

Does Size Really Matter?

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David and Goliath is a great story, but let's be honest, when it comes to small business the story often doesn't have the same ending.

Large companies will often prevail at the expense of smaller companies due to the basic economics associated with the "economies of scale", these allow firms to reduce their average costs and have a larger scale of production. Some other advantages include; -

- **Financial:** It is easier for firms to borrow money. They can borrow loans at a lower rate of interests.
- **Marketing:** They are able to spend more money on advertising.
- **Purchasing:** They can bulk buy (Afford to buy materials in bulk therefore unit costs are cheaper and they may be given discounts).
- **Technical:** Afford to buy more capital, such as machinery to produce a large scale of production.
- **Human Resources:** They can employ specialized workers and use division of labour.
- **Risk Mitigation:** They can use risk bearing, in which they produce a range of products so that if a demand for one product falls they still have income from other products.



So how can Small and Medium sized businesses (SME's) survive and thrive when the odds seem to be so badly stacked against them?

Well for starters it has been shown that SME's are the largest contributors to a nation's wealth, and employment. and innovation. The other advantage of SME's are that they tend to be more innovative and become more technologically disruptive. For a SME to thrive they must leverage their advantages and mitigate their weaknesses. To do this they must do the following; -

Be Agile

Small businesses can make decisions on behalf of their customers without large amounts of time consulting layers and layers of management. They can respond to changes in the market more quickly. They don't need to worry about running things by corporate or sticking with something that isn't working because it's a directive. Small business is agile and able to provide customers with what they want quickly, as long as they're listening.

Their Brand Is Their Own

In addition to making decisions on behalf of customers quickly and easily, a small business can rebrand much more rapidly in response to what their customers need and want. There aren't decisions being made at HQ on the manufacturing location's behalf. If they notice customers are receptive to something, they can rebrand or market to meet that need much more quickly.

Personalized Customer Service

A small business often is able to offer more personalized customer service because the people who work in a small business are closer to the success of the company. They have more of a vested interest and see more of a direct effect in what they do. Employees of large businesses are far removed from the board and CEO. Their mission statement is something on the wall and not something they feel every day.

Some small businesses have relationships with their repeat customers. They may also have the longevity that makes them experts in their fields. In a large business, employees may be rotated to different departments based on labour needs and they may not have that same depth of knowledge.

Niches

A large company may not bother with small and specialised products and markets. Small businesses can go deeper and be more specific in content than larger companies. This also makes small business more innovative.

Small businesses are more nimble than larger businesses, and are better able to adapt as market conditions change. Because a small business is closer to its customers, it is in a better position to hear feedback and observe changing preferences. A lean business can shift gears more easily than a large one -- especially, if it hasn't invested hefty sums in obsolete infrastructure. Employees are more likely to be cross-trained; often, small companies do not have the resources or the need to hire dedicated employees for every business function. This adaptability comes in handy when you need to rethink your business model and it enables you to keep quality people on staff and to draw on their knowledge of your business and customer base.

Small businesses can take chances that would be more difficult for large companies. They can test new products in smaller markets, with minimal investment, observing variables and obstacles before deciding to try an idea on a larger scale.

When customers know and like you and your employees, they're more likely to support your business -- provided that your products and services meet their needs. Getting to know your customers face-to-face provides your business with a marketing edge that becomes increasingly important, as larger companies continue to dominate the marketplace. Even if you can't know each customer personally, your employees can pick up where you leave off -- especially, if they stay with your business long term. Getting to know customers face-to-face is a natural and important marketing strategy for a brick-and-mortar business.