

Deloitte.

Access Economics



Digital Opportunities for Today's Small Business

Salesforce

2017

Contents

Executive summary	
01 Making decisions about digital technology	05
02 The rise of customer expectations	08
03 The accelerating shift to online interactions	12
04 Sales and marketing: tools and best practices	15
05 Clear financial benefits of CRM, but most SMBs are missing out	18
06 Many SMBs not yet convinced about need for change	21
07 Digital dividend for business	24
Appendix A: Econometric modelling	27
Limitation of our work	29
Contact us	30

Executive summary

A vast array of digital tools are available for small-to-medium sized businesses (SMBs) to connect with their customers and grow their business, but it can be hard to keep up with new technologies that are constantly emerging. For 70% of SMBs, digital technology decisions are made by the owners. With many competing responsibilities, it is important that they have the right information when making digital decisions.

The business environment is rapidly changing, with the shift to digital technologies happening even faster than expected. SMBs expected face-to-face sales to decrease from 45% in 2015/16 to 37% in 2020/21. In fact, this predicted decline has already largely occurred three years early, with face-to-face interactions now making up 39% of SMB sales.

It's not just technology which is changing, but also customers of these SMBs. 47% of SMBs ranked 'changing customer expectations' in their top 3 business threats in five years' time, making it their top perceived future challenge.

In some ways, SMBs are ready. Almost half of SMBs report a good knowledge of their customers and can target them based on previous interactions. However, there is still significant room for SMB improvement, with only 1 in 5 businesses regularly using social media, and with 70% having no system or only a basic system to record and analyse sales, marketing and customer service information.

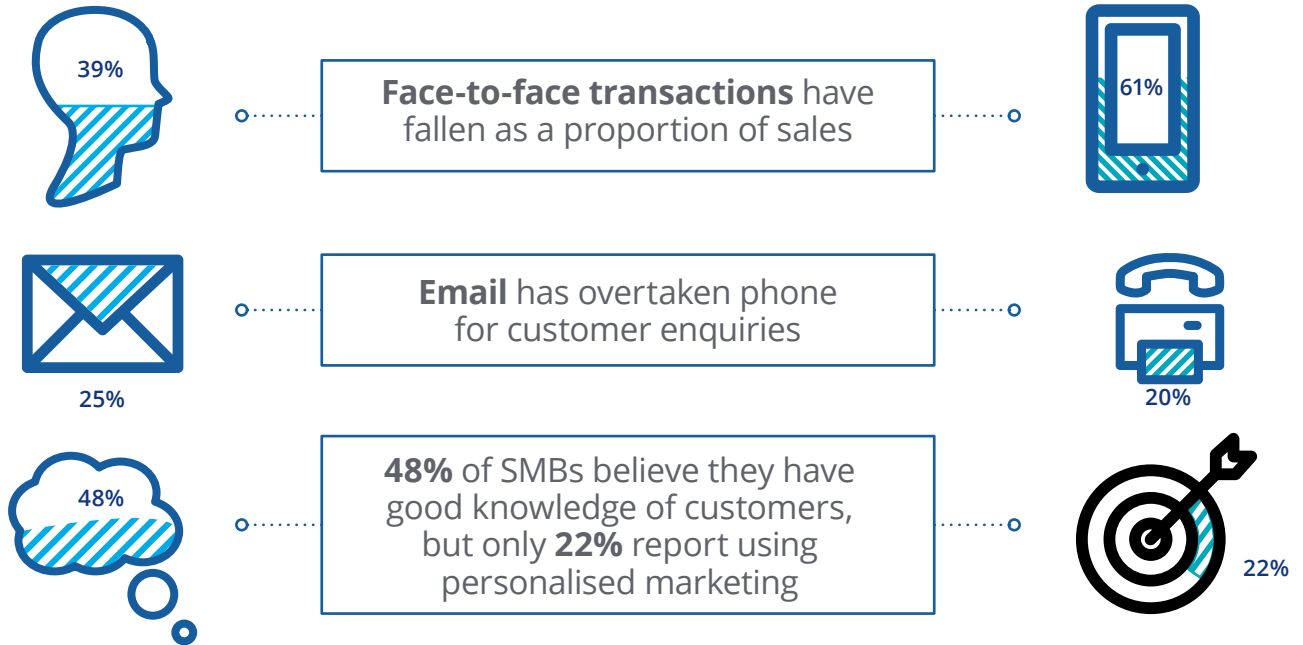
There are clear benefits for SMBs from the adoption of CRM software to keep track of their customers and transactions. Firms with CRM systems have on average 44% higher revenue than those with no system or basic systems.

A majority (59%) of SMBs without CRM programs said that their "existing system is good enough" as the reason for not upgrading. When businesses are very small, with few employees and limited transactions, they may think they know their business and customers well enough individually to not require a strong system of record keeping. SMBs need to overcome their fear of change in order to reap the digital dividend, drive growth, and scale properly.

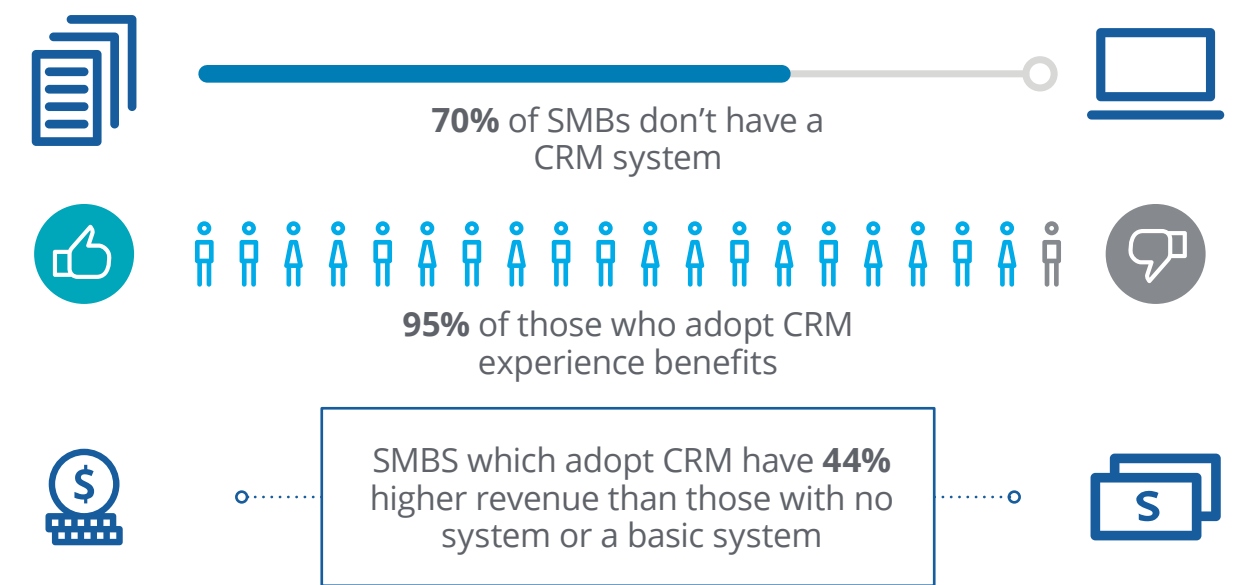
However, businesses that upgrade to a CRM system have experiences that are overwhelmingly positive. While 28% encounter some challenges and successfully manage the transition, 95% of businesses which upgrade ultimately experience benefits.

This report, commissioned by Salesforce, aims to identify the areas of improvement for SMBs and the potential benefits of digital solutions. In a digital environment that continues to evolve more rapidly than expected, a decision not to change, or to ignore digital benefits, is effectively a decision to fall behind.

The small business environment is changing...



...there are several benefits of upgrading to CRM



SMB owners need to get the right advice and information on systems to avoid falling behind

01

Making decisions about digital technology





Making decisions about digital technology

A vast array of digital tools are available for small-to-medium sized businesses (SMBs) to connect with their customers and grow their business. This includes predictive analytics, customer relationship management (CRM) software and big data. Even more innovative technologies are on the horizon. For some SMB owners and managers, the advent of new technologies is a great opportunity, yet for others, it can be overwhelming to keep up with change.

Expenditure on digital technologies can be significant for SMBs, amounting to an average of \$52,100 per year.¹

Yet the benefits of selecting the right digital tools suggest the value in making the investments over time. Choosing the right digital technology early is vital to the survival and growth of SMBs across Australia and New Zealand.

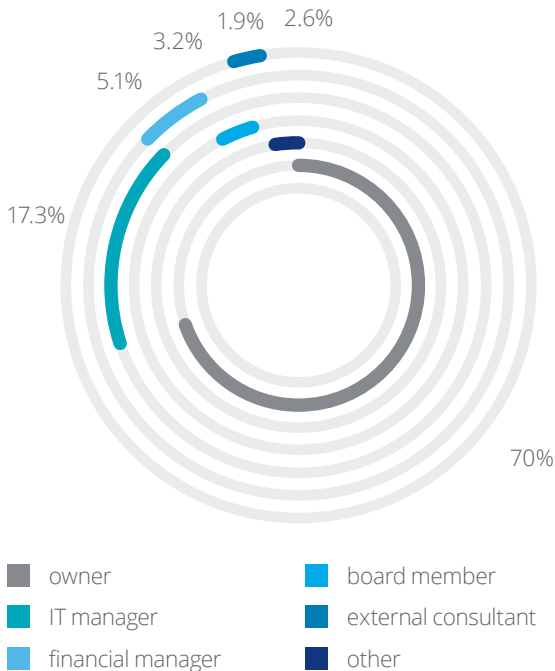
While some may be digital start-ups, most SMBs are involved in traditional sectors such as construction, retail, hospitality or professional services. Often these owners have a keen interest in their field, a unique set of knowledge or approach that makes them successful, and a desire to be their own boss. But most small business owners aren't IT specialists.

Ask the Question

In 70% of businesses, digital decisions rest on the shoulders of SMB owners. Does your business have enough information about the value of sales, service and marketing technologies to choose the right option?

1. Trend Micro (2014), Australian small businesses spend \$52K per year on IT, finds trend micro, press release, Available at: <http://www.trendmicro.com.au/about-us/newsroom/releases/articles/20140910162710.htm>

Figure 1.1 Digital technology decision makers for SMBs



Yet for the majority of SMBs, owners are the ones to make most of the **digital technology decisions**. Only 17% of SMBs have a specialised IT manager to rely on. The majority of owners will also have to juggle their time across their digital decisions with administrative, management, and strategic marketing choices, and it is important that they get the right help and advice when doing so. This equates to over half a million Australian and New Zealand employing SMBs whose decisions about the use of digital technology tools rests on the shoulders of the owner.

Even though owners are generally the digital decision makers, 39% of SMB owners say that they or their staff lack the technical or business skills to make the most of digital opportunities in their business.²

This report has been commissioned by Salesforce to identify the areas of improvement for SMBs and the potential benefits of digital solutions. To understand the situation faced by businesses today, we surveyed over 500 businesses across Australia and New Zealand.



About this study

This report explores the use of digital tools by small businesses in Australia and New Zealand. It is based on a survey of over 500 SMBs (defined as having up to 100 employees) across 18 industry sectors. The survey asked twelve questions about the current situation facing the business and their use of technologies and strategies to engage customers.

This is the third in a regular series of reports commissioned by Salesforce. This edition investigates the general competitive landscape, sales, marketing and technology, and customer service operations of SMBs.

This study involved:

- analysis of 2016/17 survey data;
- comparison with results from the 2014/15 and 2015/16 surveys;
- econometric modelling; and
- use of real-world insights from Salesforce customer case studies.

This report finds that some things have remained consistent for small businesses, such as the perceived benefits of digital technology and the main factors affecting business operations. On the other hand, there are also some shifts – digital is having a faster than expected impact both in sales and customer interactions and in this evolving digital environment, a decision not to upgrade may effectively be a decision to fall behind.

This report considers the current situation for SMBs and the potential benefits of upgrading their sales, marketing and customer service systems.

2. Deloitte Access Economics (2016), Connected Small Business,

02

The rise of customer expectations



The rise of customer expectations

The biggest change expected by SMBs in the next five years is the impact of **changing customer expectations**. The shift in customer expectations has been a trend over the past decade, and this has resonated with small businesses over the past two surveys (as seen in Table 2.1). 47% of SMBs ranked changing customer expectations in their top 3 business threats in five years' time, making it their top perceived future challenge.

Table 2.1: Current and future threats for SMBs

	2016/ 17 survey		2015/ 16 survey	
	Now	In 5 years' time	Now	In 5 years' time
Online competition			2	2
International competition				
Local competition	1	2	1	1
Changing customer expectations	3	1	3	3
Changing customer tastes				
New technologies				
Economic climate	2	3		
Other (please specify)				
Don't know				

However, there may be a lag between recognising the upcoming change and formulating a business response, as customer expectations are not currently the biggest threat to small business operations but are expected to be in 5 years' time.

SMBs operate in an environment of **local competition**, and this is what remains front of mind when considering the top current threats to their operations. This is consistent with the findings of the 2015/16 survey. Larger businesses (with 51-100 employees) are more likely to have a broader focus, with 43% of these businesses viewing international competition as the largest threat, compared to 14% overall.

Interestingly, perceptions are shifting and businesses are not alone in expecting change around the corner. In 2015/16 the situation was expected to be broadly consistent with operations in five years' time, but the 2016/17 survey highlights business recognition of the changing dynamics on important threats for the next five years.

Online competition was considered a bigger threat in 2015/16, but this year, the **economic climate** has come up as more of a concern. With the Australian dollar expected to reach US80 cents in the coming months and possibly higher, and the possibility for interest rates to rise in coming years, small businesses may feel the pressure between competition from imported goods and higher repayments on loans.

Along with changing customer expectations is a trend in rising expectations of quality and consistency. SMBs identified high quality, excellent customer service and having a unique good or service as the three main factors driving customers to purchase their goods or services, as shown in Table 2.2. This is consistent with the 2014/15 survey, where SMBs identified that their main areas of competition were the quality of their goods and great customer service.

SMBs now believe that upcoming customer trends will focus on improving the value for customers. Customisation, customer experience and rising customer expectations are expected to be the most significant for SMBs over the next five years, as shown in Table 2.3. These outstrip technology based customer trends (such as research online, sharing economy) or megatrends (ageing population, rising standards of living overseas).

Table 2.2: Top drivers for customers when purchasing goods or services

	Rank
High quality	1
Excellent customer service	2
Unique good or service	3
Reliable and timely	4
Best value	5
Local business	6
Perfect fit for customer needs	7
Convenience	8
Ethical or environment concerns	9
Cutting edge innoation	10

Table 2.3: Customer trends over the next 5 years expected to be the most significant for business

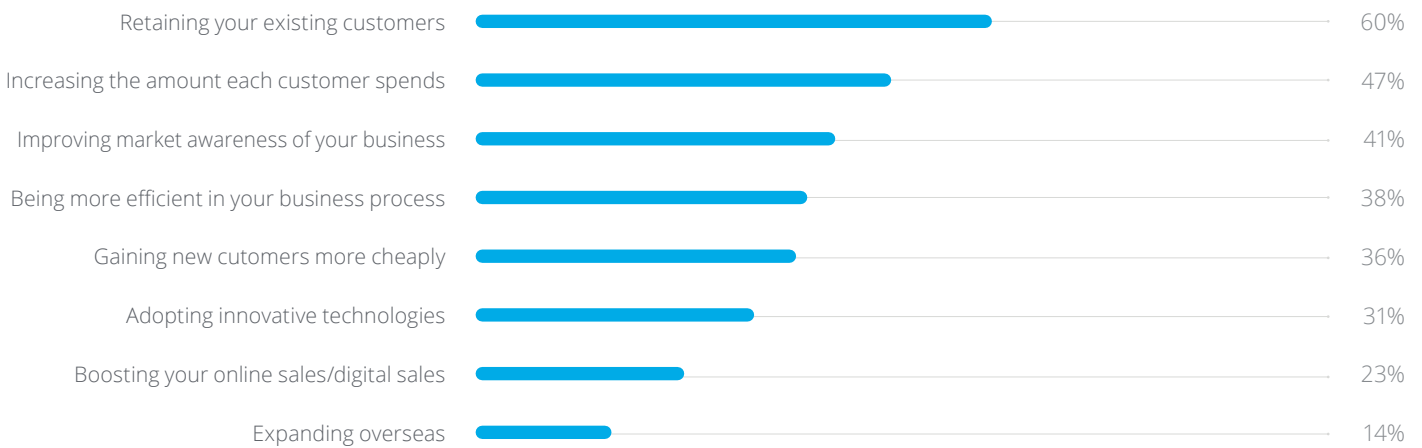
	Rank
Customisation of product or service	1
Increased importance of cutomer experience	2
Rising expectation of quality or value for money	3
Time poor customers seeking faster service	4
Reduced use of physical cash for payment	5
Values based buying (e.g. ethical or environmental concerns)	6
Greater use of technology to research and buy goods and services	7
Greater use of self-service	8
Increased use of sharing economy services (e.g Uber, Airbnb)	=9
General ageing of the Australian and New Zealand population	=9
Rising standards of living in overseas markets	10

It is important to recognise that SMBs are a diverse group. While some businesses seek growth by adopting innovative technologies and expanding overseas, more SMBs have a more modest focus on **retaining existing customers** rather than gaining new customers to achieve growth. Digital tools can provide a platform for innovation but can also support small business productivity, operations, and scale.

Aconex, a provider of mobile and web-based collaboration technologies for project information and process management, is pursuing growth with the support of cloud-based tools. Their entire sales lifecycle is managed using these tools, from early marketing, through to legal and financial sign-off on deals, to service support. More rigorous pipeline management and a greater focus on productivity supports an estimated 30% compound annual growth rate.³

The results in this section show that SMBs foresee the need to take action and become more agile to remain competitive and grow in the future. Over time, there is likely to be less of a focus on the economic climate and what other businesses are doing, and it will be the customers themselves that motivate business operations. With this customer-centric approach, SMBs will need to consider how they can respond to the market and adopt new technologies to meet customer expectations.

Figure 2.1 Strategies for achieving business growth in coming years



Ask the Question

SMBs can see the changes coming quickly over the horizon. Changing customer expectations are expected to be the top business threat in five years' time. Has your business considered what it needs to do to respond to the market and adjust to changing customer expectations?

3. Salesforce Customer Stories

03

The accelerating shift to online interactions



The accelerating shift to online interactions

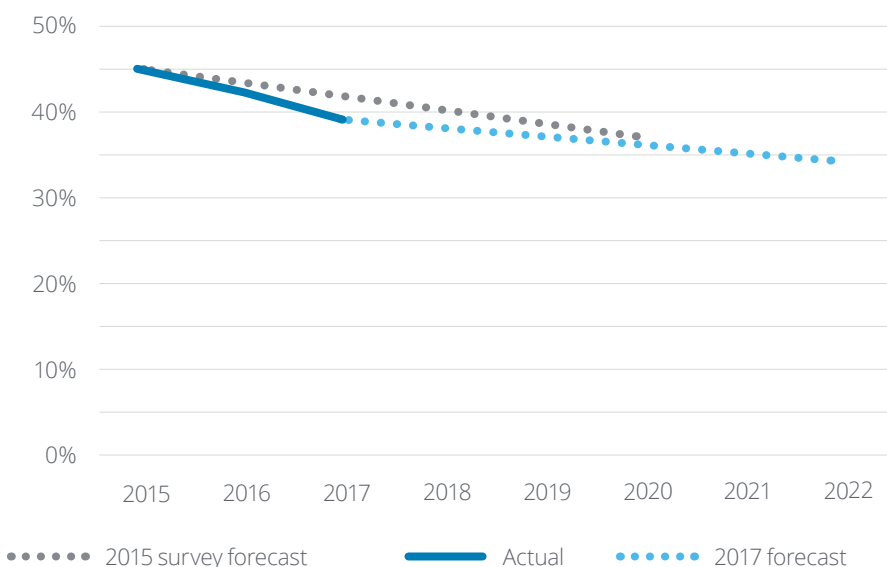
With the rapid rise of online channels for sales, face-to-face transactions continue to decline. Businesses reported that face-to-face sales had declined from 45% in 2015/16 to 39% in 2016/17, replaced by sales via email and online platforms.

In fact, the decrease in **face-to-face** transactions is happening faster than expected, as shown in Figure 3.1. In 2015/16, SMBs expected face-to-face sales to decrease by 8 percentage points in five years, but there has already been a 6 percentage point decline in the 2 years since the last survey. If the current rate of change were to continue, the share of face-to-face transactions could fall as low as 24% in 2022.

Along with the decline in face-to-face purchases, sales via phone are expected to fall from 17% of sales in 2016/17 to 14% in five years' time. SMBs that still expect to be doing the majority of business face-to-face in five years' time will be in the minority and may well face higher costs relative to their competition.

Beyond the overall shift online, it is important to recognise that customers see instore and online shopping as complements, enhancing their knowledge of the product. Hence, while the transaction may increasingly be made through online channels, this may not necessarily be the first or only interaction the customer has with the business. This emphasises the importance of having a significant physical presence and need to integrate the online and store trading environments.⁴

Figure 3.1 Proportion of customer purchases made face-to-face



Additional information available to consumers means businesses need to improve their delivery of service to meet rising expectations. Customers can compare products, prices and competing brands with more ease than ever before.

This trend away from face-to-face interactions is also taking place with customer enquiries and complaints. Customer enquiries made face-to-face are expected to drop 3 percentage points in the next five years to 29%. Similar to sales, the channels for these interactions are expected to shift towards email, website and social media platforms (SMBs reported that email has overtaken phone as a channel for customer enquiries, at 25% and 20% of enquiries respectively), which is why CRM software for service communications is a critical investment to allow businesses to respond quickly.

4. Massey University, University of New Zealand (2016) Retail survey: In the internet age, the shop is still king, Available at: http://www.massey.ac.nz/massey/about-massey/news/article.cfm?mnanrticle_uid=43447A5F-C115-F363-5EB2-4A3D15BBDCC8

Sales and transactions are moving faster in today's world. The rise of the online consumer means that customers are expecting ever faster response times from small businesses. Businesses are responding to the change; our survey found that over half (52%) of businesses respond within the hour for customer enquiries and complaints. This is an improvement since 2015/16, when 48% of SMBs were able to respond within one hour.

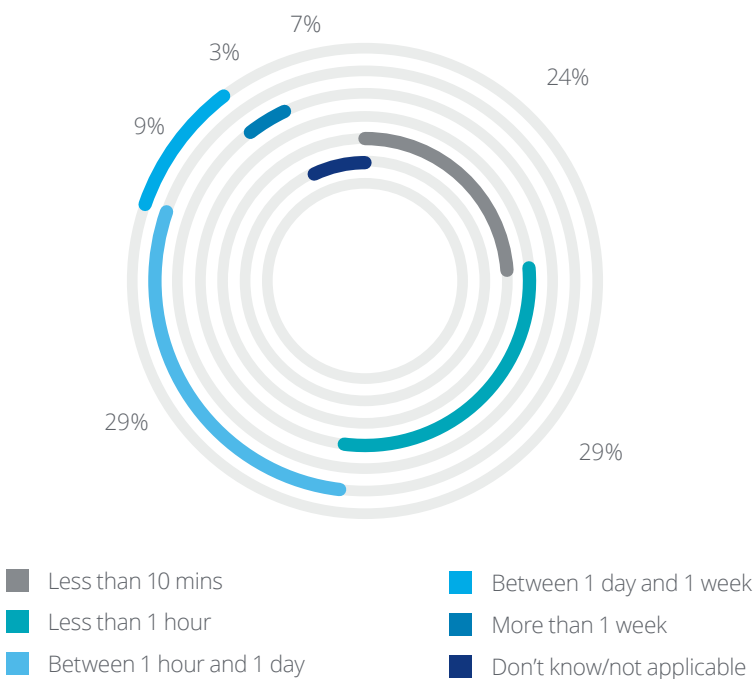
However the businesses themselves believe there is still room for improvement, with 62% of businesses identifying that ideally they would respond to customers within this timeframe. Around a quarter of businesses currently respond to customers within 10 minutes, and one-third consider this quick turnaround to be the ideal timeframe.

One example of a SMB using digital tools to handle customer enquiries is Shoes of Prey. It switched from using email to cloud-based software for customisation and reporting

capabilities, which supports the team in providing fast, personalised responses to help solve 1,000 new cases each week. Using this software, Shoes of Prey's average case resolution time is just 6 minutes and it has reported 500% business growth in 3 years.⁵

Many small businesses may see the use of online channels as a challenge or a threat, but it is a clear trend in the way customers seek to interact with businesses. Credit should be given to SMBs for both responding to and driving change in this space, as their actions have enabled the accelerating use of online channels and declining response times. Once they make the investment to move online, SMBs need to make the most of the available opportunities, including reaching new markets and collecting and analysing customer data. Sales and marketing technology is key to keep customers engaged and ensure quality interactions with every customer.

Figure 3.2 Response time to customer enquiries and complaints



Ask the Question

Customers are moving online for their transactions and interactions with SMBs, and this shift is accelerating faster than SMBs expect. How digitally agile is your business? How long does it take you to identify and respond to customer enquiries?

5. Salesforce Customer Stories

04

Sales and marketing: tools and best practices



Sales and marketing: tools and best practices

Sales and marketing tools have always been critical to the success of small business, and their importance is growing in the digital age. As informal processes and word of mouth are replaced by online platforms, successful SMBs will need a more systematic approach to meeting customer needs.

In an increasingly competitive business environment, there is a greater emphasis on getting sales and marketing activities right to find and win new customers. The survey examined eight areas of sales and marketing activities and whether SMBs had a high, medium or basic performance in these areas.

Our overall sense is that SMBs are quite attuned to the need to focus on their customers. But there are five key areas where they could be doing more, including analysing customer data, personalised marketing, using social media, measuring return on investment (ROI) and forecasting.

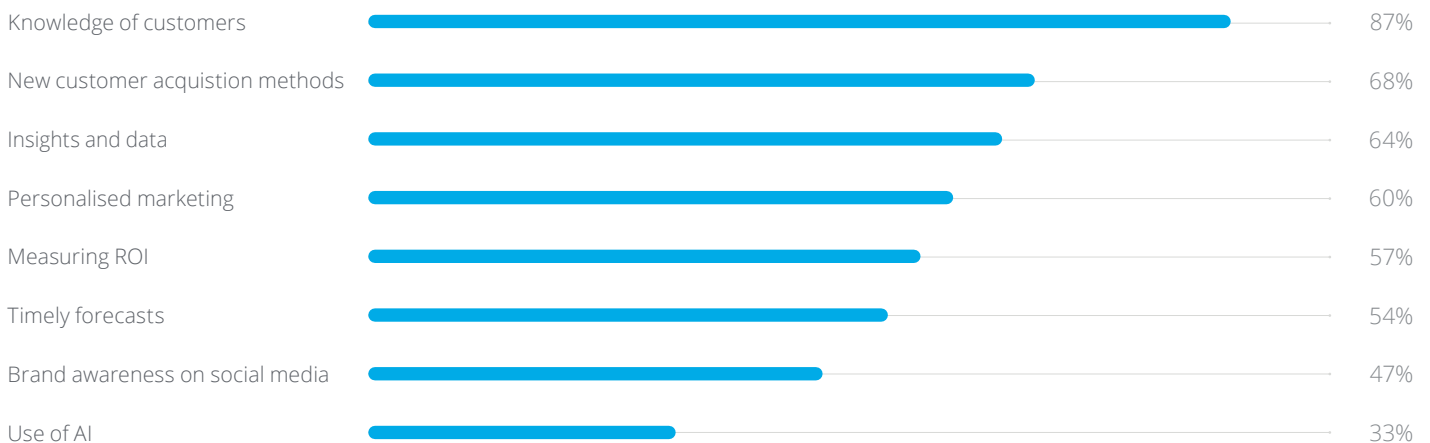
Figure 4.1 shows that SMBs are performing relatively strongly in some areas, such as knowing their customers and acquiring new ones, but that they are weaker in the quantified aspects of sales and marketing.⁶

Australian and New Zealand SMBs believe they have good **knowledge of customers** and can target them based on previous interactions.

Nearly half of businesses (48%) stated they had this ability. However, further exploration of specific sales and marketing practices has revealed some gaps between capabilities and putting these into practice.

Businesses stated they knew their customers, however they are not taking full advantage of opportunities for **personalised marketing** based on previous interactions or purchases, as only 22% of businesses reported using this. With an abundance of online and physical advertising content, customised marketing is a key method to engage customers that many SMBs are missing out on.

Figure 4.1: Strength of sales and marketing activities



Note: The chart shows the proportion of respondents who reported 'high' or 'medium' level of activities in each category.

One example of a business using personalised marketing is amaysim, which uses a cloud-based marketing tool to drive timely marketing communication and engage with customers in real-time using SMS. amaysim offers personalised mobile offers and plans, and this has helped it amass over 700,000 customers in just five years.⁷

Surprisingly, given the relative ease and low cost of using **social media**, only 1 in 5 businesses regularly use it to engage with customers. This is confirmed with ABS statistics that suggest only 31% of all Australian businesses have social media presence.⁸

Social media offers a major marketing avenue for SMBs in Australia. With three quarters of Australians now having a social media profile (such as Facebook, LinkedIn and Instagram) and on average spending more than half a day per week on Facebook alone, this suggests widespread access for existing customers.⁹ This is confirmed in our 2015/16 survey of SMBs which found that 11% of sales leads were generated through social media channels in 2015/16.

30% of SMBs were confident that their marketing was working, but have difficulty in determining which marketing strategies are relatively more successful in terms of **measuring return on investment**. Without this crucial piece of information, decision making for owners is hindered.

It is possible that greater understanding of the ROI from social media marketing could increase its uptake by SMBs and use over time.

Around half of SMBs (48%) identify a heavy reliance on customer retention and word of mouth as a proven approach for **new customer acquisition**. There is scope for greater use of digital tools here as well, as again, only 1 in 5 SMBs are primarily using digital tools to target new customers.

Almost two thirds (64%) of SMBs were either conducting detailed analysis or at least some analysis of customer **data** to generate **insights** on transactions. Such information would be a key input into **timely forecasts**. Just over half of SMBs reported having accurate visibility into the current and/or next month's revenue, though this may be related to the size of the business, the time it has been operating and the relative dependence on external factors.

Artificial intelligence technologies are still relatively new, and hence only 10% of SMBs currently use artificial intelligence in several business functions, such as predictive analytics, automatic recommendations for related products and/or suggested upgrades based on previous patterns of change. A further 23% of businesses noted that they had trialled artificial intelligence in one aspect of their business operations.

While there is room for improvement, the rise of digital and more sophisticated marketing is continuing. This is consistent with previous research – Deloitte Access Economics' *Connected Small Businesses* reports in 2013 and 2016 found that while more than a third (35%) of SMBs were categorised as having a basic digital engagement in 2013, this number reduced to 23% in 2016.¹⁰ It is expected that digital engagement for marketing and customer engagement will continue to rise for SMBs.

Ask the Question

In an increasingly competitive business environment, there is a greater emphasis on getting sales and marketing activities right to find and win new customers. How does your business rank on these sales and marketing activities?

6. The 'high' statements for each activity were:

- knowledge of customers: can effectively target customers and prospects based on previous interactions
- brand awareness on social media: regularly use social media to engage customers
- personalised marketing: message content based on previous interactions, purchases or demographics
- measuring return on investment: can determine the most effective marketing channels and content
- timely forecasts: accurate visibility into current and/or next month's revenue within minutes/hours
- new customer acquisition methods: primarily using digital tools to target new customers
- insights and data: detailed analysis of customer data
- use of artificial intelligence: can use artificial intelligence in several business functions (e.g. predictive analytics, automatic recommendations for related products, suggested upgrades based on previous patterns of purchase)

7. Salesforce Customer Stories

8. Australian Bureau of Statistics (2015) Business Use of Information Technology, Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8129.0Main+Features12013-14?OpenDocument>

9. Sensis (2016), Sensis Social Media Report, Available at: https://www.sensis.com.au/asset/PDFdirectory/Sensis_Social_Media_Report_2016.PDF

10. Deloitte Access Economics (2013), Connected Small Businesses: How Australian small businesses are growing in the digital economy, Available at:

<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-connected-small-businesses-google-100413.pdf>

Deloitte Access Economics (2016) Connected Small Businesses 2016, Available at: <https://www2.deloitte.com/au/en/pages/economics/articles/connected-small-businesses-google.html>

05

Clear financial
benefits of CRM,
but most SMBs are
missing out



Clear financial benefits of CRM, but most SMBs are missing out

There are clear opportunities for businesses to leverage the benefits of technology to record and analyse sales, marketing and customer service information, particularly in the areas of personalised marketing, new customer acquisition and measuring ROI.

The majority (70%) of SMBs are still using basic systems. 31% of businesses have no system or paper-based records and a further 39% use spreadsheet based systems. One in five businesses use CRM programs accessible from the office, and only 10% are currently using the most

advanced CRM programs accessible from anywhere. This suggests that most SMBs are missing out on the benefits of CRM.

Businesses that use cloud-based tools can enjoy greater connection with their customers. For example, online education business, Ivy College, used a cloud-based tool to onboard students and support their learning experiences. This helped them to monitor progress more closely. Ivy College won Australia's Medium Sized Business for Service Excellence by CSIA two years running.¹¹

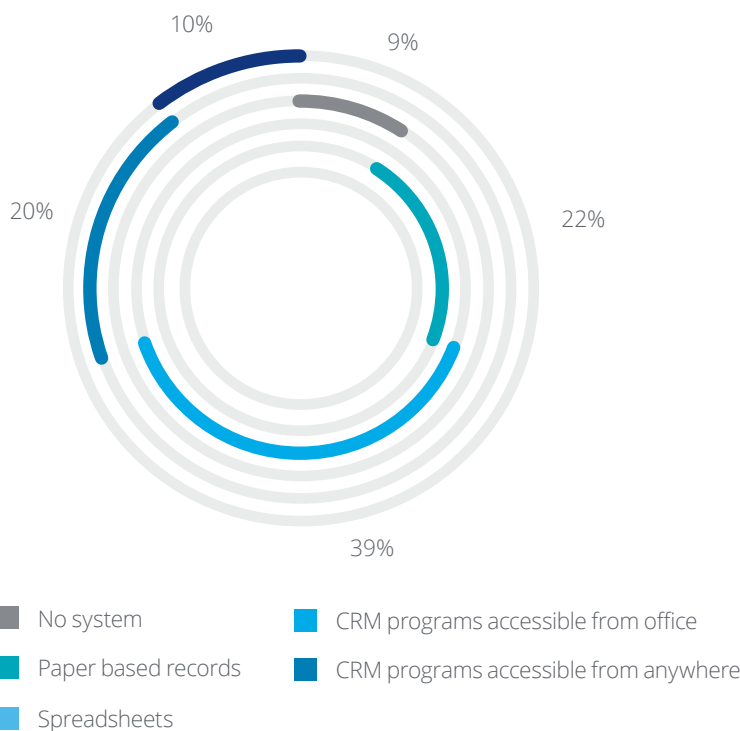


What is CRM?

At one level, Customer Relationship Management, or CRM means just what it says: it's how a business manages its relationship with its customers. In practice, we mostly talk about CRM in the context of using software or third party services to organise, automate and expedite interactions with customers. The methods for tracking customer information can range from a simple spreadsheet of customer details, all the way to third party tools which automate the management of the relationship with customers, leaving the business to focus on production and delivery. There are also many CRM capabilities such as marketing automation, omni-channel customer service, social tools, predictive analytics with automation, which may not be traditionally associated with CRM.

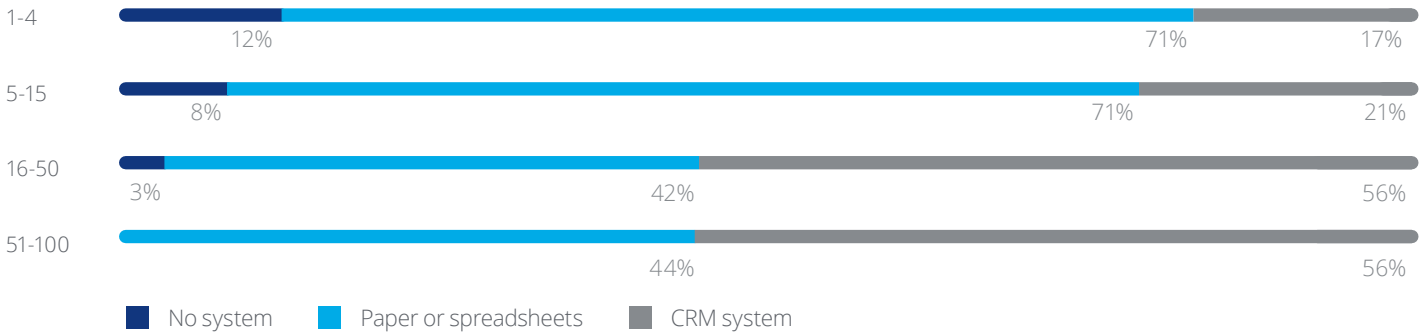
For the purposes of our survey 'CRM software or services', was given its normal, everyday definition by SMBs.

Figure 5.1: Sales, marketing and customer service system



11. Salesforce Customer Stories

Figure 5.2: Type of sales and marketing system used by number of employees



Delving deeper, businesses with more employees are more likely to have a CRM system, while smaller businesses are more likely to rely on paper or spreadsheets.

As the sophistication of the business’ customer record management system increases, the more likely a greater the proportion of staff will use the system. That is, when a business is using a paper-based or spreadsheet system, use tends to be limited to less than 40% of staff members. Adoption of CRM broadens the use of systems up to 80% of staff, which can make for more efficient and effective business operations.

Ask the Question

SMBs, particularly ones with only a few employees, are not alone in having basic customer record systems. 70% use no system or basic systems. How can customer analysis in your business be improved by using CRM?



Financial benefits from digital investment

There is a big financial dividend from investment in CRM. Econometric modelling was conducted to determine whether there was a relationship between upgrading to CRM software and revenue. SMBs were divided into two categories, those with no system, a paper based system or spreadsheet systems, compared with those who had CRM systems (either accessible from the office or from anywhere).

It was found that there was a correlation between upgrading record keeping systems and revenue, with regression analysis suggesting that firms with CRM systems have on average 44% higher revenue compared to those using paper based or spreadsheet recording systems. This analysis controls for years of operation, number of employees and the industry that the business was operating within.

While employee size is used in the regression to account for larger businesses using CRM software, there is likely to be some correlation with larger businesses with higher levels of revenue that have the resources to devote to CRM. This suggests that the higher revenue associated with CRM may be smaller than what has been estimated.

A more detailed discussion of the modelling is presented in Appendix A.

06

Many SMBs not yet convinced about need for change



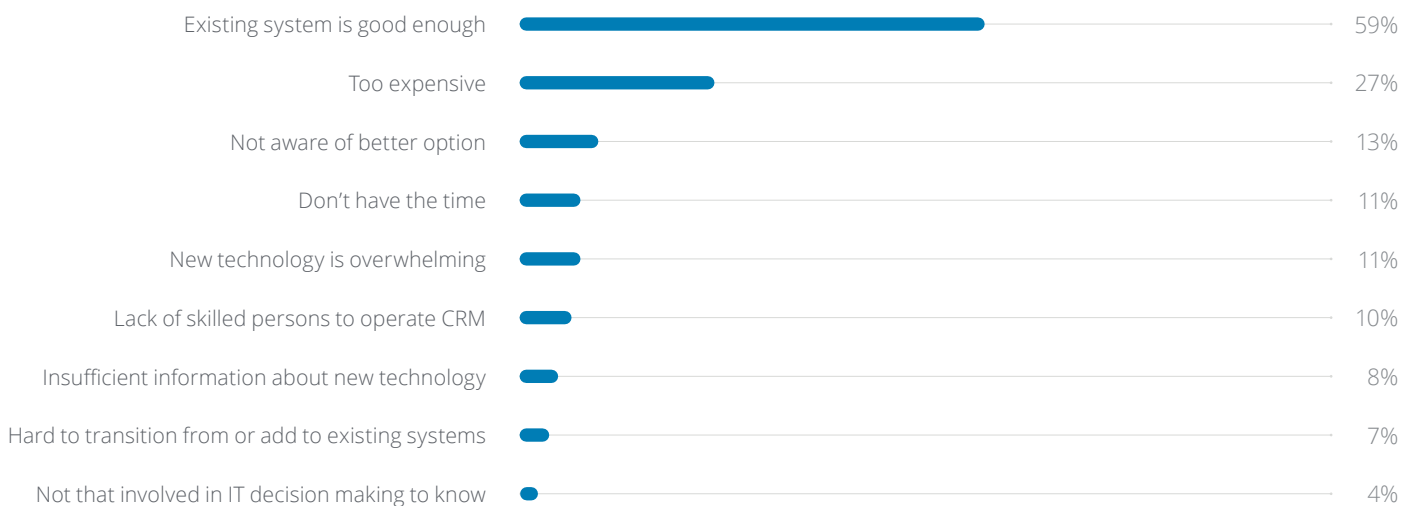
Many SMBs not yet convinced about need for change

While there are clear benefits associated with having a more advanced CRM system, as we've seen, 70% of businesses have not yet adopted these technologies.

The main reason for not adopting CRM is that SMBs do not see the need to upgrade. A majority (59%) of SMBs without CRM programs cited that their **existing system is good enough**.

Part of the explanation for low adoption is understanding the processes of very small businesses. When businesses have few employees and limited transactions, each individual in the organisation may know their business and customers well enough to not require a shared or sophisticated system. But this may mean they are missing out on the benefits and stifling their own ability to grow.

Figure 6.1: Reasons for not upgrading to CRM



27% of SMBs identified **expense** as a reason for not upgrading. While CRM systems cost more than paper systems or spreadsheets, econometric modelling suggests that the investment can result in a significant increase in business revenue.

In many ways these barriers to adopting technology are not surprising or specific to CRM. Australian Bureau of Statistics research suggests that across all Australian businesses, over 40% cite barriers to innovation, with the most commonly identified reasons including lack of access to additional funds, lack of skilled persons and costs of introduction/implementation.¹²

However, for CRM, the challenges may not just be limited to time and money, but also to uncertainty about the systems. SMBs may feel that their existing systems are sufficient for their operations, but that could partly reflect a lack of understanding of the other available options. The transition from a very small business of a few people to a medium sized business is a significant leap, both in terms of operations and approach to business. Fear of change could be holding back SMBs from innovation and revenue growth.

In the 2016/17 survey, a further 13% of SMBs were **not aware of a better option** than the one they were currently using, suggesting that these businesses may need help in understanding the options available.

Digital skills are also a limitation to adoption of innovation for one in five businesses. This reinforces the findings of a survey for the Australian Computer Society which found that businesses that believe that inadequate digital skills represent a barrier to improvement digital engagement can be lacking in both technical skills (e.g. how to use software) and business skills (e.g. how to apply digital tools to benefit the business).¹³

While the barriers are real, they are not insurmountable. Getting the right advice on digital systems will support SMBs in understanding the use and potential benefits of digital systems. This will assist them in making the appropriate decision for their business, so they can operate as efficiently and effectively as possible. Finding a trusted partner to share this advice will help SMBs make the leap and grow into more substantial businesses.

Ask the Question

59% of SMBs without CRM cite that their existing system is good enough as a reason for not upgrading. But is it good enough or is a fear of change holding back these SMBs? How does this apply in your company?

12. Australian Bureau of Statistics (2016), 8158.0 – Innovation in Australian Business 2014-15, Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8158.02014-15?OpenDocument>

13. Deloitte Access Economics (2016), Australia's Digital Pulse: Developing the digital workforce to drive growth in the future, Available at: https://www.acs.org.au/content/dam/acs/acs-documents/PJ52569-Australias-Digital-Pulse-2016_LAYOUT_Final_Web.pdf

07

Digital dividend for business



Digital dividend for business

Businesses that upgrade to CRM overwhelmingly have positive experiences. Of the businesses that have upgraded to CRM software, only 5% believe the system is not as valuable as the previous system, meaning that the vast majority (95%) identify benefits from its adoption.

These benefits could be experienced by many more SMBs. 70% of SMBs are not yet using CRM software, and 59% of these businesses believe their existing system is good enough. However, it is clear that once they have decided to upgrade, their experience is likely to be positive.

When considering their experience upgrading their system, 45% of respondents agreed the transition had been **effective and in alignment with their business strategy**, and 36% noted it had **set their foundation for future growth**. It is important to recognise 28% of SMBs did encounter some challenges with the transition to CRM, but were able to manage these for an ultimately successful upgrade.

It is well recognised that digital transformation can support businesses. An ABS survey of Australian businesses found that 89% cited some form of benefit from introduced innovation, with 42% noting increased revenue, 41% reporting improved customer service and 25% identifying a reduction in costs.

The benefits that are most significant may differ from business to business. 46% of SMBs rank **finding new customers** in their top 3 benefits of digital technology (including online sales, service and/or marketing activities, digital systems of customer records, mobile apps, social media presence). 34% identified **reduction in costs** in their top 3, and 32% chose **meeting customer demands**.

Figure 7.1 Experience upgrading sales marketing and customer service record management system

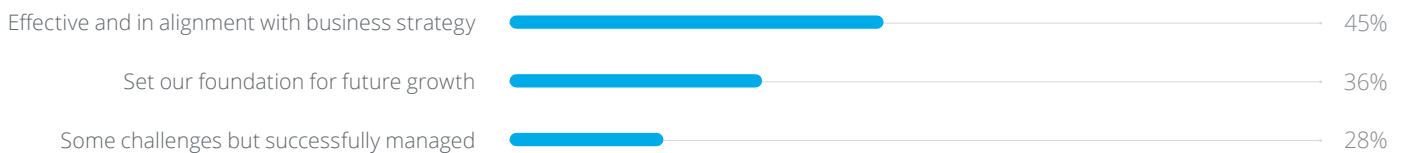
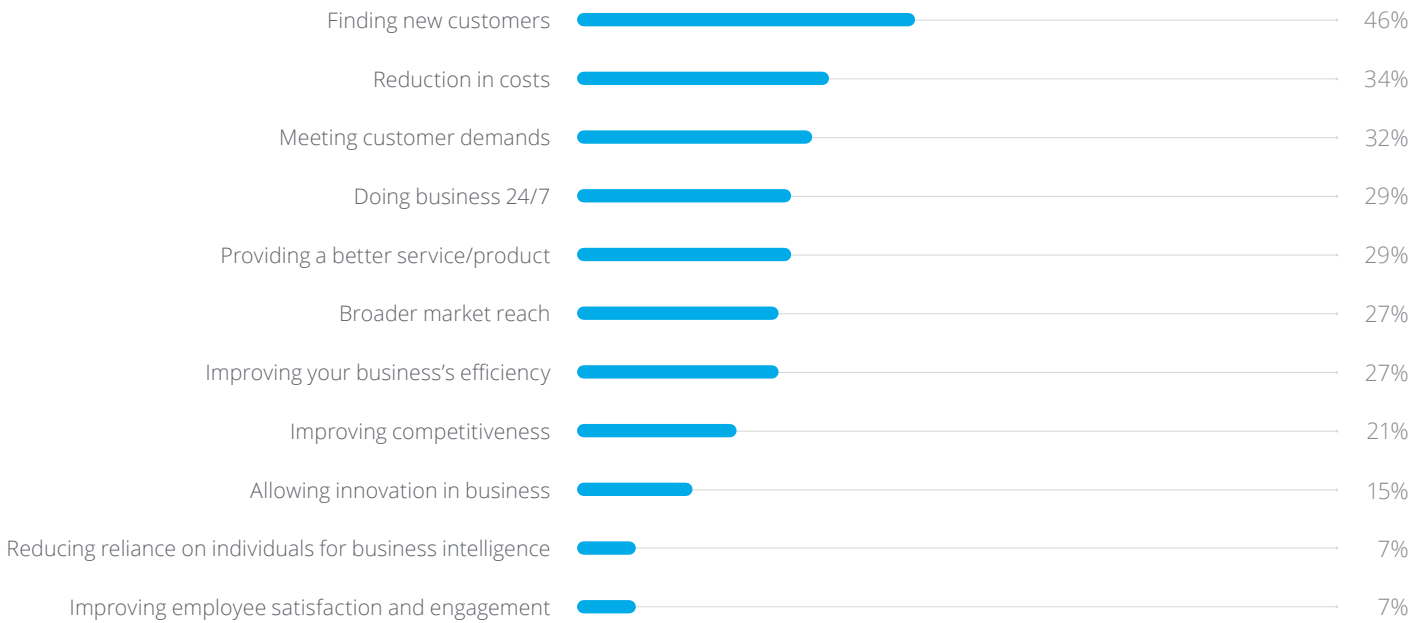


Figure 7.2 Benefits of digital technology for business



There are also many other benefits for businesses, and these may vary based on business industry and size. These benefits include being always available to customers, providing a better product, broadening business reach, improving efficiency and/or competitiveness.

One example of a business benefitting from digital investment is Next Gen Health & Lifestyle Clubs finding new customers. Next Gen used a cloud-based marketing tool to automate customer journeys and digital acquisition. Lead conversion almost doubled after the investment, and club membership increased by 10%.¹⁴

It is clear that businesses are not investing in technology for its own sake, but to ensure ongoing relevance to their customer base. It is this focus on customers that drives revenue growth for SMBs.

Survey results show that SMBs which use CRM systems have had positive experiences, report a range of benefits, and are likely to have higher revenue than those which don't. In an evolving digital environment, a decision not to upgrade is effectively a decision to fall behind.



14. Salesforce Customer Stories

Appendix



Appendix A: Econometric modelling

Econometric modelling was used to quantify the relationships between SMB digital engagement and business performance. The model involved creating a binary variable to categorise businesses based on their three methods for recording and analysing sales, marketing and customer service records. The groups consisted of businesses reporting using:

- no system, paper based or spreadsheet system; or
- CRM software.

Correlation

The correlation co-efficient measures the linear relationship between two variables and can range between -1 and 1. Effectively, the correlation co-efficient measures how much one variable moves when there is a change in another variable. The measurement of the correlation co-efficient between the CRM use and revenue for the current year was .21. The figure suggests that relationship does exist yet that CRM usage does not change every time revenue changes, as would be expected with other factors such as the number of employees.

The economic model

Data cleaning was undertaken for the 533 SMB survey results used for the modelling.

The model used controls for employee numbers to control for size of operation, years in operation were used as a sign of business maturity and the industry that the business operated in.

Both employees and years in operation control had positive co-efficients as expected and were statistically significant.

Having no system or using a paper or spreadsheet based system was used as the base scenario. The coefficient for CRM use was positive as expected and statistically significant at a 10% significance level. Models separating different customer engagement systems into different variables led to statistically insignificant variables.

Causality

It is important to note the general issue of causality. It is possible that higher levels of revenue growth drives more digital engagement if strongly performing SMBs had more time or resources to undertake digital take-up rather than vice versa. This effect would be mitigated by employee size controls, yet there is likely to remain some correlation between more successful businesses so that the estimated revenue difference between basic and advanced systems may be smaller than estimated. However, our previous experience and case studies of SMBs suggests that digital engagement does substantially boost revenue.



Limitation of our work

General use restriction

This report is prepared solely for the use of SFDC Australia. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose of exploring the use of digital tools by small businesses in Australia and New Zealand. You should not refer to or use our name or the advice for any other purpose

Contact us



John O'Mahony

Partner

Deloitte Access Economics

+61 2 9322 7877

joomahony@deloitte.com.au



Ric Simes

Senior Advisor – Economics

Deloitte Access Economics

+61 2 9322 7772

rsimes@deloitte.com.au



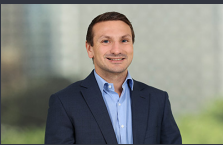
Michelle Mountford

Associate Director

Deloitte Access Economics

+61 2 9322 7146

mmountford@deloitte.com.au



Nick Hull

Economist

Deloitte Access Economics

+61 2 8620 4222

nhull@deloitte.com.au



Deloitte.

Access Economics

Contact us

Deloitte Access Economics
ACN: 149 633 116
8 Brindabella Circuit
Brindabella Business Park
Canberra Airport ACT 2609
Tel: +61 2 6263 7000
Fax: +61 2 6263 7004

Deloitte Access Economics is Australia's pre-eminent economics advisory practice and a member of Deloitte's global economics group. For more information, please visit our website

www.deloitte.com/au/deloitte-access-economics

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

The entity named herein is a legally separate and independent entity. In providing this document, the author only acts in the named capacity and does not act in any other capacity. Nothing in this document, nor any related attachments or communications or services, have any capacity to bind any other entity under the 'Deloitte' network of member firms (including those operating in Australia).

About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 200,000 professionals are committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2017 Deloitte Touche Tohmatsu

MCBD_USI_03/17_54143