



Better Business for All
Covering Devon & Somerset



Self-Sufficiency via Added Value Services

Outline Business Case

v. 1.2

 **Archemys**
August 2017

Overview

The Heart of South West BBfA Group has been funded by the Local Government Association in order to develop and support a strategy that would achieve:

1. **greater self-sufficiency for the delivery of Regulatory Services**
2. **a positive impact on the economic performance of local businesses**
3. **greater harmonisation of service engagement and execution**

Given the target timeline and the number of potential dialogues with a diverse range of Officers across 19 Authorities, it was decided that the best way to make early progress in these goals was to encapsulate them within an Outline Business Case [OBC], scoping a strategy together with a programme of actions.

With the difficulty of project managing across so many fronts we further determined that a smaller group of Advocates could help shape the strategy using their expert knowledge. Of those identified we've had a positive response from:

- ✓ Chris Shears – Mid Devon [Lead]
- ✓ Lee Taylor – Devon | Somerset | Torbay
- ✓ Paul Winterton – Langage Farm
- ✓ James Gilgrist – South Somerset
- ✓ Paul Nichols – Teignbridge

From these Advocates, one or two may implement a low-cost Pilot - as a practical operational model for the remainder to benchmark. It's recommended that each BBfA Authority allocates a nominal sum to facilitate the Pilot they will thereby gain from.

Each Authority will be able to implement the strategy outlined here in accordance with its own policies and timeline. In this context, feedback from the Pilot will obviously be invaluable as part of their assessment.

It should be stressed that this is not a comprehensive Business Plan.

With some early results from the proposed Pilot, a comprehensive Business Plan would be possible and indeed make great sense. In our terms a Business Plan is an extremely comprehensive and detailed plan that includes:

- ◆ revenue & overhead forecasts
- ◆ financial statements – usually monthly P&L, cash-flow statements
- ◆ details of management & operational teams
- ◆ market & opportunity potential
- ◆ assumptions & sensitivity analyses
- ◆ risk profile & mitigation

This second OBC release is the pre-cursor to a more comprehensive Business Plan – to be underpinned by evidence and results from a low-cost Pilot.

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The Proposition

“It's the economy – stupid!” Not everything Bill Clinton said or did was good. However, he was right on the money with this one. Real wealth derives from the performance of the economy. *Here we're not including 'financial instruments' – derivatives and so on.*

The wealth of a community comes from the economy of that community. Services and support to that community are paid for by the economy.

Regulatory Services feature prominently in the economic landscape. Traditionally they have ensured that businesses are compliant with rules relating to product quality, customer service, business conduct and so on.

Over time a store of value is being accumulated that can have reach and influence within the local economy. It's been that there are around 40,000 contacts between local businesses and the region's regulatory offices. This contrasts, for example with approx 3,000 contacts received by the Growth Hub.

This comparatively high-level of reach can become a window on the real, practical needs of local businesses in their day to day operations. This further supports placing Regulatory services in the context of local economies.

Regulation may also influence their business development strategies. In a survey carried out within a West Midlands Authority, we posed the question “What keeps you awake at night?” Over 70% of respondents replied that they firstly wanted 'more sales' and secondly that they wanted 'lower costs'.

Wanting to know how to build an effective Business Plan or how to get more Social Media followers didn't really feature at all. The respondents were effectively asking, 'how can I survive?' or 'how can I thrive?' These issues are fundamental and immediate.

How can regulation positively influence and impact these core issues? There's a modular set of answers centred around the value proposition. If the value proposition is one of 'Lowest-Cost' margins are tight, processes fine-tuned and sales volume is vital. Sales volume tends to be the preserve of the larger players with large marketing budgets and massive buying power.

Value is also represented by quality of product and higher levels of customer experience. The Quality value proposition is more readily accommodated by the smaller business. Quality products and services are perceived to have higher value, allowing for pricing strategies that enable better margins. High quality service-delivery reduces customer issues and brings down operating costs.

Who Wins?

Improve the performance of a local economy and you also improve overall well-being locally. Investment in infrastructure, lifestyle and commerce is also an investment in peoples' general view of life. Fix most local economies and you've fixed the National economy.

Local Government has a unique opportunity to drive and support the local businesses that collectively are the heart of the economy. Around 93% of all businesses are SMEs – typically with 1-

50 employees. Most of these are entrepreneurs who are the founders or the 'owner-drivers'. Whilst the details of various studies vary slightly, it's generally recognised that around 80% of small businesses are either marginal or vulnerable. They need to be reached in a way that practical support can be targeted to those most likely to succeed. This is important and the direct 'at the coal-face' interaction with them can be influential.

So the case for Regulatory Services having a pivotal role to play is fairly self-evident. However there's a paradox to be resolved. How can they ensure that influencing the improvement in local business performance does not compromise their oversight of regulatory compliance and the protection of the consumer or visitor communities?

The paradox is resolved with the formation of a separate enabling entity responsible for building on this important reach and influence – but without requiring any compromise or accommodation of regulatory standards.

To demonstrate the validity of the Business Case outlined in this short document we recommend that a small, low-cost Pilot be implemented by a few 'early-adopter' Authorities. We'd contend that this returns important early wins for these first few and enables others to subsequently participate and help recover interim investment. Trying to implement such a Pilot across 19 Authorities would actually increase the level of non-productive costs - and is unlikely to get anywhere.

The Pilot would establish an Entrepreneurs 'Club' within the early-adopter districts. Initially this might be a virtual club, perhaps with regular events. We'd suggest this can develop a number of membership categories and later offer physical drop-in, training and co-working facilities. It would also be extremely worthwhile assessing how this might complement or even enhance the 'sign-posting' role of Growth Hub.

Income would derive from a range of membership subscriptions and the delivery of practical tools and services totally focused on lifting business performance. The subscription business model has been proven in the private sector.

Re-Purposing a Proven Business Model

Many of the product packages outlined in this document are firstly based on generating and distributing of valuable Information and Guidance materials, Education & Support Services and so on.

For several hundred years, the classic business model funding information distribution has been subscriptions.

In today's digital world a subscription model is the most widely adopted means of generating revenue based on premium content. Examples include Wall St Journal, New York Times, Financial Times and numerous specialist Digital Newsletters / Research Reporting.

Obviously there are a great many 'free' sources of Financial Information, however the high end data and information in the WSJ is purchased – by 1.08 million paying subscribers. Hence the Journal generates annual revenues of c. \$400m [monthly subscription \$32.99].

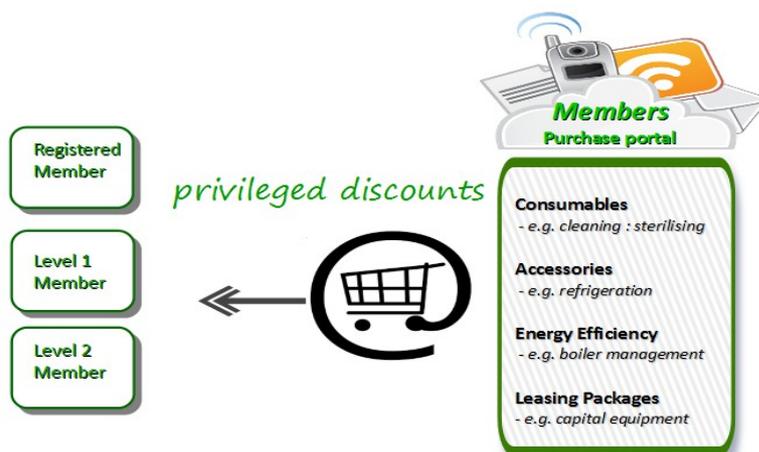
This model has more recently been much further enhanced to encompass regular delivery of products and services, training and operational tools [e.g. cloud-based digital applications]. Hence this Outline Business Case is underpinned on a proposition based upon monthly subscription packages. In the main, these can be engaged with and/or delivered via low cost digital means. This is readily accepted in today's economy.

As mentioned, the subscription model has been successful in relation to more physical goods and services – e.g. Amazon Prime and Apple Joint Venture. In the U.S. it's estimated that the average Prime Member spends c.\$1,224 p.a. - vs \$ 505 p.a. by an 'ordinary' regular customer. Importantly, this sum is in addition to the \$99 subscription fee.

The underlying psychology is “having committed \$99, I will take advantage of free delivery etc. as often as I can”.

This is also similar to many B2B services. For example e.learning platforms can make money via data marketing and advertising. However they recognise that businesses given free study information are far less likely to use it.

And those not using a service will sooner or later unsubscribe - whereas those that pay are virtually guaranteed to engage and interact. **Complementary Retail Products**



Leveraging a growing client base of regular subscribers will also facilitate relevant '**Quality + Value**' periodic purchases – with discounts matched to member levels.

For example refrigeration equipment, preparation

accessories, cleaning consumables and so on.

Sector Focus – of proven model

To further minimise Pilot costs and demands on management 'bandwidth', it makes sense to target a very few market sectors. Later applying the early feedback and returns to others.

Whilst Devon & Somerset enjoy higher than average levels of employment - productivity is lower than the national average ~ *Interim Report to Devon & Somerset County Councils: Serio Plymouth University.*

Hence the important goal of improving business revenue per employee . By leveraging the profile of service quality, as a customer acquisition & pricing strategy. Simultaneously limiting overhead imposed by a traditional approach to regulation.

The largest employing sector across both Devon and Somerset is Food & Beverage - *Serio*. This reflects a dual emphasis on [a] Food Production and Consumption, together with [b] the Visitor Economy. Thus this sector's engagement with regulation [see later] is especially important across all Authorities in the region.

Whilst there are obviously other important sectors, a key concern has to be the availability of resources in terms of execution and delivery.

Therefore the Outline Business Case is based upon implementing a low-cost Pilot, initially targeting Food & Beverage - hence relevant to the majority of Authorities within Heart of South West BBfA.

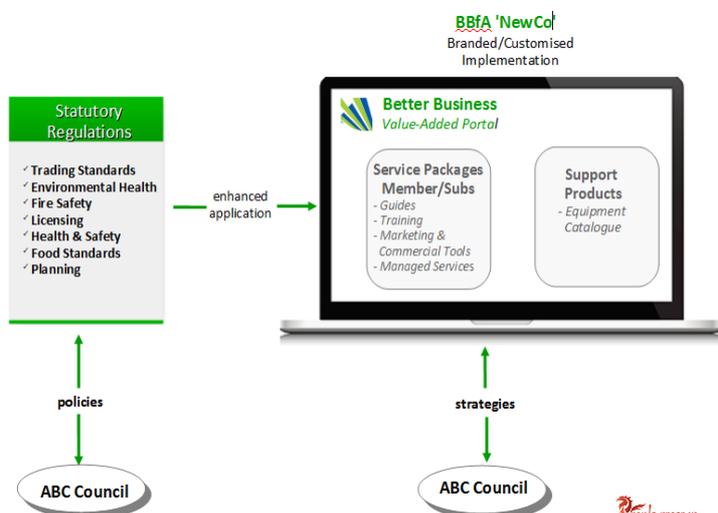
Also a business in this sector is likely to be subject to several aspects of regulation each deployed by different Officers.



“Accelerate Your Business
Leverage its Quality!”

Thus a seamless customer-relationship based engagement would motivate a subscription to services that can improve revenue-per employee - via increased footfall, flexible pricing strategy and more effective customer service/operations.

All founded on effective and efficient Quality.



These will still be provided as presently - via each Local Authority.

A separate trading venture can begin offering an evolving range of added-value services.

This complements regulatory requirements and enhances the ability of a business to comply - leveraging this

compliance to commercial advantage.

The concept allows each Authority to present and promote the service via their own community engagement processes. For example Mid Devon Council's engagement with local businesses could promote **Better Business for All** 'Members Club' under their own Mid Devon umbrella ID.

It's envisaged that longer term success of this **Better Business for All** venture could generate an 'Enterprise Dividend' for participating Authorities and supporting partners - such as Growth Hub.

In order to protect the **Better Business for All** internet identity, we have registered www.BetterBusinessforAll.co.uk and www.BetterBusinessforAll.org.uk

These can be transferred to the appropriate organisation at any time. Unfortunately the .com suffix has already been taken via a rather bland blogger [last post 12 months ago!]. In this instance we've placed an auto-reserve and appear to be first. Thus if the current owner fails to renew, it is pre-purchased and falls automatically into our lap.

Better Business for All - Assets

- ✓ Knowledge Base
- ✓ Cross Industry Experience
- ✓ Trust and Credibility
- ✓ Customer Relationships

Of the above, the most valuable asset is the Customer Relationships that have been developed and can be much further cultivated. Additionally, using easy digital tools, it's possible to very quickly generate a series of increasingly detailed Customer Profiles. Both generic and specific data from these Profiles becomes a further valuable asset:

- Ensuring increasingly 'matched relevance' of BBfA services
- Targeting local, regional and national resourcing
- Improving economic productivity within each Authority area

Regulatory Officers have consistent engagement with local businesses 'in the trenches'. In turn, businesses also make approaches to Authorities in connection with regulations, applications and licensing and so on. In total, it's estimated these reach around 40,000 'customer-touches' per annum. It's worth pointing out that many modern B2C and B2B platforms allocate much of their investors' money to major marketing programmes to attract just such 'customer touches'.

Markets

In a BBfA survey, conducted in 2015, 33% of businesses who engaged were prepared to pay for services. The number of businesses within Devon and Somerset was reported by this survey to be around 60,000. However other data [MINT] suggests this figure could be as high as 90,000.

Central Government regional statistics are for the South West as a whole and are thus of limited value. Also a large proportion of these do not qualify for VAT registration or have employees and thus are unlikely to be targets for the higher end added-value packages.

Hence for the purposes of this Outline Business Case we are basing the potential on the survey figure of 60,000. Assuming the validity of the 33% prepared to purchase services, the market for the BBfA proposition could be as large as 21,000. Naturally this includes many micro businesses [less than 5 employees] hence we'd suggest the initial true market would be closer to 50% of this figure – i.e. in the order of 10,000.

However we'd further suggest that, provided the value proposition was sufficiently compelling, many of the remaining 66% [39,600] would re-consider the potential return. For the purposes of this Outline Business Case, we are assuming this figure to be approximately 10% - 20% - i.e. in the order of 4,000 – 8,000. However as mentioned, we recommend initially focusing resources and sales & marketing upon the Food and Beverage sector – see targets later.

Caveat – The Seduction of Statistics

The figures outlined above [and others] are indicators - related to potential opportunity. In other words, they support answers to the sort of questions such as “is the proposed venture worth implementing?”.

However, based on many years business experience, especially emphasising the vital nature of sales & marketing, we'd stress the importance of other questions:

1. what are the customers' primary problems
2. is our proposition relevant to them
3. is our offer compelling – presentation, value, convenience
4. etc. etc.

It's worth pointing out the value of Convenience [3] to SMEs, most of whom are under resourced and under capitalised. This is described elsewhere.

The point is that this valid market opportunity now needs to be engaged and subsequently converted. To do so successfully means the above and other questions need to be tested. Hence why low cost Pilots are the wisest mechanism to help build more expansive Business Plans.

As mentioned we'd recommend that a Pilot be first focused on the Food & Beverage sector:

- ✓ large enough opportunity
- ✓ spread of products & services
- ✓ varied business categories – manufacturing, retail, distribution etc.
- ✓ varied sizes of businesses
- ✓ impact scope – i.e. local and visitor economies
- ✓ spread of regulation engagements

This sort of Pilot should generate sufficient returns to wash its face. Particularly as the resourcing profile need not be excessive and further facilitated with digital tools.

Products & Pricing

As part of the suggested Pilot, we'd recommend an initial awareness building exercise that also aims to survey local businesses in terms of the services they'd consider valuable.

During the period of a small Pilot, it's recommended that only a focused set of services be offered and delivered. The range of services might include the global categories:

1. Guidance & Information
2. Training
3. B2C Marketing & Promotional Tools – *leveraging service standards and quality to consumers*
4. Concierge / Managed Services

Guidance & Information

In the age of information overwhelm, it's extremely valuable for under resourced and under pressure businesses to receive only information that is relevant to their line of business and improves its performance.

Complementing this targeting hints, tips and guidance on the business-specific application of this information gives it much greater value. Particularly when the associated benefits are also outlined.

The first member level would initially be available simply for registration. Upgrading to a paid membership might begin with a 'Quality Kit' – perhaps a ring-binder with laminated basic information that is thereafter enhanced via monthly kit updates.

Training

Info Guides would then be upgraded to training – 1) more effective management 2) more capable staff. Depending on the membership level, such training can be an appropriate mix of:

- ✓ manuals
- ✓ e.learning
- ✓ local events
- ✓ on-site
- ✓ etc.

B2C Marketing & Promotional Tools

Complementing the info and training services, members can upgrade to a set up cloud-based tools, again targeting the under resourced business. These effectively leverage the business gains from earlier member levels:

digital marketing – from practical social media tools to comprehensive sales automation
e.commerce – booking & reservations to online retail and fulfilment
content marketing – integrating customer-centric communications with the above

Managed Services / Concierge

As discussed earlier, most SMEs are under resourced and largely they 'work in the business' rather than devote a proportion of their time to 'work on the business' – in other words investing in the improvement of processes and facilities. Hence the growing success of subscription base turnkey packages – e.g. Software as a Service : Back Office Outsourcing etc.

As a later membership package, rather than manage the services themselves it could be attractive for growing business to take advantage of a comprehensive concierge type of facility – from simple coordination to more sophisticated mentoring.

Added Value Service	Business Gains	Resourcing Options	Potential Price Points
Registered Member	News, Access to Archive	Apprentice/PTE	Free Registration
Standard Member	<ul style="list-style-type: none"> - Quality Hints & Tips - Guides - Events - FAQs - Basic Support 	Internal Marcom Fulfilment Partner*	£9.99/ month
Training & Support	Above plus:- Training – business effectiveness - staff CPD - basic webinar series - access to digital training packages Selected Events - e.g. <i>Quality Marketing BootCamp</i> On-site skills and operational training	Departmental Personnel Fulfilment Partner*	£14.99/ month to £149.99/ month
Business Tools	Above plus or optional:- - digital marketing toolkit - e.commerce - sales & marketing support	Fulfilment Partner*	£159/ month to £899/ month
Concierge Member	Relationship Manager coordinates & facilitates / delivers above services on behalf of the business plus optional - Recruitment services - Funding services <i>e.g. equipment leasing</i> - Mentoring	An experienced Officer is responsible for a small number of Concierge Members – overseeing Fulfilment Partners* as appropriate	£449/ month to £1,499 +/- month

Notes:

It's anticipated that services requirements will be market tested during the Pilot and the actual pricing strategy will similarly evolve. A product and services implementation and roll-out timeline should be agreed with those Advocates who participate.

The overall business model recognises the need for lean resourcing, hence the reference to Fulfilment Partners*. The business client relationship will be retained and controlled by the relevant Authority Officer, whilst service delivery may be actually operated by specialist third parties. We'd recommend that client transactions/payments are always conducted by the relevant Authority via the BBfA 'platform'.

Members 'Purchasing Portal'

Alongside the subscription packages the Pilot should include a BBfA website. Whilst this would be most effectively managed from a single point, each BBfA Authority member would be able to present this under their local ID.

Essentially it would provide information, detail features/benefits of services, recruit members, process transactions, manage sales affiliates.

It's also relatively straight forward to implement a retail commerce facility. This could serve both business members and 'passing trade' – members would be shown a discounted price based on their subscription level.

An evolving range of products relevant to business effectiveness and efficiency could be fulfilled by 3rd party suppliers. As before, client relationships and transactions are retained and processed via BBfA.

Marketing Programmes – *early steps*

The Pilot should commence with 'brand ID awareness and acceptance' exercise – i.e Better Business for All. Typically, current businesses are initially contacted in the name of their present Authority.

Generally this email explains a new service and asks for response to quick survey - we've had up to 20% actually taking part at this point, with further when a prize draw is used as a 'nudge'. This process uses double opt-in; following best-practise and the upcoming European GDPR requirements.

Alongside an email programme we'd concurrently initiate a complementary one via selected social channels [e.g LinkedIn : Facebook]. Naturally the main web site of each participating Authority would include an announcement [Home & Business pages] – often a temporary popover presented on each visit will be beneficial.

Normal postal communication might include a simple flyer – directing to BBfA.

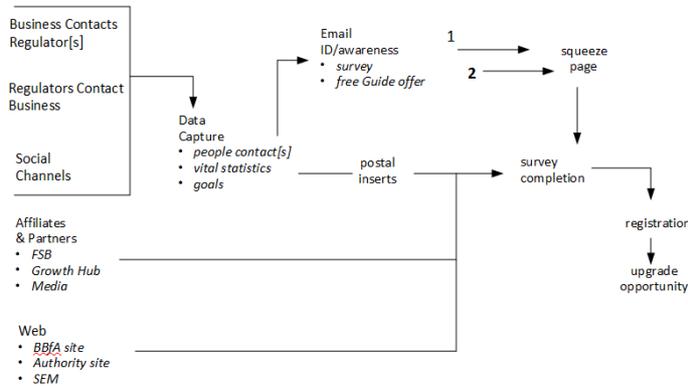
Collaborating with local media [newspaper/radio] will raise awareness and recognition of other programmes. This should be set up in advance of these other programmes beginning.

Within the Appendix there are some marketing messages that may be used. The goal is to clearly demonstrate the benefits of these services to customers. Benefits are valued more if they are consistent/repeatable.

Sales Programmes

We're recommending a dedicated commercial strategy for the Pilot. It will be important to structure the customer journey – online and off-line.

Customer Journey – *basic automation*



This should leverage as many as possible of the customer touch points mentioned earlier; together with complementary engagement opportunities also outlined.

Note: As a short pre-cursor to the implementation and execution of the Pilot, we'd recommend a far more detailed Sales & Marketing Plan.

Resourcing

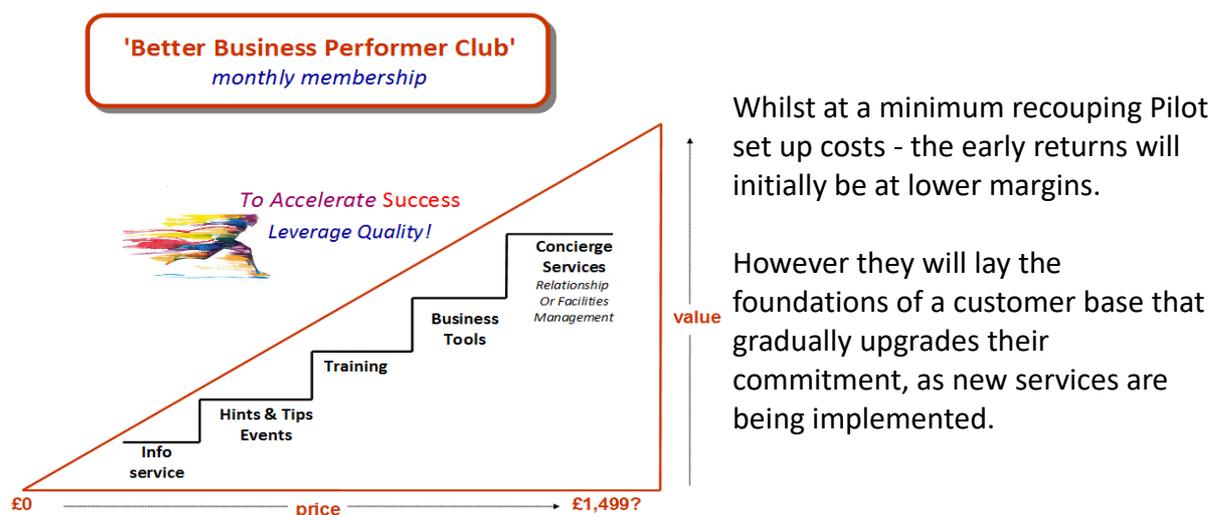
By applying low-cost digital tools and modern processes, Pilot activities can be undertaken with minimum impact on current resources within Authorities. Where specialist or additional resources are required these can be in-sourced either on an interim or supplemental basis.

Alongside the professional services provided by Officers, delivery of certain products and services can be met via Fulfilment Partners, including private sector.

Targets & Returns

Self-sufficiency is the primary goal – firstly for the Pilot and thereafter for each Authority implementation. Obviously targets are driven by:

1. size of local business community
2. success of sales & marketing programmes
3. roll-out of services



Whilst at a minimum recouping Pilot set up costs - the early returns will initially be at lower margins.

However they will lay the foundations of a customer base that gradually upgrades their commitment, as new services are being implemented.

In terms of targets we're only equipped to outline these at a HotSW global level. As part of a more detailed Sales & Marketing plan. These could translated into targets per Authority.

- Better Business for All Registrations [60,000* businesses]:
- 14% Food & Beverage [8,400 businesses]
- 20% Registration [based on similar programmes]
- Early Avge Subscriptions [£14.99]
- Target – c. £25,000 /month

* Estimated relevant SME market size. MINT demonstrates that there are more, however many will be Micro businesses – those who are sole trader or very few permanent employees.

Appendix

Marketing Messages - examples:

Competition is fierce and there's always somebody prepared to undercut your prices. In fact being at the 'Poundland' end of your market could become a race to the bottom. By emphasising excellent value and features such as product quality and customer service, you can add extra motivation to your offer. You only need to look at Apple's successful value proposition, compared to any number of commodity PCs and SmartPhones.

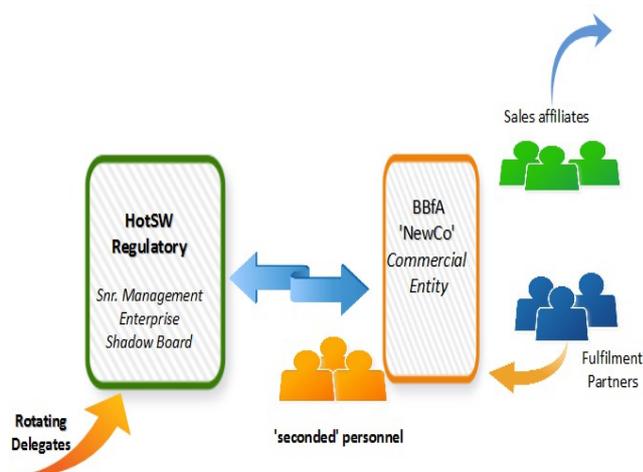
Better Business for All is a major effort to ensure that business regulations actually enhance your market profile and improve your business efficiency. The old image of 'red tape' and bureaucracy is changing fast. Working with business owners, good Regulatory services show customers that safeguards are in place that deliver better product quality.

Better Business for All is also a range of important services and practical tools - that you can use straight away to lift the performance of your business. You'll be able to spend more time on your core activities. Staff will be better trained and more effective. **Better Business for All** means that you'll have practical tools to reach more customers with the messages of value, quality and great customer service.

Better Business for All will help you minimise your costs and improve your margins. You'll find that meeting quality targets and compliance with standards becomes increasingly easy to do and consistently builds trust and reputation with your customers. Join **Better Business for All** and see for yourself, it's free to start your journey to better products and greater business effectiveness.

Structural Principles - Basics

Better Business for All support packages and added-value products are obviously most cost effectively delivered via a harmonised and seamless platform across all Authorities.



To ensure this portfolio of services becomes self-sufficient and more, they must show a return and hence it's recommended that they be marketed by a dedicated trading entity.

Such a vehicle could be presented by each Authority. Alternatively each Authority could implement a similar trading venture, underpinned by common resources, processes and systems. During the Pilot those participating could second staff and recoup costs via new revenues.