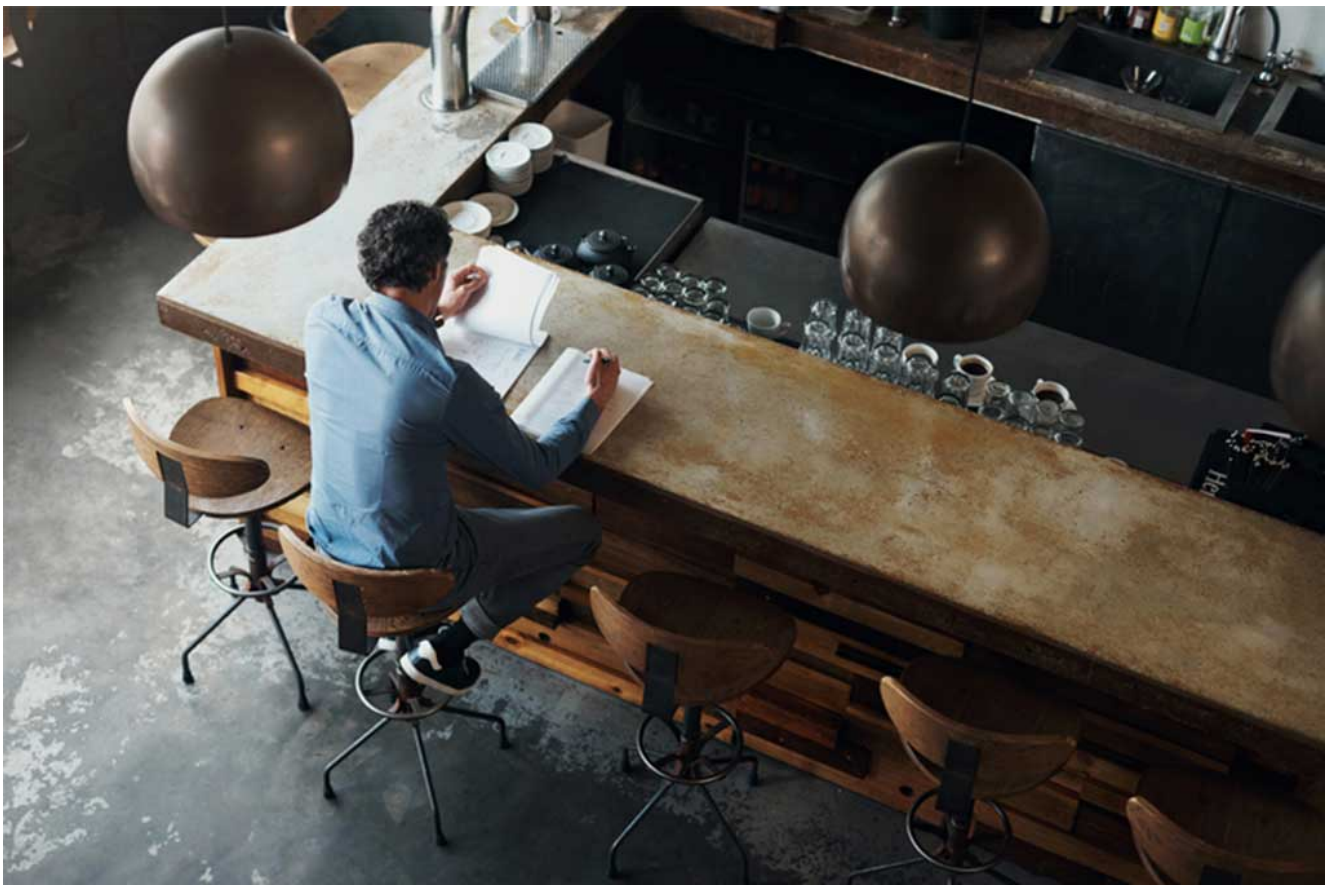
Simple data reports boost sales and empower small business owners in making decisions

Small businesses that used data over instinct to make decisions increased revenue by as much as 9%, even when managers weren’t particularly tech-savvy.



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Miguel, a restaurant owner in Madrid, was used to Sunday being a quiet day. And until he

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signed up for a bank-sponsored program to improve small and medium-sized businesses' access to market information, he assumed that was the case for everyone in his neighborhood.

But when he began receiving the monthly transaction reports, he realized that other restaurants were doing a brisker trade than his was. He decided to organize a two-for-one dinner special on Sundays to draw more customers in. And when the reports showed him that many of his clients were young women, he updated his menu to appeal to that demographic.

"What changed for Miguel was his knowledge of what was going on around him and the actual data of who was buying," says Professor Ricard Gil of IESE Business School. "In a competitive market, information can be a source of advantage, but many small and medium-sized enterprises (SMEs) don't have the capacity or the skillset to use the data. We wanted to see what would happen when they did get the information they were missing."

In a paper published in the *Journal of Political Economy*, Gil, with co-authors Jose Enrique Galdon-Sanchez and Guillermo Uriz-Uharte, studied the results of an information-sharing program in Spain, in which a large European bank provided small businesses with monthly reports on their sales relative to competitors in the area. They looked at quarterly data for over 487,000 Spanish establishments, of which over 7,000 adopted the bank-sponsored program. Those that did saw an increase in revenue of 4.5% on credit and debit card transactions. Even more striking, the increase in revenue was 9% for those that appeared to be less likely to sign up for the program in the first place — businesses that weren't already showing clear signs of growth, development or even technological savvy and that joined the initiative largely by chance or through connections with other adopters in their bank branch. Proof again that information can be transformative to a business.

Another noteworthy example was a bookstore-and-cookery school in Madrid. Their reports revealed that Monday was a busy day for them, in contrast to their nearby competitors, which led to a decision to open longer hours on Mondays (a day many shops are traditionally closed). They also received demographic feedback on their foreign visitors. Although most were from Spanish-speaking countries — namely Chile and Argentina — the U.S. and South Korea also featured heavily. This led the business to introduce some cooking classes in English, tapping into a revenue source that simply didn't exist before.

There were similar stories from businesses throughout the scheme: a manager would become aware of when and where something was amiss and find new opportunities or adjust marketing and promotions. From the bar that ran a Thursday promotion to keep up with

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competitors to the computer store that managed stock based on improved understanding, managers were able to make smarter decisions without needing complicated tools.

What was keeping smaller businesses from leveraging this information on their own?

The cost of collecting and processing information and customer data has gone down significantly in recent decades. But when it comes to making data-driven decisions, large corporations have proven quicker adopters. It makes sense, as they can more easily assume collection costs and hire specialists to interpret and use the information effectively.

The monthly report shared with participants in the bank's flagship program didn't remove all obstacles: the information contained was descriptive; it didn't contain advice on how best to optimize sales. But it did provide smaller businesses with cleaned-up data in a readable document. More sophisticated users — those already reasonably familiar with digital, data and marketing concepts — were the most likely to benefit from it. Interestingly, the size of the business was less of a factor.

Key points for managers

The value of data in decision making is well known. The study showed that providing data in a relatively simple format could lead small businesses to make fairly simple changes, which nonetheless allowed them to "steal" business from nearby competitors.

"When large businesses use data to make decisions because they can, while small businesses use 'instinct,' there's a risk that the disparities between large and small firms will grow even larger in the future," says Gil.

At the same time, this program, which was free, had quite a low adoption rate — only 1.5%. It's likely that managers simply failed to pay attention to the initiative — perhaps another sign that working on gut instinct isn't effective.

"A lot of the gains were made by changing promotions, improving schedules and resources or getting a better snapshot of customers," Gil says. "With higher adoption, smaller businesses would potentially do much more than just mimic other successful businesses nearby. If most small businesses had access to the same market information, the gains from 'stealing' business would be smaller and so business owners could use the information to think outside

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the box, from innovation to new products.”



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