**DIGITAL ECONOMY**

# Doing Business In-the-Moment

## How SMBs Run Live in the Digital Economy

**O**UR LIVES ARE INCREASINGLY DRIVEN BY REAL-TIME DIGITAL ACTIVITIES. Customers no longer tolerate long order processing times, inconsistent information across channels or service glitches. And yet, business is increasingly global and complex.

With data and analytics, "you can view trends and historical data and extrapolate to the future—it's very powerful."

—RAY BOGGS, VICE PRESIDENT OF SMB RESEARCH, IDC

To meet these demands, businesses of all types—not just digital giants and deep-pocketed competitors—certainly need instantaneous access to relevant data. They also, however, need the ability to respond immediately to the insights that data reveals. In other words, organizations need to do business "in the moment." This is as true for small to midsize businesses (SMBs) as it is for any other size company today. All businesses—and especially the fast-growing ones—need operational, supply chain, sales and inventory insights at their fingertips to make the best decisions, seize hidden opportunities, anticipate problems and delight customers.

A small retailer, for instance, that can monitor its inventory on the fly and perform real-time cost analysis will be able to make decisions and take actions to avoid stock-outs or over-stocks and to optimize profits and losses. A particular concern is cash flow, which must be preserved at all costs. What SMBs do today affects their financial statements tomorrow; there is no buffer.

Armed with a full view of all the relevant data, companies can also be proactive. If a business knows its cost of materials is going to rise in six months, for example, it can phase in small price increases to avoid a large increase all at once. With data and analytics, "you can view trends and historical data and extrapolate to the future—it's very powerful," says Ray Boggs, vice president of SMB research at global market intelligence firm IDC. Bottom-line business success, especially for SMBs, depends on the ability to respond to events as they unfold and even take action in anticipation of what lies ahead.

## THE GROWING SMB-TECHNOLOGY RELATIONSHIP

It is no wonder that companies increasingly see advanced technologies as key to their success (see Figure 1, on page 3). Whereas sophisticated "real-time" systems historically were outside the boundaries of most SMB budgets, their agility renders them better able to take advantage of new and emerging technologies—particularly those delivered through the cloud. Because software-as-a-service (SaaS) and the cloud reduce computing infrastructure cost and maintenance requirements, SMBs are viewing technology investments with less trepidation.

Compared with large enterprises, "smaller organizations tend to be amongst the earliest technology adopters in the marketplace," says Howard Dresner, chief research officer at Dresner Advisory Services, an independent industry research firm. Increasingly, this even includes analytics systems. "The barrier to entry for capabilities like analytics has dropped precipitously over the last decade," he adds. The result, Dresner says, will be game-changing. "The competitiveness of just about every imaginable industry has been enhanced."

What has made analytics accessible to SMBs are technologies such as cloud computing, better user interfaces, visualization tools, and improved algorithms and natural language capabilities, according to SMB Group, a technology industry research, analysis and consulting firm focused on SMB trends. "As more solutions designed for people with little or no data preparation and analytics skills emerge, analytics will become more consumable for SMBs," the firm says.[1]

1. SMB Group. "SMB Group Top 100 SMB Technology Trends for 2015." http://goo.gl/KgUWaV.

Cloud-delivered capabilities, in particular, are becoming integral to the success of small to midsize businesses. According to SMB Group, just 19% of small businesses in the United States employ full-time, dedicated IT staff and although 86% of midsize businesses have internal IT staff, they are typically IT generalists who lack expertise in newer technology areas.[2] As SMBs increasingly require fast, easy, lower cost access to capabilities such as analytics, more compute power and other services, cloud adoption has boomed, the firm says (see Figure 2, on page 4). Such affordable capabilities, Dresner adds, can level the playing field, allowing SMBs to compete with large enterprises.

### LIVE FROM THE CLOUD

An example of a fast-growing business using live capabilities from the cloud to improve healthcare is Medistance, a telemedicine company in Budapest, Hungary. The goal of this 50-employee business is to revolutionize patient care globally by connecting patients with caregivers using real-time streams of clinically valid information, which enables physicians to make health decisions on a "live" basis.

Traditionally, the only way for doctors to know about the health status of patients with chronic diseases, such as hypertension, diabetes and obesity, is when they come in for an appointment or the patient self-reports an issue or problem—a notoriously unreliable way of getting to the truth of patients' actual health. Without continuously monitoring and quickly responding to patient vitals, including glucose, blood pressure, cholesterol levels and even heart failure events, complications often go untreated.

Medistance CEO Rudolf Mezei wanted to change that. He set out to establish a completely new service product category, which provides machine-to-machine (M2M) communication of clinically valid health status data—directly from patient to provider. The technology needs to enable fast analysis of big data content and take into consideration complex privacy and security compliance concerns. "We take full responsibility for quality assurance and management to European and global standards using clinically validated medical devices with cutting-edge M2M data transmission technology for access to this service instead of smartphones," he says.

> With Medistance's solution, doctors can adjust medicines and dosages in the moment, based on the findings, with no lag time or need for an office visit.

**FIGURE 1** **SMBs See Advanced Technology as a Key Differentiator**

**(Percent of respondents who said advanced technology is an important competitive tool and key differentiator for the company.)**
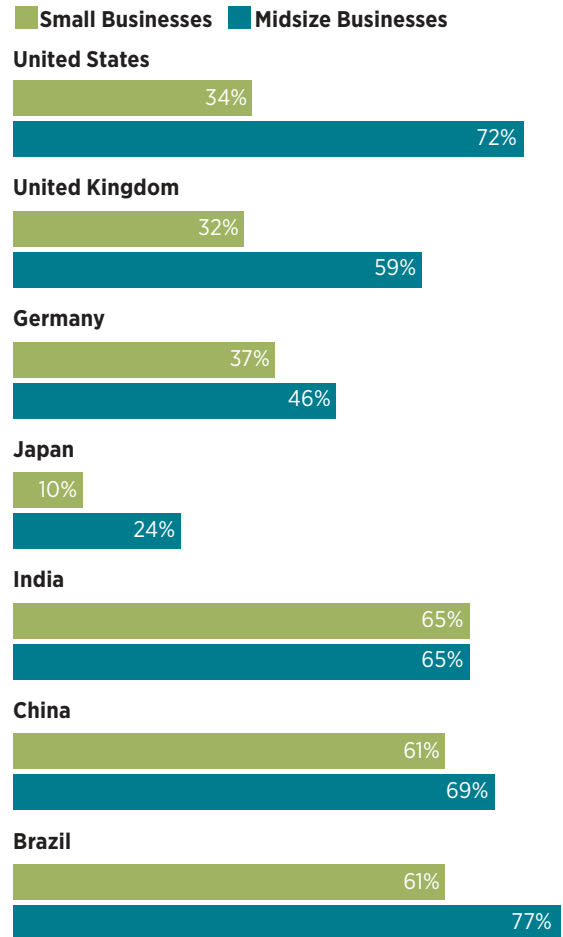


Base: 1,889 respondents from small and midsize businesses
Source: IDC, "SMB Business Objectives, Technology Attitudes and IT Spending Priorities in Seven Countries, 2016: Investing for Maximum Impact"

Patients perform at-home tests and send the results via a dedicated device to physicians. This approach provides much greater reliability and accuracy than self-reporting or sending data via smartphone. Even more important, doctors can adjust medicines and dosages in the moment, based on the findings, with no lag time or need for an office visit.

> Because of the real-time inventory capability, Gray Gallery clients will never be disappointed that a one-of-a-kind piece they love is no longer available.

## MOVING TO INTEGRATED BUSINESS MANAGEMENT

With the cloud, SMBs are increasingly able to operate using live data, delivered by sophisticated tools. It is essential, however, that these tools gather data without the company having to cobble together a set of disparate applications. "Smaller organizations don't have the expertise or budget to manage a plethora of different solutions. What appeals to them is when everything is embedded in one solution," says Cindy Jutras, president of Mint Jutras, a research firm that focuses on the impact of enterprise applications on business performance. "They want it all to be in one place—one stop for all the information they need."

Such was the case at Gray Gallery. Headquartered in West Hollywood, Calif., Gray caters to elite consumers around the world who appreciate exquisite mid-century design in sculptural pieces and jewelry. "This is a design gallery that appeals to a certain aesthetic sense. It's not a white-wall gallery," says Andrew Utas, the gallery's director.

With just a handful of employees, Gray wanted to automate its business processes and also create a Web presence that matched its clients' sophisticated taste and demand for immediacy. No matter where buyers were located, the gallery wanted to give them a live view of exactly what was available at any given moment.

Using a cloud-based approach that integrates point-of-sale (POS), marketing, inventory and e-commerce in one system, the gallery's Web site now projects the elite artistic experience of an in-person galley visit. Web visitors can experience the sculptural art and jewelry from different angles. "We tried to find a way to provide that kind of context and experience," Utas says. Soon, he adds, customers will be able to see how it would be to wear the piece or stand next to the sculpture. Also important: Purchases are immediately reflected on the Web site. Because of this real-time inventory capability, clients will never be disappointed that a one-of-a-kind piece they love is no longer available.

**FIGURE 2** ## Cloud: The New Infrastructure for SMBs

**Percent of U.S. SMBs now using at least one cloud business solution**

| | |
|---|---|
| | 92% |

**Percent of U.S. SMBs using at least one cloud infrastructure solution**

| | |
|---|---|
| | 87% |

Base: 700 U.S. SMB technology solution decision-maker and influencer respondents
Source: SMB Group, 2015

## MEETING GROWTH NEEDS

The acceleration of business opportunity is a big promise stemming from better access to advanced technologies, according to IDC's Boggs. Particularly with global e-commerce, when a Web site might be the business's only face to the world, it is crucial to convey the same in-the-moment capabilities as a large enterprise. "It took 100 years for Wells Fargo Bank to expand globally after the Pony Express. Now, if you're online, you're engaging in a global marketplace," he says.

Case in point is Mad Rabbit Kicking Tiger (M.R.K.T.), a bags and accessories retailer with offices in Los Angeles and Shanghai. M.R.K.T. was founded in 2010 by a Harvard-trained architect who wanted to create handbags made out of environmentally friendly fabrics and featuring designs inspired by modern architecture. The retailer began like most fashion startups: in heads-down mode, concentrating on creating products and making sales, not building a robust operations process, says Shaun Nath, co-owner and CEO.

Within just a few years, M.R.K.T. had built a robust set of sales channels, including more than 30 bricks-and-mortar stores, wholesalers and an e-commerce presence, enabling sales in more than 20 countries. As with most small businesses, it was possible at first to manually keep track of customer orders and inventory. "We knew every customer by name, and products, shipments and payments were easy to track," he says. With fast growth, however, complexity increased. "We basically had two options: hire an army of people and accept a lot of manual mistakes and errors, or see how we could automate some of this," Nath says.
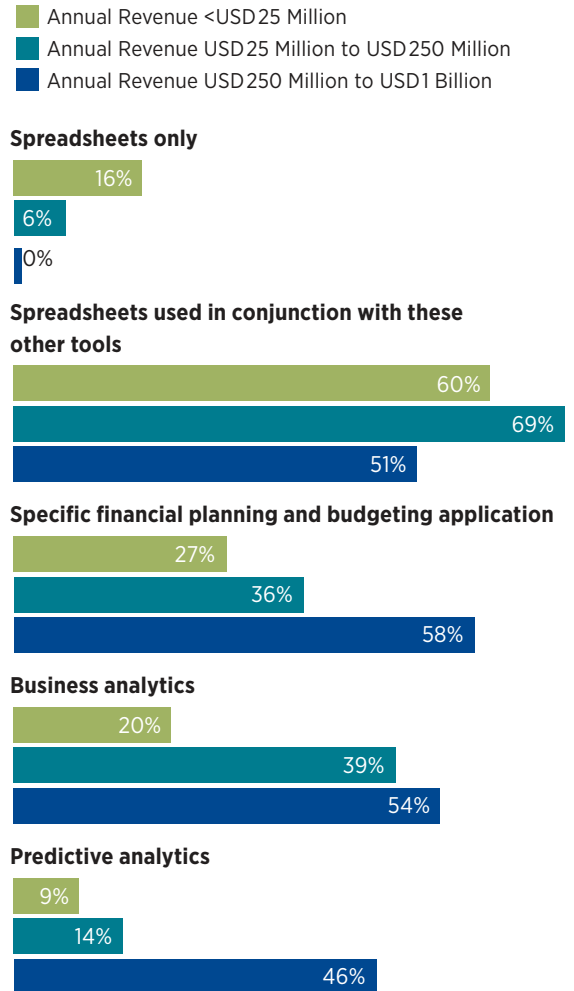
M.R.K.T. now has POS, accounting, marketing, e-commerce and inventory activities integrated in one system. The company can see cross-channel insights, such as which items are selling best where, enabling it to make sophisticated decisions that drive sales and minimize over-stock and stock-outs. "We can clearly see and analyze what's selling in a particular channel and plan ahead based on what's available," Nath says.

For example, M.R.K.T. can now optimize inventory al-locations in its two warehouses—Los Angeles, which supports e-commerce and wholesalers, and Shang-hai, which supports international sales and retail stores in China. With instant access to data, "we can see which styles are doing well where, and ship them to Shanghai vs. LA," Nath says. Despite being a small business, M.R.K.T. "has an incredibly complex global supply chain," Cindy Jutras says. "They manage a complex situation with one cloud-based solution."

Further, if M.R.K.T. sees a particular style picking up in sales on the Web site, it can dedicate that item to the e-commerce channel and pull it away from the whole-sale channel. "This way, we don't stock-out, and we can also get a higher price," Nath says. The company can give retailers advice on hot items in their particular market, he says, and when certain items are not selling well, it can easily understand why. "We can adjust the selection to the geographic demand we see in another channel to get the best revenue result," Nath says.

Importantly, all this in-the-moment, live-action agility is available anywhere, at any time. "Our team is small and travels a lot," he says. "We don't have a bunch of people waiting to take orders like a larger company would." The system has also sped order processing times, Nath adds, dropping from two days to minutes.

> "We can clearly see and analyze what's selling in a particular channel and plan ahead based on what's available."
>
> —SHAUN NATH, CO-OWNER AND CEO, M.R.K.T.

**FIGURE 3 Business Tools Used by SMBs**
(Respondents were asked, "which of the following kinds of tools do you use today to monitor, plan and predict corporate performance?")

- Annual Revenue <USD 25 Million
- Annual Revenue USD 25 Million to USD 250 Million
- Annual Revenue USD 250 Million to USD 1 Billion

**Spreadsheets only**
- 16%
- 6%
- 0%

**Spreadsheets used in conjunction with these other tools**
- 60%
- 69%
- 51%

**Specific financial planning and budgeting application**
- 27%
- 36%
- 58%

**Business analytics**
- 20%
- 39%
- 54%

**Predictive analytics**
- 9%
- 14%
- 46%

Base: 523 businesses from North America, South/Central America, Europe, Africa, Middle East, India and Asia
Source: Mint Jutras

## ANALYTICS FOR SMBS

A recent study by Mint Jutras confirms that only a minority of SMBs continue to rely on piecemeal and disjointed approaches to business planning and that more are combining spreadsheets with other tools and even beginning to experiment with analytics (see Figure 3, above).

A challenge with using analytics is knowing which questions to ask first. As IDC's Boggs points out, most SMBs can tell you who is 60 days in arrears, but they tend not to know who their most profitable customer is. "Wherever you shine the lamp, you see amazing results," he says.

"Reports help answer questions, but it's all in the rear-view mirror," Jutras agrees. "Analytics are a lot more interactive and iterative and help you figure out which questions to ask, like 'Why is this region doing so much better or worse than everyone else?'"

> Thanks to sophisticated technology, "we have been able to do a lot in a little time."
>
> — MARCIUS VICTORIO DA COSTA, DIRECTOR, FUMAJET

One company that is effectively applying analytics for in-the-moment decisions is Fumajet, a 22-employee business in Rio de Janeiro that specializes in controlling epidemics and agricultural pests to aid public health. Because mosquito-borne diseases cause upward of one million deaths annually, the World Health Organization and governments in warm climates are scrambling to find new ways to fight vector-borne infectious disease. Unfortunately, many countries experiencing the worst epidemics have the least amount of money to spend on the issue.

Fumajet targets this problem in a unique way, sending teams of motorcyclists equipped with pesticide foggers to trap and kill mosquitos. Motorcycles are both less costly and more effective than traditional planes or trucks, says Marcius Victorio da Costa, the company's director. "Motorcycles can go through alleys and slums and reach difficult access areas," he says.

**FIGURE 4 2016 Top Tech Priorities for Global SMBs**

| Top 10 Global SMB Business Challenges | Top 10 Global SMB Tech Priorities |
|---|---|
| 1 Improving product, process quality | 1 Cloud computing |
| 2 Improving workforce productivity | 2 Social media |
| 3 Attracting, retaining new customers | 3 Mobility solutions |
| 4 Increasing profitability | 4 Collaboration |
| 5 Increasing business growth | 5 Security solutions (cloud and mobility) |
| 6 Creating innovative products | 6 Virtualization |
| 7 Digital marketing | 7 Managed services |
| 8 Reducing operational costs | 8 Analytics |
| 9 Managing uncertainty | 9 Big data |
| 10 Improving speed to market | 10 Internet of Things |

Base: 3,464 global respondents from the U.S., Europe, Asia/Pacific and Latin America
Source: Techaisle

da Costa's secret weapon, though, is a sophisticated system that transmits real-time data via GPS technology—embedded in both the motorcycles and the smartphones operators carry—back to Fumajet headquarters. This data, and the ability for it to adjust on the fly based on conditions, is the heart of da Costa's mission to stop mosquitos before they cause illness.

"With GPS tracking data, we can see how much chemical we apply every day, what areas are covered, how many people are affected and how many mosquitos were trapped. We can adjust on a daily basis," da Costa says.

Fumajet is making headway in its worldwide fight against vector-borne disease. Customers in Angola, the Dominican Republic, Equatorial Guinea and the company's home country of Brazil are already using its services, and expansion to other areas is imminent. Thanks to sophisticated technology, "we have been able to do a lot in a little time," da Costa says.

> "Many small business owners still believe their gut is their best tool for decision-making. But the world is changing too quickly today to rely on that."
>
> —**CINDY JUTRAS, PRESIDENT, MINT JUTRAS**

## BECOMING DATA-DRIVEN

With advanced capabilities available to SMBs, it is no wonder that both cloud computing and analytics now top their list of IT priorities, according to Techaisle, a global SMB IT market research and industry analyst organization (see Figure 4, on page 6). Such capabilities hold much promise for resolving the top business challenges that SMBs also reported in the Techaisle study, including improving process quality and workforce productivity, attracting customers, increasing profits and supporting business growth.

In an increasingly digital world, businesses of all sizes need to optimize their use of the data they already own, as well as what is generated by customers, products and operational activities. The relevant data needs to be available at the moment of need, so decision-makers can run the business in live-action mode. For small and midsize businesses—especially those that are fast-growing and geographically dispersed—cloud delivery of these capabilities makes the most sense. "Many small business owners still believe their gut is their best tool for decision-making," Jutras says. "But the world is changing too quickly today to rely on that. You have to be data-based to take advantage of new opportunities." •

# Running Live, No Matter What Size

**GROWING A BUSINESS** in the digital economy isn't easy. Getting control and clarity across your whole company can make growth much less challenging and far more likely. When a company uses live system technology, it can tune its decision-making, operations, supply chain, people, products and network of partners to create business value and satisfy customers in the moment.

Small to midsize companies have the same need as large enterprises to make better business decisions, seize opportunities and serve customers in the moment. "It's critical for small to midsize companies to run live; they can't afford the luxury of time," according to Hernan Marino, senior vice president and chief operating officer at SAP Marketing. "There is a close connection between their response to market changes and their financial statement. To them, it's really about how they maneuver their business in real time. They have to make the most of the year, the month, the day, the hour, the moment."

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