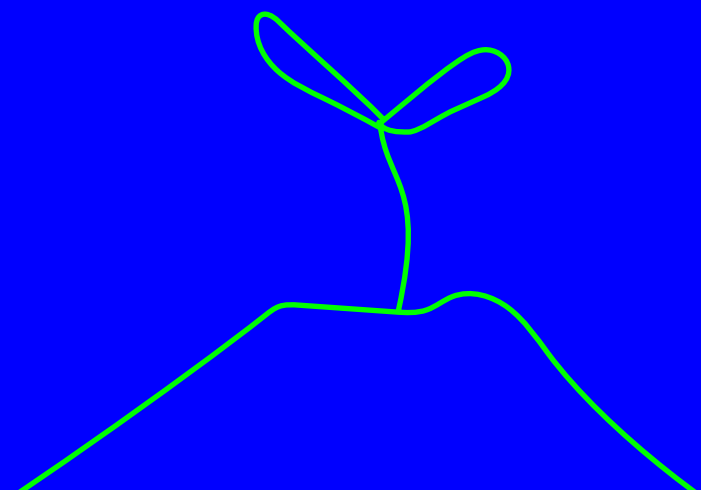
Owner, digital start up

"We rapidly went from being a small business to a larger one. Our existing business advisor told us she was no longer allowed to look after us. So we went from having a really great small business manager to having this other guy - and then we never saw him."

Owner, Auto electrics business

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Huge opportunity and threat to incumbents

Huge opportunity for new players (and threat for existing)

We asked SMEs about their past and future intention to switch providers across a range of services.
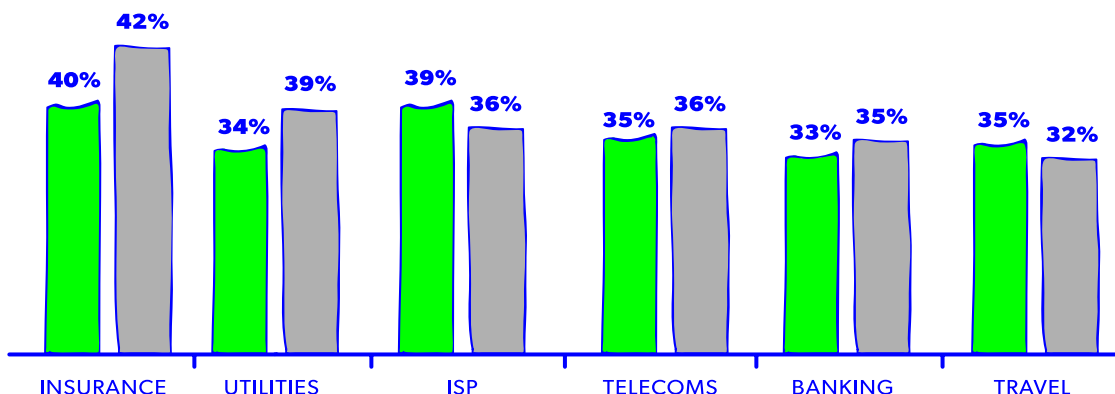
The results were striking. As much as 40% of SMEs have either switched in the last 12 months or were looking to switch in the the next 12 months.

These results are significant for a number of reasons. Compared to many earlier market studies the propensity to switch in high inertia categories like telecoms

and banking is higher than we've seen before. For example, a 2017 Ofcom study* found around 18% had switched with around 10% considering switching; other studies have suggested banking switch rates of around 8%. Secondly, the range and number of categories where these levels of 'disloyalty' existed was much wider that we anticipated.

*The SME experience of communications services (2017)
https://www.ofcom.org.uk/__data/assets/pdf_file/ 0030/96348/
Ofcom-SME-consumer-experience-research-2016-Report.pd

Past switching behaviour and future intention by service category (1)

	INSURANCE	UTILITIES	ISP	TELECOMS	BANKING	TRAVEL
Have switched in the last 12 months	40%	34%	39%	35%	33%	35%
Anticipate switching in the next 12 months	42%	39%	36%	36%	35%	32%

🟩 Have switched in the last 12 months   ⬜ Anticipate switching in the next 12 months
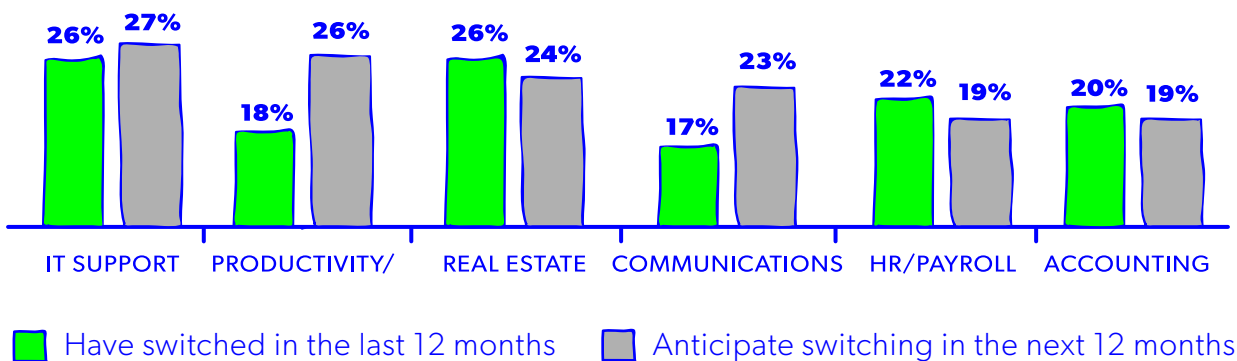
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Whilst the severity did surprise us, the trend did not. This data supports our experiences of talking to small business owners. We heard on numerous occasions about their efforts to switch providers to achieve better value or better services, searching for the 'unicorn' as one business owner described it.

In categories of business services which offer 'high touch' or more 'personal services' like, HR and accountancy our study showed a significantly lower propensity to switch.

"As soon as these platform banks get their act in gear for business I will move my business to them. Big companies add no value, but service in new, start up connected banks is better. These guys will end up taking over, for my generation."

Owner, e-commerce business

Past switching behaviour and future intention by service category (2)

	IT SUPPORT	PRODUCTIVITY/	REAL ESTATE	COMMUNICATIONS	HR/PAYROLL	ACCOUNTING
Have switched in the last 12 months	26%	18%	26%	17%	22%	20%
Anticipate switching in the next 12 months	27%	26%	24%	23%	19%	19%

■ Have switched in the last 12 months   ■ Anticipate switching in the next 12 months

BASE: All respondents

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SMEs prefer smaller more empathetic service providers

That's because they understand them better

51% of SMEs would trust a challenger or start up more because they understand what it's like to run and grow a business first hand.

## Smaller service providers are viewed as more agile and modern

58% of SMEs think that a smaller business would be more innovative and agile in developing products for their needs than a big corporate.

A tension exists between the perceived agility they desire from a start up/ smaller provider and the associated risk

While many SMEs in the study noted they'd like to put their business with start ups they also note (and know only too well) the stats around failure.

The risk of switching to a smaller provider is that they may fail and disrupt business and waste effort. What they really desire is service providers withn'a start up mentality + stability'.

Want to discuss how your organisation can become more empathetic and build long term, valuable relationships ? Get in touch **sme@adaptivelab.com**

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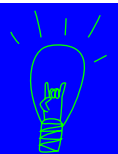
"Most of the people we use are also small businesses, it's about understanding but it's also respect and importance"

Partner, Recruitment business

"(BT) didn't care about service overall for business users, weren't interested in me, where I was, us as a business, where we were going to grow. I'd rather work with small companies who will be hungrier for it and adaptive to what you need - like we are for our clients."

Owner, Film marketing

"There is a bit of a sense of community of being an SME - I want to give my money to people like me to be honest."

Owner, Production company

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The business case: SMEs are willing to pay for better services

SMEs are hungry for better services and are willing to pay for them

55% of SMEs said they would would definitely pay more for something that was simple and easy enough to use to free them up to get back to doing the bits they love. A further 34% would consider it.

This willingness to pay a premium rises with both how complex a business is and how ambitious that business is for growth.

Willingness to pay for better services
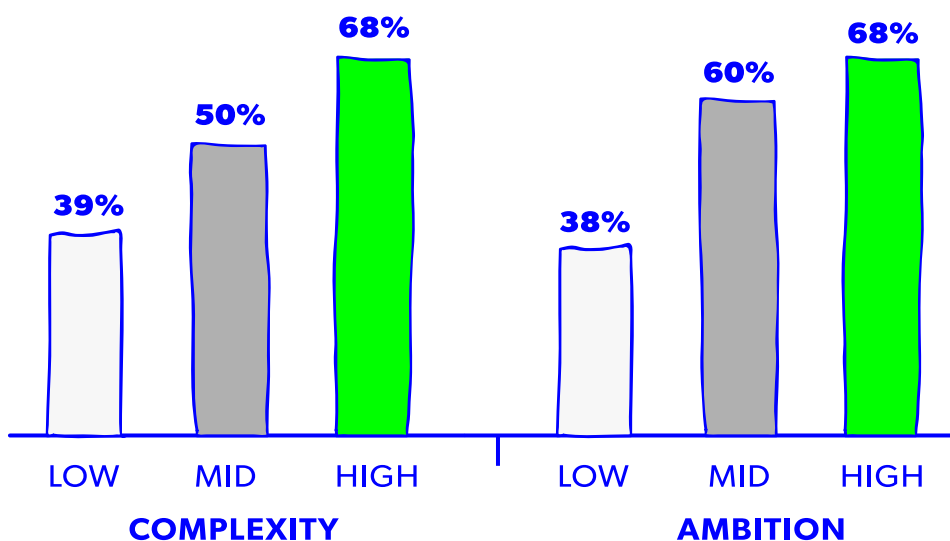
I would pay more a service that was simple and easy enough to free me up to get back to doing the bits I love
BASE: All respondents

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Winning with SMEs: creating services they'll love

3 Building blocks for 'SME' success

The study revealed some stark statistics about the experience of many business owners and their attitudes towards the sway of service providers currently supporting them. It has also uncovered the many factors that can help existing and new service providers win this underserved but lucrative market.

## We've identified three key building blocks essential to winning.

1 Firstly, get the basics right by meeting universal functional needs.

2 Secondly, meet the emotional needs of the businesses you serve.

3 Finally, you need a more contemporary and meaningful way to segment that will let you understand customer needs, craft tailored high-value propositions and invest accordingly.

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Getting the basics right:

Businesses serving this market should address the basic functional and emotional needs that businesses have in common.

What it takes to win:

Identify priority segments. Tailored offerings and strategic investments to address the needs of specific niches.

3

Priority Segment A

Priority Segment B

Priority Segment C

Priority Segment D

2   **EMOTIONAL NEEDS**

1   **FUNCTIONAL NEEDS**

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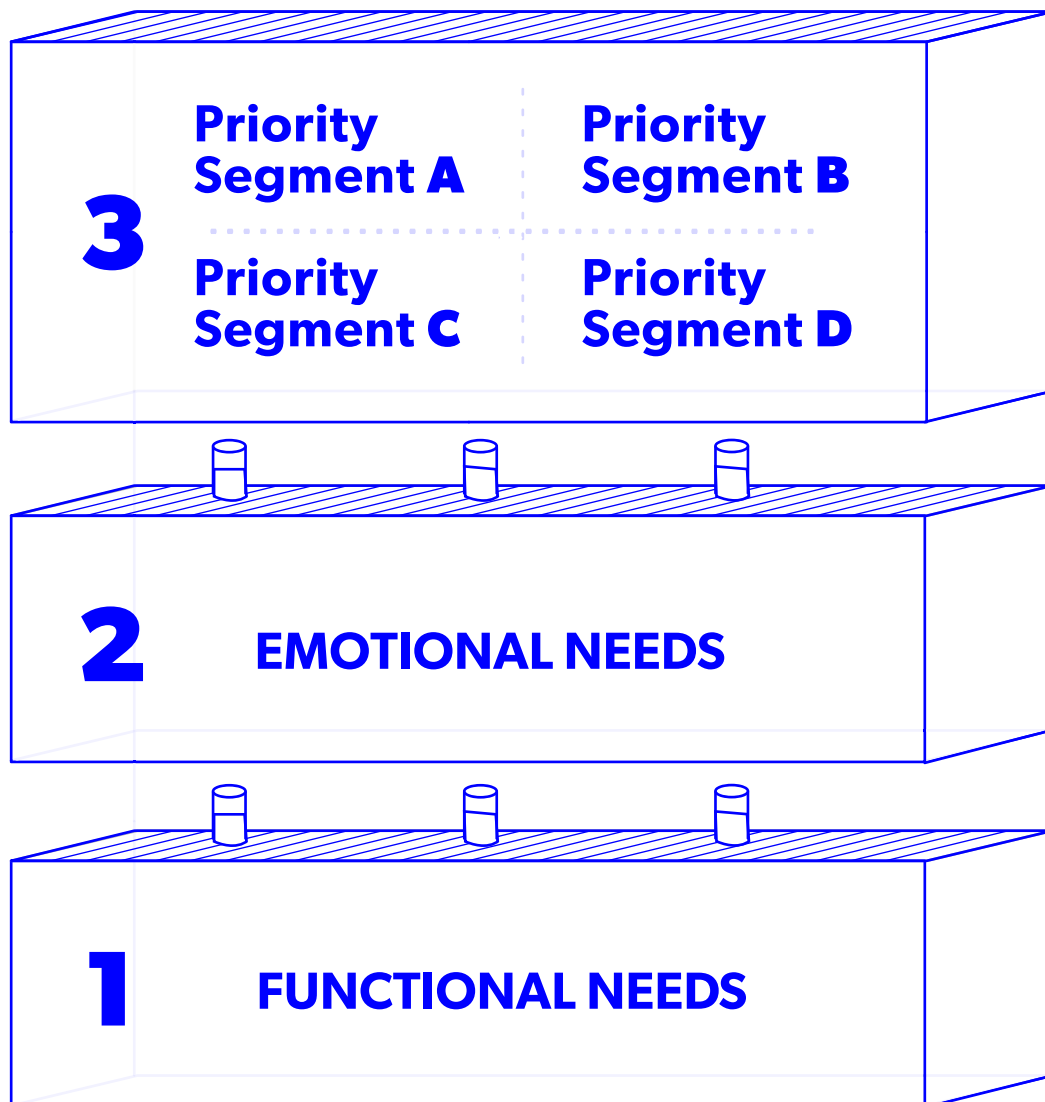
Key Functional Needs

The first building block relates to the function of your service and the needs it serves. It's about doing the basics well. No one sets out with the goal of making their products complicated for customers to use - and we all work with constraints. However, there are many simple ways to help you deliver on these functional imperatives, irrespective of your category or constraints. Some tactics we've seen work include:
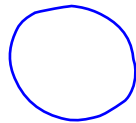
Establish product and service design principles, measuring performance against these principles, and making customer research a continuous process not a one-off.

Simplicity

Flexibility

Scalability

Accesibility

Agility

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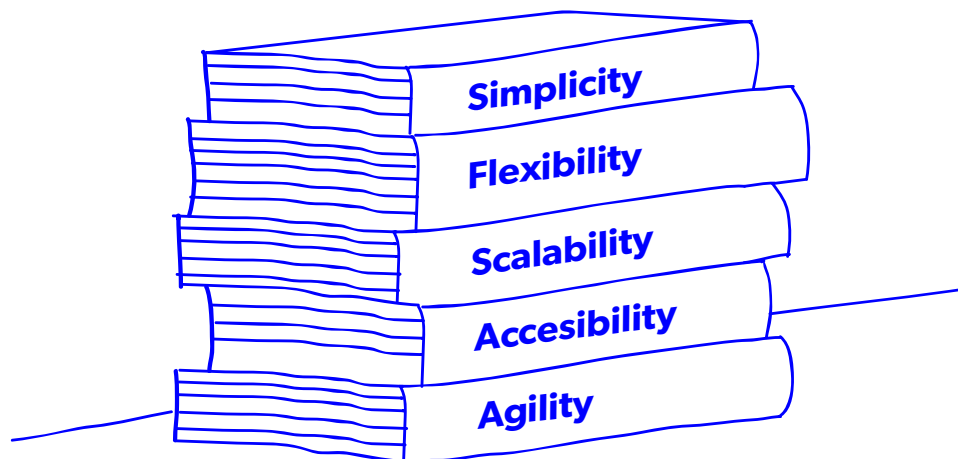
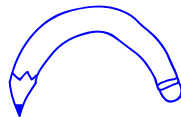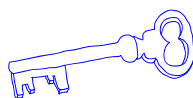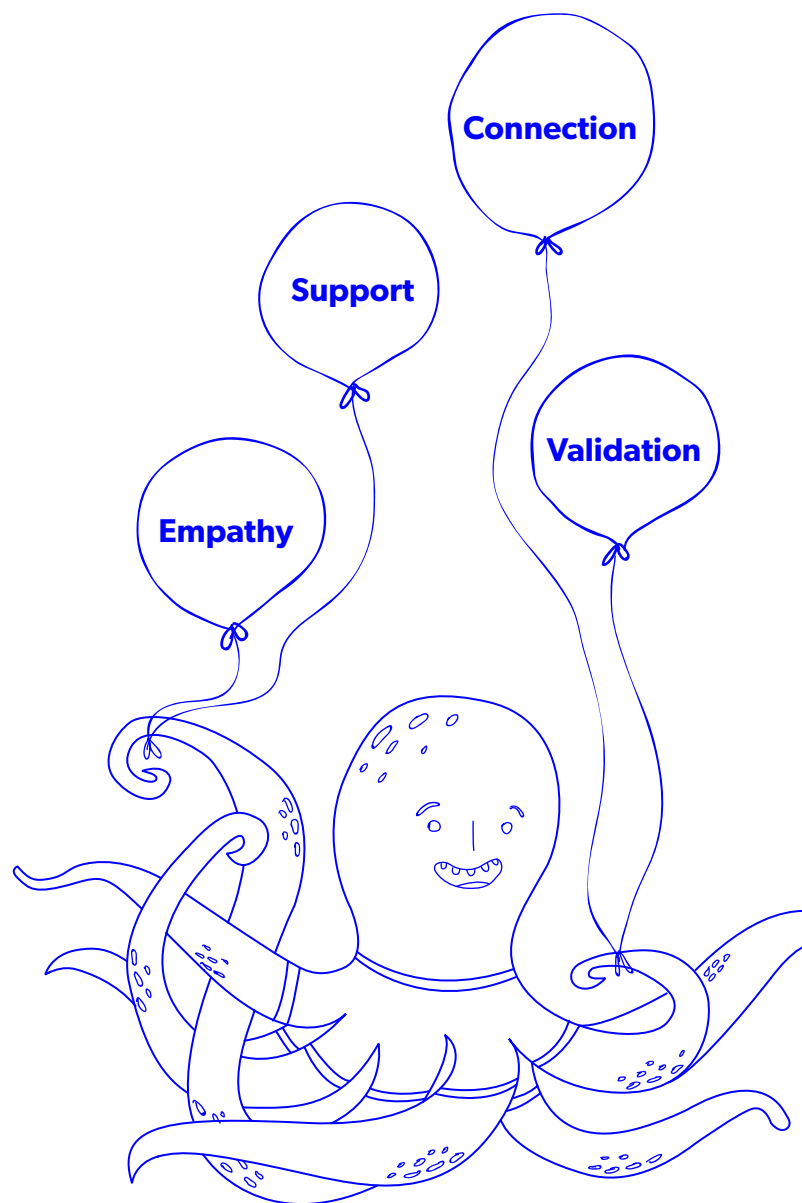| Key Functional Needs	Tactics and strategies for service providers: some examples
Simplicity	Customer expectations are being set outside of your category and in consumer markets. Co-create with customers, benchmark outside of your category. Think what can be removed before what to add.
Flexibility	How can you make changes frictionless without financial penalties. **65% of owners rate having the flexibility to change service features whenever needed as important.**
Scalability	What are the correct leading indicators of customers' changing needs? Help these business owners foresee the change and proactively support them.
Accesibility	What's the right channel mix and channel hand-off? **60% of SMEs rate mobile optimised services as important to them.**
Agility	Rethink your internal planning cycles. Identify user centric outcomes to pursue, not feature lists. Plan for uncertainty and establish a culture of continuous learning.

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Key Emotional Needs

The second building block is about the relationship and the brand experience you create. Time and time again speaking to business owners we heard about the daily struggles they faced and the lack of empathy shown by service providers. This was particularly true of the larger organisations in finance, utility and telecoms categories.

Service providers have the opportunity to move from a transactionsal relationship to trusted longer term partnership.

We found a huge appetite for support and advice, connection and reassurance. 55% of the respondents in our survey said 'they wanted a business service provider to help them optimise their business'.
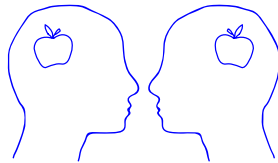
Meeting these customers needs touches many parts of your business; from your service model, organisation and team design to your brand and channel strategy.

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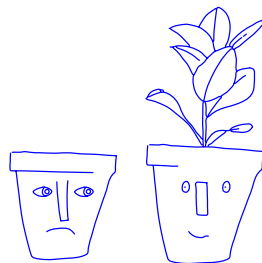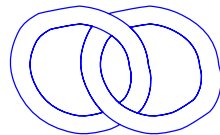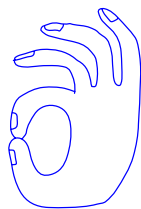| Key Emotional Needs	Tactics and strategies for service providers: some examples
Empathy	Continuous customer research helps. Hire empathy officers, hire ex-SME business owners into your business, encourage side-hustles in your organisation. Stop labelling them SMEs?
Support	Business owners crave partners to help achieve their goals. Rethink 'relationship' and 'account' managers introduce Customer Success executives or Client advocates. Consider your channel strategy carefully.
Connection	Running a small business can be lonely. Could you help connect fellow customers to like minded business owners?
Validation	Even the most experienced business owners experience insecurity. How can you use your aggregate data to provide intelligence and provide decision reassurance? 61% of SMEs state that experiences that turn data into insight and direction are important.

Want to learn more about the functional and emotional needs and how this can improve the way you serve SMEs? Get in touch **sme@adaptivelab.com**

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Segmentation rich in context underpins a winning strategy

A valid segmentation of the market shows meaningful differences in customers' values and needs. It helps us to understand those needs and how customers decide between one offer and another.

Knowledge and insight gained from proper segmentation should determine which groups of customers a business is best suited to serve, and how to tailor offerings to meet the needs of that group and outperform the competition.

Done properly, this underpins the value proposition, your service strategy and your go-to-market strategy.

Segmentation helps you:

• Make sense of complex and large populations

• Provides a common language to help align and mobilise your organisation

• Identify internal skills + resources required

• Make strategic priorities on where to invest and how

You can then shape:

• How to reach your target segment(s) - acquisition and distribution

• How to tailor your products/services

• How to most effectively serve and retain your customers

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Broken model: turnover and employee number aren't enough to tell you what you need to know

Many businesses that serve the SME market define SME as *'the segment'* - thereby assuming over 5 million businesses in the UK have identical needs. This simplification ignores a wealth of diversity in the market and so it's unsurprising that so many business owners feel vastly underserved and undervalued.

Some service providers apply additional refinements of employee number, turnover and industry type. This is an improvement, but even that won't tell you what really matters to these businesses or how you should support them. In particular, 95.7% of SMEs fall into the category of micro businesses with fewer than 10 employees.

Traditional SME segmentation models are merely a rudimentary organisation of the market with respect to demographics, with little strategic or operational value. We even found that 20% of SMEs don't actually class themselves as SMEs, so you're already mislabelling a fifth of your potential customers.

Your segmentation approach is wrong, if 95.7% of your audience is in the same segment

TURNOVER

250

NUMBER OF EMPLOYEES

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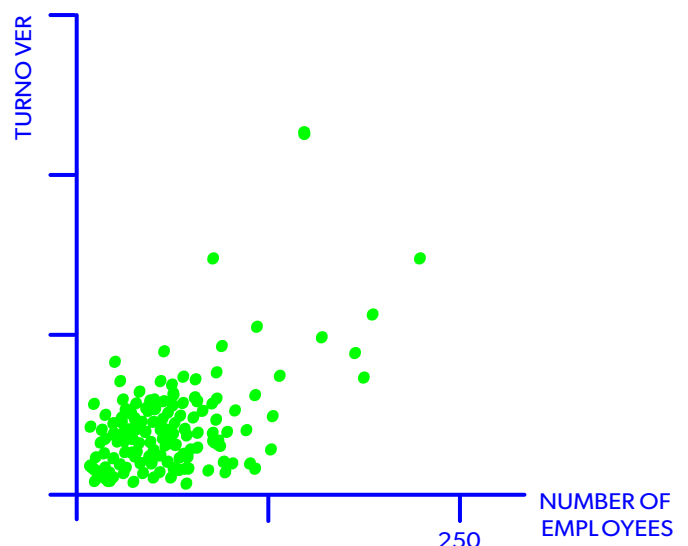
Supercharging SME Segmentation

You need a supercharged segmentation approach that highlights defining characteristics about needs and attitudes.

A segmentation is optimally defined by the data specific to your organisation. In this study, we explored different ways to find meaningful groups; analysing age of business, tech centricity, owner confidence, amongst others. This led us to 'complexity' and 'ambition'. These two characteristics proved incredibly insightful at defining more meaningful groups.

This is by no means the only way to segment small businesses but our analysis showed it to be a significant improvement on the common lenses of employee numbers and turnover.

Why complexity is better than employee numbers

Complexity helps you understand the degree of specialisation and sophistication that exists within the business. This helps identify specific sub segment needs and can aid 'product bundling' but can also provide clues to help you map decision makers and influencers in the buying decision.

Complexity indicates where the business is right now

How we defined it: number of 'interactions'.

Supply chain and customer complexity, markets, workforce complexity and physical size of business - sites/locations.

Why ambition is better than turnover

Ambition for growth is a dynamic signal of business goals and owner attitude.It can indicate an openness to new product offerings, signal the type and depth of relationship and even potential future value.

Ambition indicates where the business wants to go
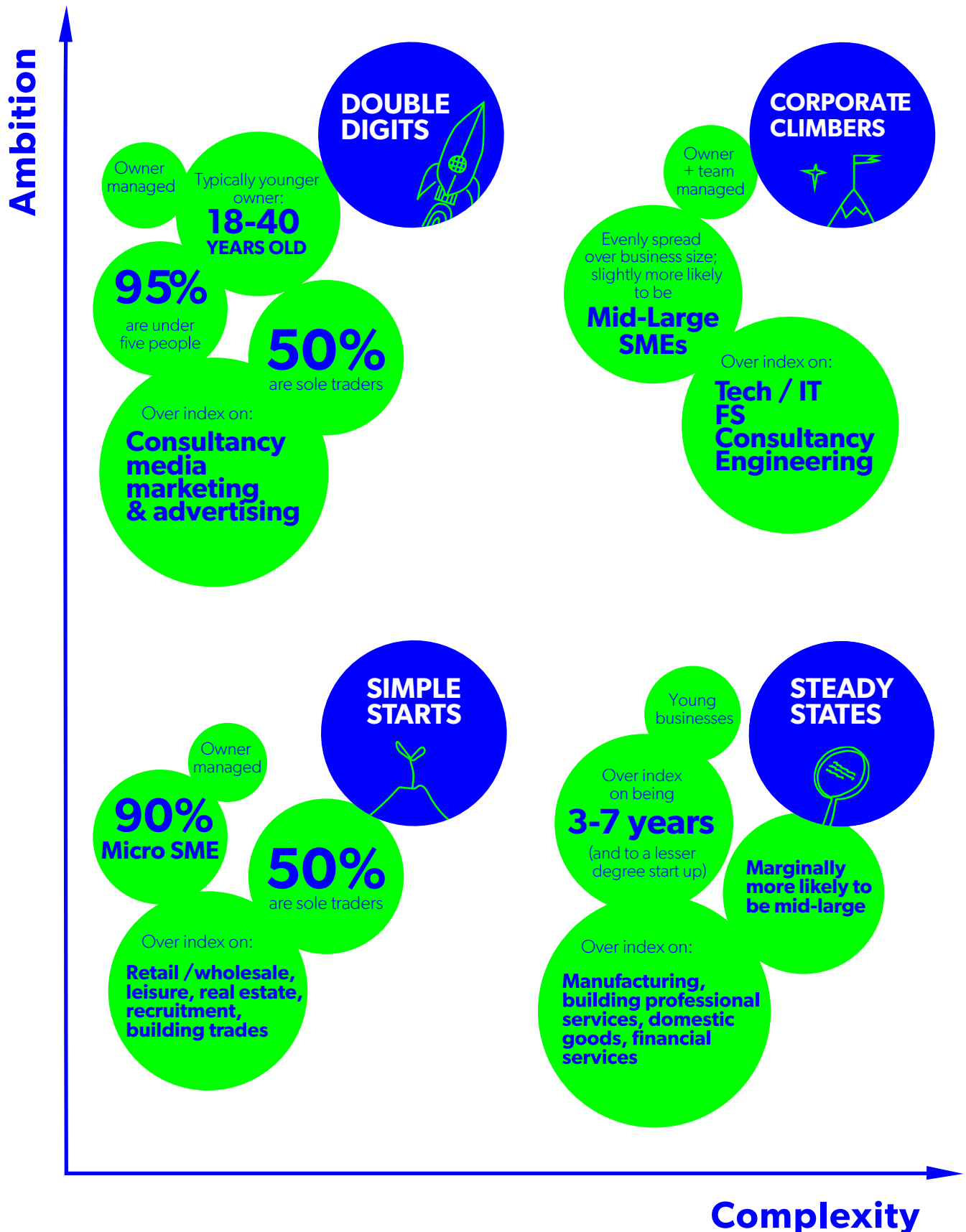
How we defined it:

Turnover growth in the next 3 years:

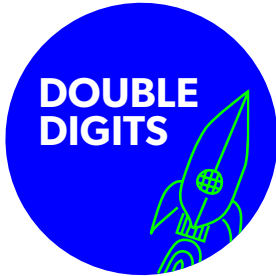Low - maintaining

Mid - 1% - 10%,

High - 10% - 20% growth.

Very High - 20%+

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Segment characteristics: Demographics

Ambition

DOUBLE DIGITS

Owner managed

Typically younger owner:
18-40 YEARS OLD

95% are under five people

50% are sole traders

Over index on:
Consultancy media marketing & advertising

CORPORATE CLIMBERS

Owner + team managed

Evenly spread over business size; slightly more likely to be **Mid-Large SMEs**

Over index on:
Tech / IT FS Consultancy Engineering

SIMPLE STARTS

Owner managed

90% Micro SME

50% are sole traders

Over index on:
Retail /wholesale, leisure, real estate, recruitment, building trades

STEADY STATES

Young businesses

Over index on being
3-7 years (and to a lesser degree start up)

Marginally more likely to be mid-large

Over index on:
Manufacturing, building professional services, domestic goods, financial services

**Complexity**

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Segment characteristics: Optimisation goal, support needs and relationship desire

DOUBLE DIGITS

1 Give me time back to be able to focus on the core of my business, not the admin.

2 I need help with deciding where to focus.

3 Help me succeed. I want to learn fast and I expect digital products and services.

CORPORATE CLIMBERS

1 I want to scale my business by identifying new growth opportunities to transition from small to medium/large.

2 I need help with aggregation, connecting the dots and reducing complexity.

3 I want a long term partnership.

SIMPLE STARTS
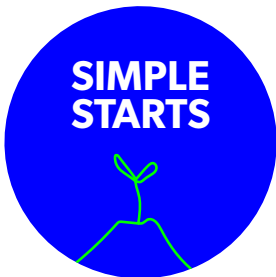
1 Help me optimise my business for cost efficiency.

2 I need help with keeping things simple and survival.

3 I want a low touch autonomous relationship, I just need things to work at a low price.

STEADY STATES
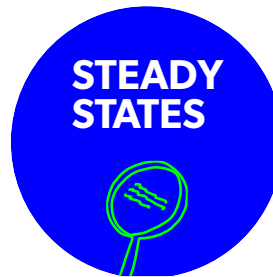
1 Help me optimise my business for long term survival.

2 I need help with understanding how digital can make my business more efficient. I need support with complexity.

3 I want some engagement and help but I am just trying to maintain the status quo so don't need a high touch partnership.

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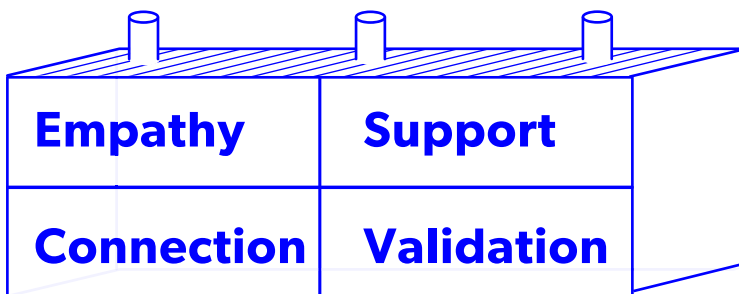# Complete SME Framework

To summarise, the three building blocks come together to help reimagine services for business customers.

DOUBLE DIGITS	CORPORATE CLIMBERS
SIMPLE STARTS	STEADY STATES
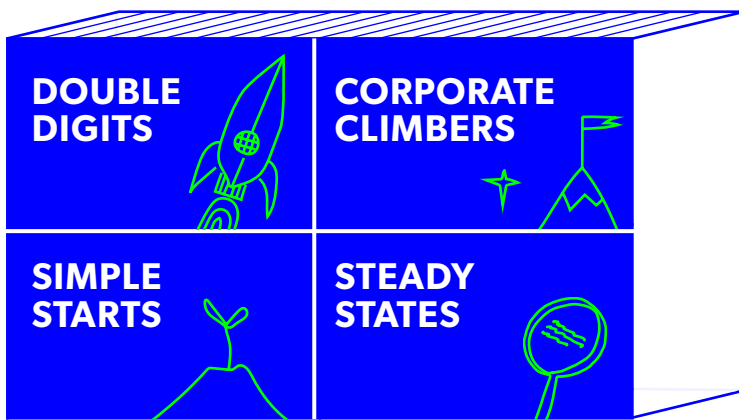
Segment specific needs*

How to think about these:

- Proposition
- Product Discovery
- Channels and Platforms
- Partnerships
- Go to Market

Empathy	Support
Connection	Validation

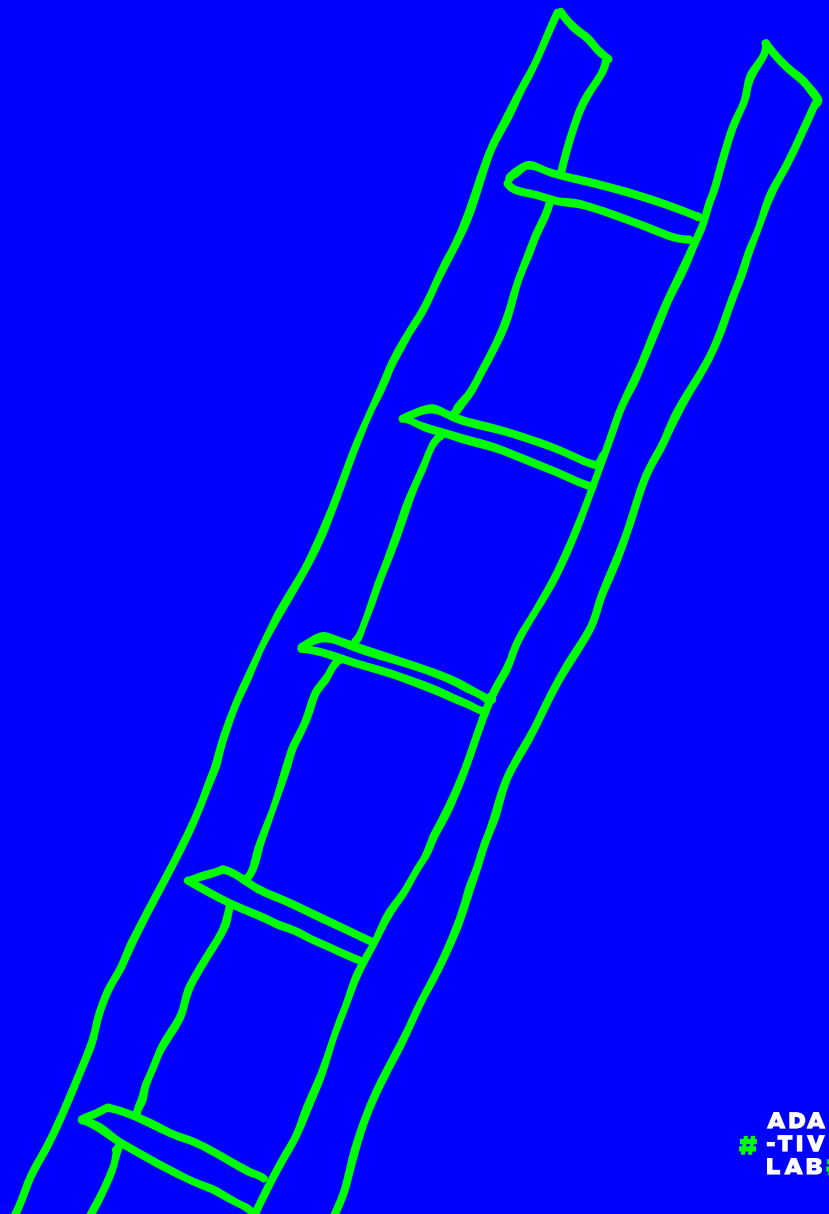| Flexibility	Scalability
Agility	Accesibility
Simplicity	

Functional and emotional needs

How to think about these:

- Service and product principles
- Org design
- Hires+Team Design
- Technology
- Partnerships
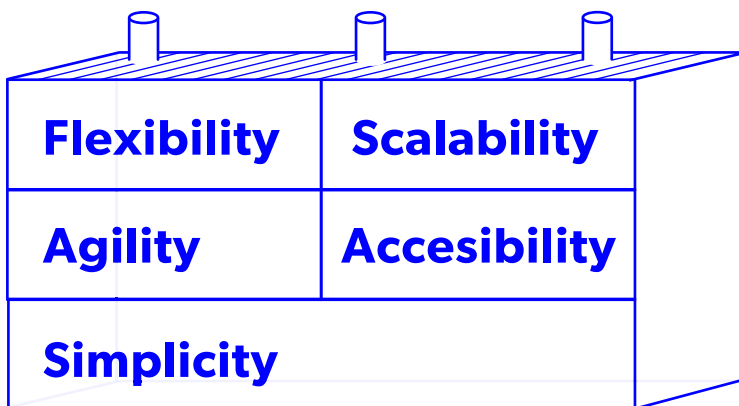
* these are framed as typologies but one could equally define or enrich with other approaches e.g. Jobs To Be Done

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What to
do next

How to use this

When we embarked on our research with SMEs, we didn't anticipate that we would uncover a new way to segment the SME market. Our aim was to learn more about what drives SMEs and how we could help to build better products and services for them.

We are aware that we have only taken the first step on the journey of understanding SMEs and that our suggested segmentation approach should be seen as a jumping-off point.

Businesses working with SMEs need to explore what complexity and ambition mean within their specific category and should also look at other lenses and filters to get closer to the real needs of this deeply complex audience.

This report represents a summary of some of the key themes and insights that emerged. For a more indepth debrief get in touch with sme@adaptivelab.com.

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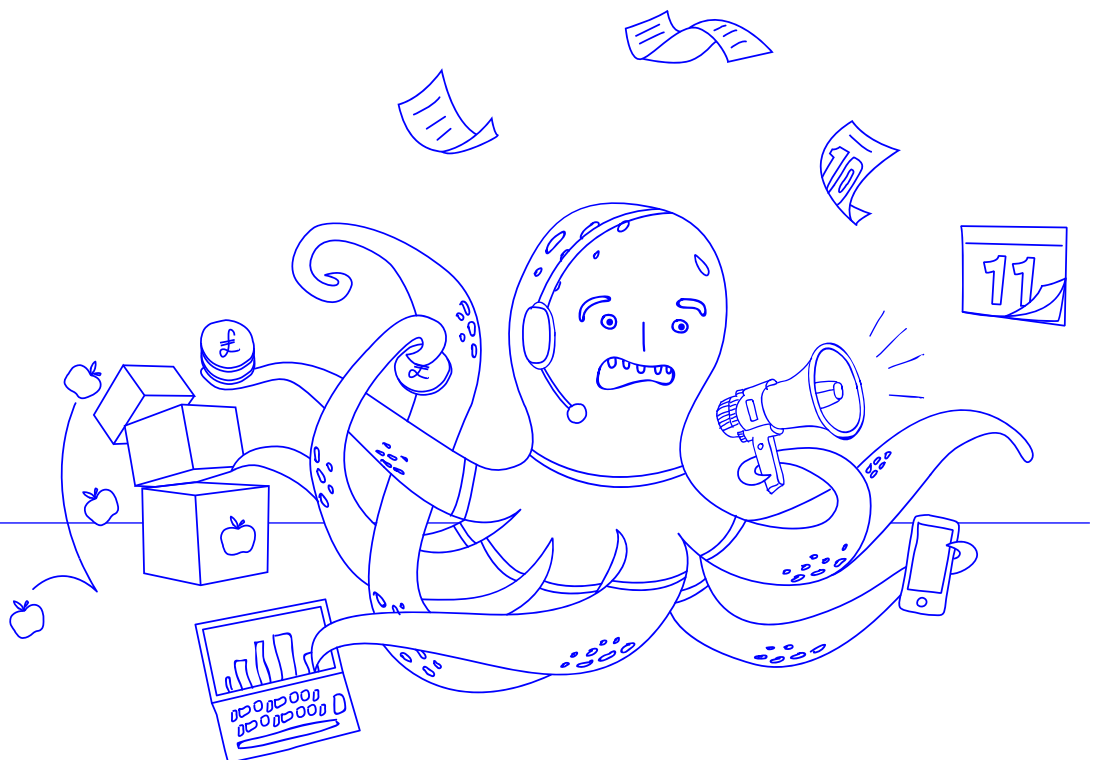
Some Questions to Ask

If you're looking at SMEs as a potential new segment for your business service, or looking to rethink your offering below are some questions you might want to consider:

Opportunity analysis:

What's your place/role in the wider SME ecosystem? What's right for your brand?

Reimagining:

What would your products/service look like if you didn't have an existing personal or corporate offering or specific constraints?

Tailoring and focus:

Define your target audience in terms of complexity and ambition. How is this different from your current approach. Which other lenses could provide greater insight for your business/category?

Becoming more empathetic:

What initiative could you launch in the next 3 months that could help your team empathise more strongly with SME business owners?

Support/advice:

How can your product/service help SMEs be more successful businesses? Which experiments could you run to help build the business case for offering more support?

Metrics:

How are you measuring success today? How could these metrics be framed in your customers' success?

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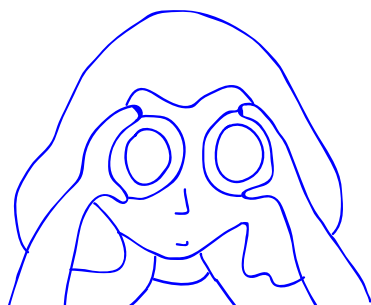
Who's doing this well?

When we shared an early version of this report a few people asked "is anyone doing this well, if so who?" This was not a topic explored during this study and there were surprisingly few spontaneous mentions during our interviews with business owners.

Xero (accounting software) was mentioned on a few occasions. Close Bros (merchant banking) and Citrus HR were also mentioned (see quotes). In our client work we've also observed some promising new players in specific business categories.

This absence of spontaneous mindshare market leadership is perhaps yet more evidence of the market opportunity presented by SMEs.
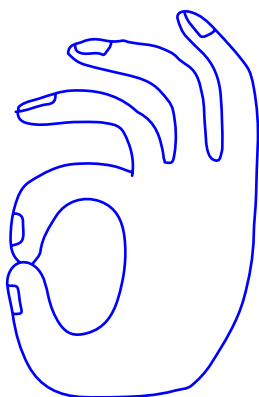
"Citrus HR only service businesses up to 50 people because they know thats when your needs change. All the staff there have Small Business experience and they know your needs if you have 1 or 2 employees will be different to if you have 100"

Owner, Recruitment business

"Close Bros have a dedicated SME arm with dedicated sector specialists. They've invested the time in understanding how specific business types work, not just sizes; HSBC treat all SMEs the same which is insane. Close Bros knew exactly what we were talking about, they knew our business, and then were keen to make it work for us.

Owner, Beverages and Foods company

Methodology
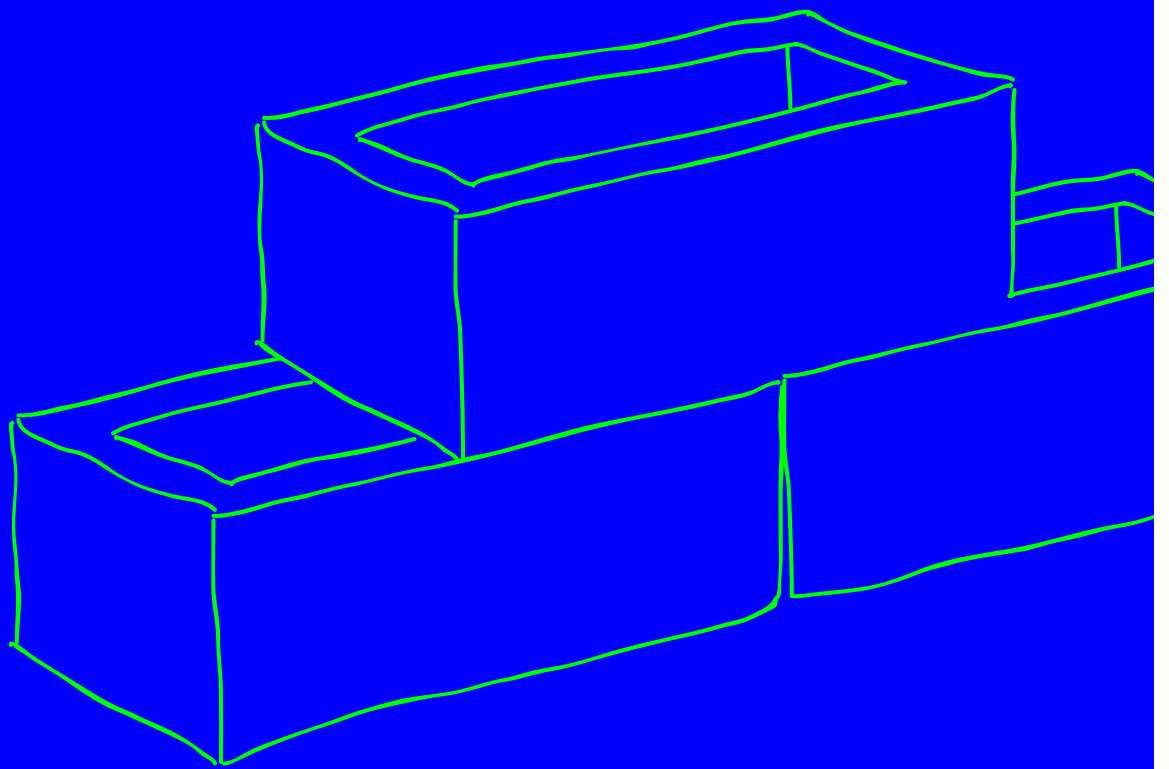
Methodology

The research was undertaken between December and January 2018. The quantitative study was conducted by Research Now amongst a representative sample of 500 small and medium businesses from across the UK.

The study asked business owners and key decision makers about their needs, attitudes and experiences of suppliers to their business across a wide range of 14 categories; from insurance to telecoms and logistics.

We complemented this research with face-to-face interviews to further understand this diverse group. We then undertook an in-depth analysis to identify statistically significant patterns and insights.

This was viewed through the common lenses like sectors and employee numbers, but we also explored a host of new lenses to help understand this group better.

These included:

Age of business: years, in lieu of life stage.

Tech centricity: how central technology is to their business. Categorised scale.

Type of SME: micro 1-9 employees, small 10-49, large 50-249.

Sector: standard indutrial classifications.

Complexity: number of 'interactions' e.g. clients/customers, suppliers, markets and business locations. Categorised scale.

Ambition: revenue growth aspirations. Defined by ambition for turnover growth in the next 3 years: Low - maintaining current turnover with no immediate ambitions for growth, Mid - 1% - 10% growth. High - 10% - 20%, Very High 20%+

Digital receptivity: openness to try new digital products and services. Categorised scale.

Confidence: of owner in running their business & achieving their goals. Categorised scale.

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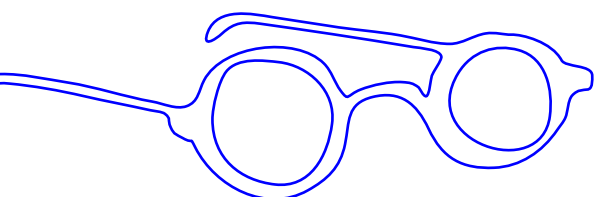
SMEs

Smallish Misunderstood Enterprises

April 2018
v1.1

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