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Small firms struggling to connect with clients

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Small business operators know they need to get a good grasp of their customers' needs, but most don't think they are doing a great job of it.

Independent chartered accounting group NZ CA said a survey it commissioned showed small businesses would have to work extra hard to retain their clients amid a competitive business climate.

Research report GrowthGuide 2011 said 91 per cent of the 969 small businesses surveyed appreciated the importance of understanding customer needs, but only 22 per cent thought they did an excellent job in thinking like their clients.

Director of Palmerston North member firm Naylor Lawrence and Associates, Linda Gray, said Manawatu businesses could give clients an "edge" as they positioned themselves for the next few years of business growth.

"It's about getting the information ... [on] what the customer wants. Worryingly, the research shows that the older a company gets, the less likely it is to make this a priority. That's opening the door to hungry start-ups looking to grab market share."

Communication was key when it came to understanding customer needs, she said, and businesses should embrace social networking and electronic media to connect with clients.

"There isn't any excuse to lose that connection with your customers.

"It's about building relationships and ensuring that the communication with clients is consistent and regular."

To grow, SMEs (businesses with fewer than 20 staff) should also regularly monitor cash flows, gross margins, sales revenue and profitability, she said.

In the Manawatu/Whanganui region, there are more than 23,000 SMEs.

Of the businesses surveyed in GrowthGuide 2011, 59 per cent expected revenue growth, largely from expanding the customer base, and 77 per cent said this would be a key focus in the next 12 months. Only a third had a business plan, and 49 per cent of exporting businesses had one.

More than 80 per cent had no intention of developing export markets.

On average, small businesses spent \$43,500, about 1.2 per cent of average company turnover, on marketing.

The results of the project will be presented at Manawatu Golf Club today at 5pm.