

Small Business Solutions Product Case

Description and Vision

Each year, between 600 and 700 thousand small businesses are formed in the United States (US Bureau of Labor Statistics, n.d.). Of these, the Bureau notes that approximately 20% of small businesses fail within their first year, with only a 50% survival rate after 5 years. Of the 10 problems that small business owners face, more than half are related to financial or strategic issues: money management, team composition, health care, brand identity, business scaling, cash flow, and legal regulations (Nelson, 2020).

While the services required to solve most problems are available in the market, the business owners may not immediately be able to find a service best fits their problem. Fundamentally, these small business problems are similar to a car owner noticing their car is breaking down. They may recognize the symptoms, but need the assistance of a car mechanic to diagnose and address the problem. However, unlike the car repair industry, individual problems in a small business may require different expertise to solve. Issues with brand identity relate to marketing. Problems related to reducing costs relate to finance. Company growth and expansion relate to strategy. Passing legal review may require a lawyer. Based on preliminary results from my survey, small business owners experience problems related to marketing and financial issues, and most experience a problem almost every month.

Because each of these problems requires a different solution for the business owner to solve, and it can be difficult to find the appropriate resource to solve the issue. Even more concerning, some owners have trouble categorizing their issue into a specific category. They know their business has a problem, but are unable to clarify or generalize it to find the resource that best addresses that issue. This makes it difficult for these business owners to find the correct resource that they need.

Business owners may also be unable to find a vetted or dependable resource to help them with these problems. Many small business owners rely on their network or social media to find recommendations, and do not value online reviews of services at all when making decision.

The value proposition of Small Business Solutions, therefore, is to help first-time small business owners find trusted and experienced consultants to diagnose and propose solutions to their financial issues.

Goals and Hypothesis

1. Provide a selection of consultants to small business owners
 - a. Small business owners value choice over quality (hypothesis refuted, users prefer quality and vetting over variety)
 - b. Small business owners are willing to offer their help/recommendations to others (hypothesis successful, small business owners typically recommend people who have helped them to others).
 - c. Small business owners are VERY price-conscious (price-conscious exists, but if you can demonstrate the benefits outweighing the costs, they are willing to accept higher prices)
 - d. Small business owners are willing to provide their business information to consultants (hypothesis successful, as long there is a demonstrated and believable vetting process, users are willing to do this, comparable to financial documents with accountants)
 - e. Small business owners are more likely to return to the same consultant (most small business owners like going back to the same consultant)
2. Provide multiple payment options to small business owners
 - a. Offer small business the owners the chance to do a monthly subscription that provides credit for meetings, or a pay-as-you-go service
3. Target the specific problems small business owners face
 - a. Small business owners primarily have financial issues (hypothesis refuted, users have a variety of difficulties, and some have difficulty describing their issue into a specific category)

- b. Small business owners face the same problems repeatedly (hypothesis refuted, users tend to experience different problems over time)

Comparators

There are competitor services that are adjacent to, or involved with, business consulting. Services like Freelancer, Fiverr, and gosmallbiz do have functions that for small business consulting. However, the most relevant service on Fiverr and gosmallbiz are typically constrained to Question and Answer sessions rather than meetings, and do not feature the interactivity of a face-to-face meeting. Their lower price point may be more appealing to price-conscious small business owners, but lack the depth of a full consulting session.

More traditional consulting services are also available, but these are typically through word of mouth or general searches, but have serious constraints. They may be localized or have very high costs. Finding the consulting service right for the user's small business ends up putting most of the burden on the user to differentiate between services and finding the right consultant for the right price.

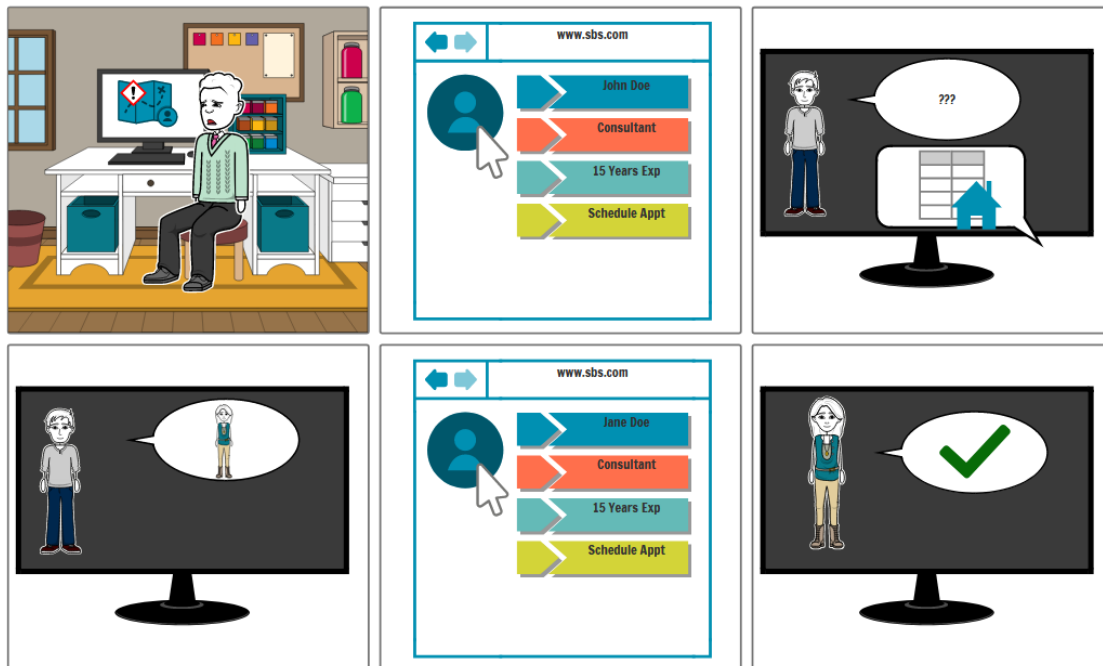
Use Cases

1. A small business owner is unable to make her company profitable. She knows her advertising and operating costs are much higher than her revenue, per her accountant, but isn't sure which issue to tackle first, or if becoming profitable is even possible.
 - a. The owner is looking for a consultant to evaluate her business and diagnose problems that she can solve. The user searches and finds the SBS website.
 - b. The user discovers that there is a diagnosis consultation that she can schedule to evaluate her business.
 - c. The user pays for and schedules an appointment for a consultation.

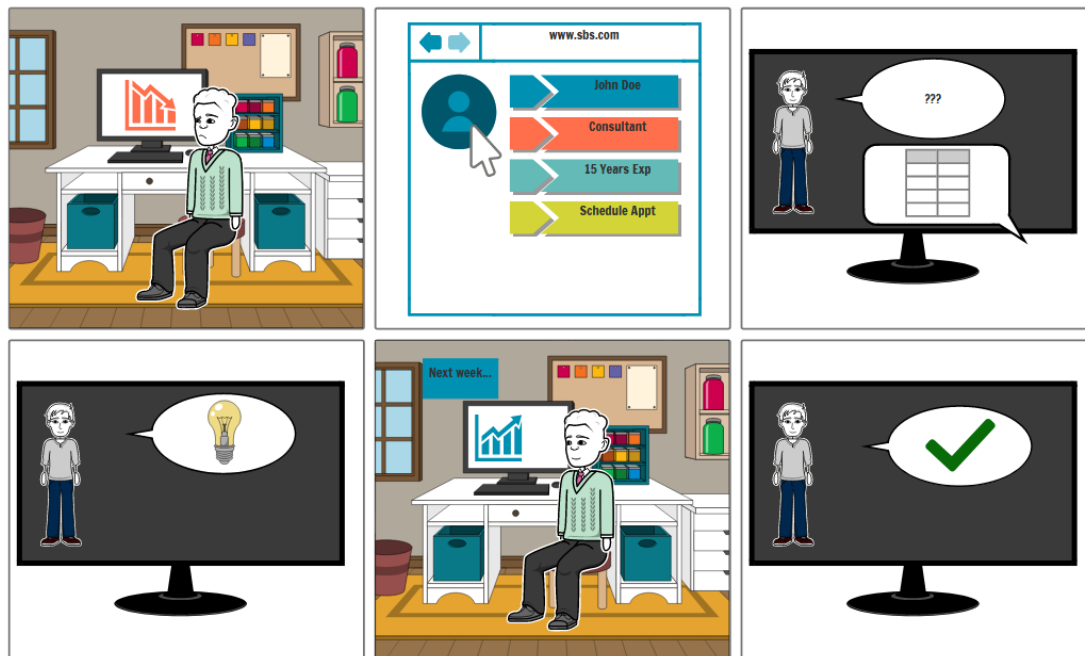
- d. The user sends documents pertaining to business operations to the consultant beforehand for review.
 - e. The user meets with the consultant at the scheduled time to get the evaluation.
 - f. The user plans her next step, potentially with follow-up meetings with the consultant.
2. A small business owner is trying to control cost overruns related to inventory shortages and overstock and is looking for assistance to implementing a more efficient inventory system.
 - a. The owner is looking for a person to help him implement a better inventory system to reduce expenses. The user searches and finds the SBS website.
 - b. The user discovers that there is a financial service called “expense reduction”.
 - c. The user pays for and schedules an appointment for a consultation.
 - d. The user sends documents pertaining to business operations to the consultant beforehand for review.
 - e. The user meets with the consultant at the scheduled time to develop a plan.
 - f. The user implements the plan, potentially with follow-up meetings with the consultant.
3. A small business owner is planning to open additional restaurants, but is worried that he may be missing something in his expansion plans, and wants someone to look over his business plan.
 - a. The owner is looking for a person to help him with business development strategy. The user searches and finds the SBS website.
 - b. The user discovers that there is a financial service called “growth and expansion”

- c. The user pays for and schedules an appointment for a consultation.
- d. The user sends documents pertaining to business operations to the consultant beforehand for review.
- e. The user meets with the consultant at the scheduled time to go over his established business plan.
- f. The user implements suggestions, potentially with follow-up meetings with the consultant.

Storyboard – Financial Problem Diagnosis



Storyboard – Known Problem



These two storyboards are very similar, with the difference being in the first one, the business owner does not have a clear understanding of the problem. The consultant provides a recommendation for a specific consultant to help them with their problem.

In the second storyboard, the business owner has determined their problem and found a consultant specialized in that problem area. The business owner can repeat this storyboard process as many times as needed to address multiple problems. The flow documents the repeated use loop presented here.

KPIs

1) Conversion

- a) How many users view specific types of services? This helps us adjust costs for consultants on hand.
- b) How many users are interested in the diagnosis consultation? This helps us gauge whether customers are able to properly diagnose their issues.

2) Engagement

- a) How long do users meet with consultants? This helps us manage costs and appointment scheduling.
 - b) How likely are users to recommend this service to their peers and colleagues? The ability of the service to spread through small business owner word of mouth improves user trust.
 - c) How often do users cancel or reschedule their appointments? There may be costs associated with this related to consultant availability.
- 3) Retention
- a) How many users return after a diagnosis consultation?
 - b) How many of these users follow the recommended diagnosis?
 - c) Do users continue to meet with the same consultants?
 - d) How often do users meet with consultants? This allows us to properly gauge reminder emails and drive additional sales.
- 4) Satisfaction
- a) How satisfied are users with their meetings?
 - b) How satisfied are users with their outcomes?
 - c) How satisfied are users with our consultants? (5 star rating and review system)
 - d) How many complaint emails do we receive regarding our services?
- 5) Problems
- a) How often are our users late to, or miss, scheduled meetings?
 - b) How often are our consultants late to, or miss, scheduled meetings?
- 6) Cost Savings
- a) How can we plan schedules to ensure coverage and reduce idle time for consultants?
 - b) Is consultant pay linked to the level of service they provide to our customer?

Key Constraints and Risks

1. Advertising – Our users may not necessarily understand their specific problem or be able to put it into words. We have to perform significant research into determining the search habits of “unknown” customers to be able to properly target them.

2. Price vs Costs – The key driver of the business being successful is if our pricing model can offset the costs of the consultants required to staff it. If we are unable to find an area where the pricing provides a margin over our costs, our business is financially unsustainable.
3. Legal – Small business owners may not like our advice, or say that our advice has caused their business to fail, and sue us. Small business owners may be sensitive about handing over their financial and business documents to us.
4. Operational capacity – The product is designed to be sustainable from an influx of new customers as well as a supply of returning customers. Depending on the time of year or other factors, we may experience increases and decreases in use based on the business environment. For example, post-holiday season, small businesses may be more concerned about inventory liquidation. We may have difficulty adjusting to these business changes easily due to staffing constraints.

Go-To-Market

Because our service relies heavily on scheduling and user management to properly provide consulting services, our largest initial investment will be to design a functional website that supports scheduling management and services. We can probably start off by offering email inquiries and manually scheduling, but as we grow, we will eventually have to develop a robust scheduling system. Because our costs also increase with each consultant we hire, either to cover high-demand services or to expand to new ones, it would be best if we started off with only a few general consultants with better breadth of knowledge to minimize costs.

It would be beneficial for us to localize to a specific region or a specific type of small business (e.g. retail). This would allow us to have a small relative footprint and allow us to test our business model and ensure that it is functionally profitable, given the monetization considerations in the

next section. If we are able to become financially solvent in this specific subsegment, we can expand into adjacent subsegments and services while increasing consultancy staffing. This modular approach will allow us to grow at a moderate and safe pace and give us the opportunity to address growing pains much more easily than if we decided to grow too fast.

Due to the difficulty of pricing against cost-conscious users and the cost of hiring consultants full-time, this initial offering would drive the decision into whether to continue offering the service, or withdraw if the margins are too small to effectively justify operations.

Monetization and Key Cost Considerations

This product is envisioned as a subscription/pay-as-you-go service. Pricing is difficult because making the appointments too low gives off the impression of low quality and reduces revenue offsets for paying consultant salaries, which is the primary COGS. However, pricing too high also puts negative pressure on potential users, as small business owners may be hesitant to spend a large amount of money with no guarantee of return.

This balancing act of properly pricing the monetization model and the consulting costs is the only way for the product to make money, and the primary denominator in go/no-go. If we can't make the revenue of the service offset the costs to retain our consultants, then this product plan is financially unfeasible and should be canceled.

It may be beneficial to provide a discounted first-time cost for new users to experience, after which a standard pricing model is adopted.

Variable

1. **Consultants (COGS):** We may not be able to fully handle all of our work with solely retained staff. We may need to look outside the organization to find additional consultants. These are

typically \$30-\$50 an hour on Fiverr and other services, but may be higher depending on experience.

2. **Advertising Fees:** In order to seek sales, we will need to advertise our product on social media as well as websites popular with small business owners. We need to also consider that small business owners may not be able to properly word their searches in relation to the specific words we use to target for advertising.
3. **Promotions and Discounts:** We can potentially reduce the cost and length of the initial consultation to provide new users the experience of the consultation and drive customer growth, or encourage continued use.

Fixed

1. **Consultants (COGS):** We need to hire on-call consultants to provide the services to users at our meetings. Salaries for these consultants can range from \$50K-\$200K depending on specialty, expertise, and background.
2. **Software, hardware and hosting costs:** We must provide the website/app/database build-up, as well as subscriptions to productivity/meeting software like Excel and Zoom, and hardware like webcams and microphones. Estimates for minimal procurement would be \$100K.
3. **Professional services:** We would eventually require a full legal, accounting, information technology, and management team to run the business outside of our consultants.

Due to the difficulty of both estimating fixed and variable costs since we are selling a service and not a product, this is a rough estimate of the proposed cost model at an hourly rate. This can be scaled weekly, monthly, and adjusted depending on the consultant's experience and specialization.

If the predicted estimate holds, then the model is successful. Based on survey results, small business owners would actually be comfortable with a large range of costs, with some being willing

to pay in the high range of \$75-\$100 for a person with 15 years of experience. This provides us a bit of flexibility with the meeting pricing rate.

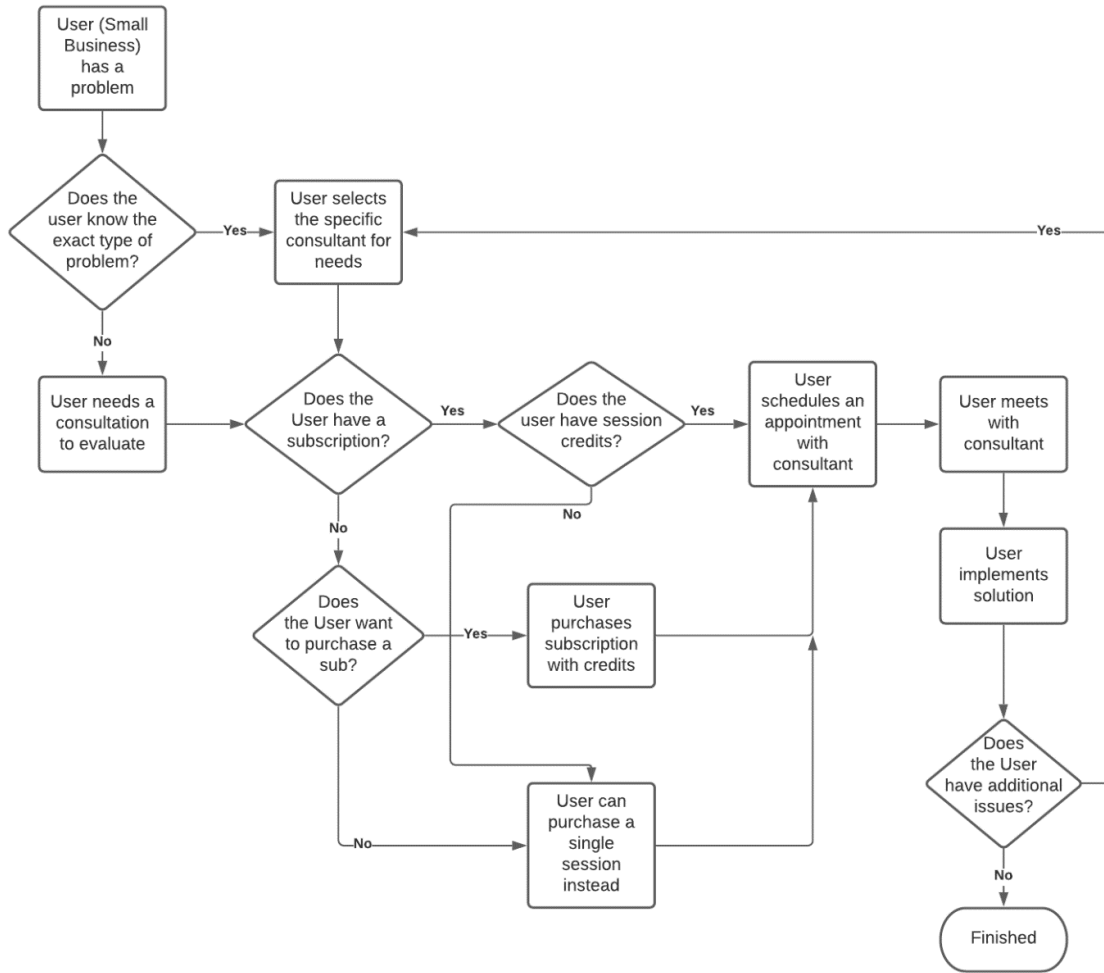
Business Hours	Time for Meetings	Rate per Meeting	Revenue for Meetings	Cost at \$30/hr	Margin	Margin %
40	20	\$80	\$1600	\$1200	\$400	25%

However, if an hourly rate fails to meet requirements, we may have to shift to a weekly contract-basis rather than an hourly basis, which would provide a larger bit of revenue but also scale more poorly.

Business Hours	Dedicated Consulting Time	Cost of Weekly Contract	Cost at \$30/hr	Margin	Margin %
40	40	\$1600	\$1200	\$400	25%

Another pricing option is to focus less on consulting time and make the pricing modular more granular, for example charging based on number of questions over an allotted period of time.

Flow Diagram

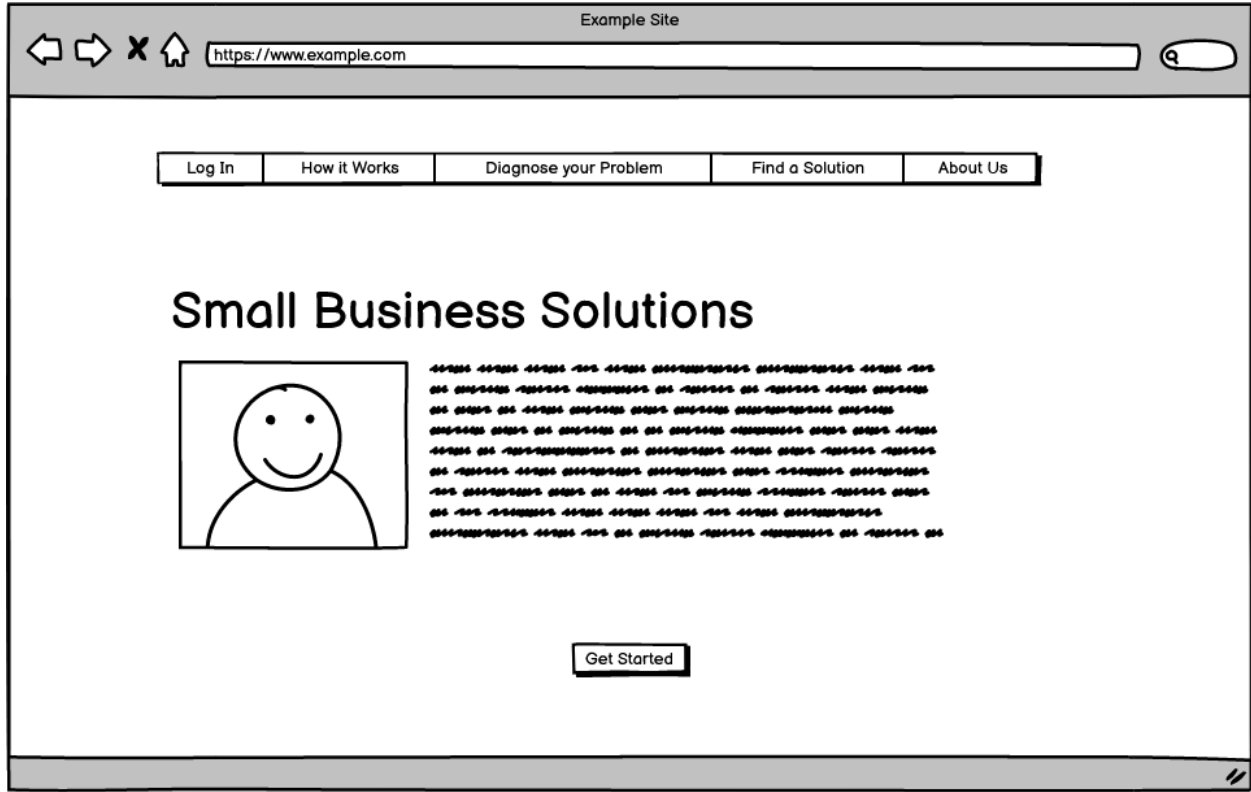


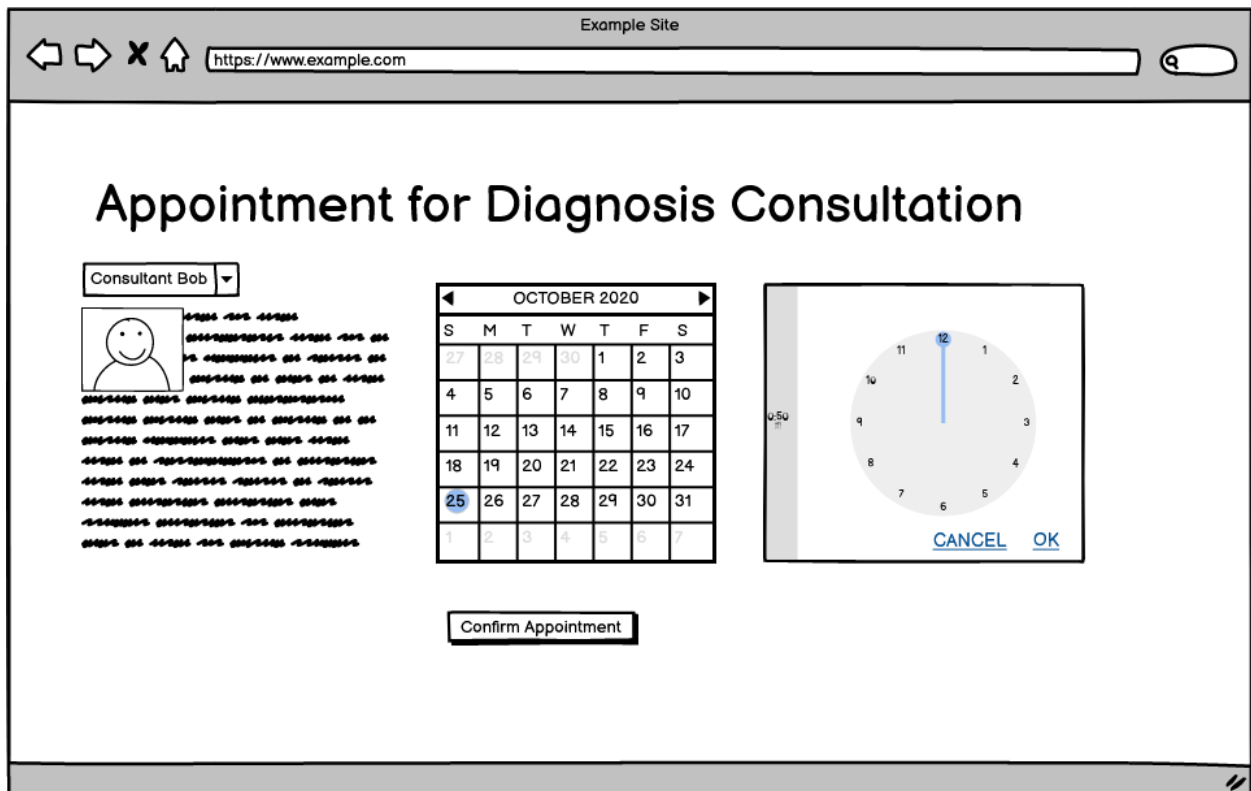
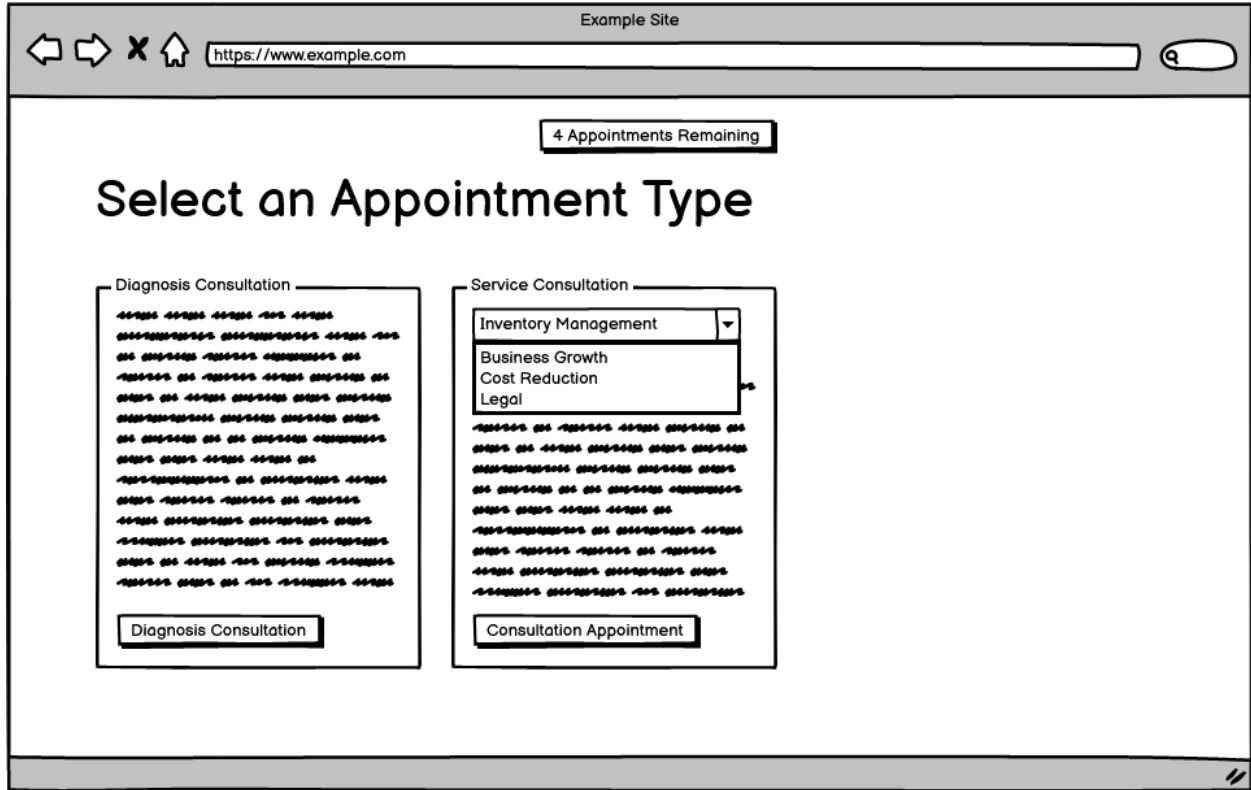
Wireframes

A selection of relevant wireframes are provided, a clickable demo is available below. Annotations are provided in the comments section in Balsamiq.



https://drive.google.com/file/d/1CJHJACKi6dsJYD_n5dVmZviIDfeJ4PCz/view?usp=sharing





References

Nelson, A. (2020, January 31). *The 10 Biggest Business Problems Entrepreneurs Face—and How to Beat Them*. Retrieved from Fundera: <https://www.fundera.com/blog/small-business-problems>

US Bureau of Labor Statistics. (n.d.). *Table 7. Survival of private sector establishments by opening year*. Retrieved from https://www.bls.gov/bdm/us_age_naics_00_table7.txt

Survey Results

I was only able to get 6 new small business owners to fill out my survey. I would have liked to get more responses but had difficulty finding additional business owners, even going as far as posting on r/smallbusiness to try and find volunteers.

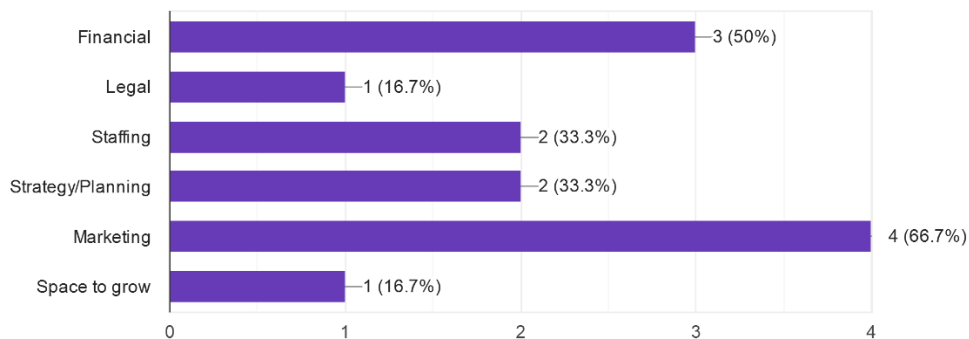
Survey Link

https://docs.google.com/forms/d/1LeXZ2WatlB61zn22_faH9QjNbZCnkD3obKHRA6uGNyA/edit?usp=sharing

Selected responses are provided below:

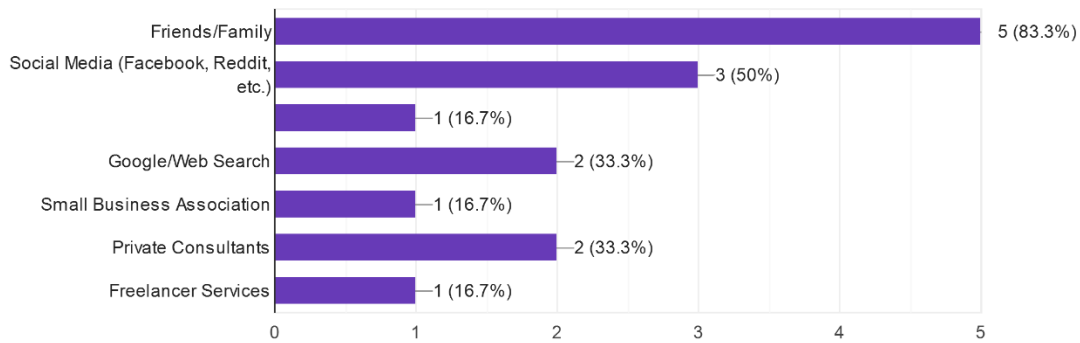
What type of problems, if any, have you experienced as a small business?

6 responses



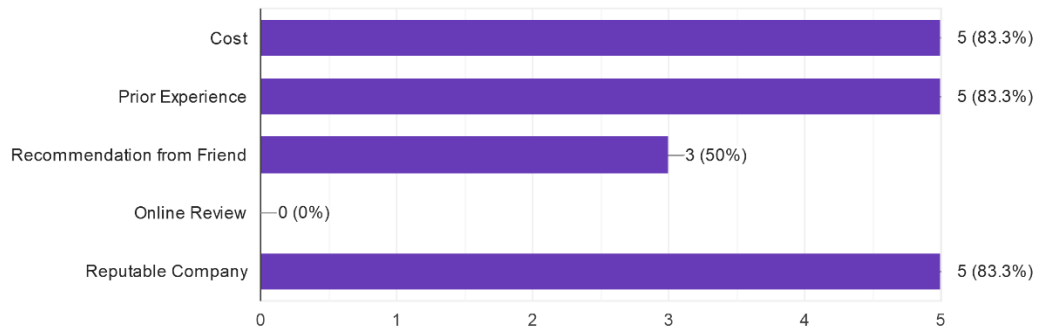
Where do you go to find help for your small business?

6 responses



What factors do you consider when trying to find outside help?

6 responses



If you could meet with a consultant with 15 years of business experience for one hour, how much do you believe this service would be worth?

6 responses

