Pitcher Partners

# Navigating the Middle Market Season 2 Episode 2: Mark Harrison

## Transcript conventions

- Speaker names are bold and presented before each section of speech.
- Timestamps appear in brackets to help readers navigate the audio.
- The transcript text is formatted for readability and has not been substantively rewritten.

## Transcript

*Full transcript begins below.*

**Anna Hacker** (00:00)

Today we're chatting with Mark Harrison. Mark is a partner here at Pitcher Partners Melbourne. For over 30 years, Mark has helped businesses of all sizes grow to their full potential. He provides audit and assurance services for publicly listed companies and general business advice for private family-owned enterprises. With a gregarious and generous nature, Mark leads the firm's community-focused activities, including the health industry and not-for-profit teams, and is actively involved in CSR charity and pro bono work.

In this episode, Mark will dig into what channels you need to consider when growing your business. How to choose the best channels for your business and align them with your brand, and the steps you can take to mitigate risk as your business grows. Let's jump in. Hi Mark, welcome to the show. Thank you, Anna. Wonderful to have you here. I'm sure we're going to have a lot to talk about.

**Mark Harrison** (00:45)

Happy to be here and look forward to having a chat.

**Anna Hacker** (00:47)

So before we get into how to pick the best channel to scale up a business, can you quickly run us through what channels people can choose from?

**Mark Harrison** (00:55)

I think at a very simplistic level, most media C will choose between bricks and mortar and then internet for want of a word. But I think if anyone who's in the business of selling via some means has to recognise that it's more than that. There's obviously traditional selling, but even traditional selling through bricks and mortar has other complementary avenues to find a customer. And so we can obviously take

the emerging world or no longer the emerging world, the established world of e-commerce and the web and hosting your own online store. But there's people who sell very effectively through email channels, shopping channels, telemarketing, franchising. Others might say they've got a subscription model. All of those can be seen as ways to find your ideal customer. On top of that, we've also got traditional other models such as resellers, agency and distribution agreements, using those to find the ultimate customer.

And sometimes there's various levels or layers to get to the consumer through you know the wholesaler, through to the independent retailer, through to the consumer. And then finally, even within the internet world, we've got resellers such as Amazon and Etsy and very well established marketplaces that some people trying to find customers use very effectively. So it's a very broad market.

**Anna Hacker** (02:14)

And it sounds like the answer probably to sum up is it depends.

**Mark Harrison** (02:19)

think in most questions to life. It depends.

**Anna Hacker** (02:23)

It's a great answer. It's certainly one that lawyers do like to use, but I think it probably applies very much here.

**Mark Harrison** (02:29)

Lawyers and tax advisors.

**Anna Hacker** (02:31)

Given it depends though, now that we know all of those options, what is the most effective channel for scaling up? I guess noting what we've just spoken about, that it does depend. Is there one though that seems to stand out that you you sort of gravitate often to when you speak with clients?

**Mark Harrison** (02:46)

I think absolutely not. I think the first thing a question is where are you at now? So if we're talking to a start up market, it's understanding what that business is trying to achieve. So who is their customer? What sort of resources they've got behind them financially? Because each of these channels have a very different cost element. And so you've got to be able to do it effectively in order to get the best outcomes. So again, it depends on these things before you just leap in.

**Anna Hacker** (03:11)

If we're thinking about businesses that are scaling up, so not startups but ones that are established, would it often be the case, or it probably does depend as well. Are the channels that people will use then the same as the existing channels that they've been using as they're scaling up or likely to change?

**Mark Harrison** (03:28)

It can be. I think it depends on the product. But to get away from the statement of it depends, I think the first thing is where are you now? So if we take a traditional retailer, they're probably in bricks and mortar. And over the last ten years they've sought to scale up for want of a word, probably by adding an online component. And that online component then can have its own subsections. It will be their own online store together with the decision of whether to use resellers such as Amazon or Etsy or any of the other

platforms that are out there in specific geographies.

**Anna Hacker** (04:00)

Okay, so if we think about businesses that are scaling up, we're thinking about businesses that maybe already have a number of different channels that they're using. In that process of scaling up, how do they think about which channel is most appropriate? Is it new channels? Is it existing channels? How how do they choose which one to use?

**Mark Harrison** (04:19)

Probably depends on a bit of inward considerations. So the first thing is obviously how effective are the channels that you've got. Is one outperforming the other? I think obviously you lean to the one that is outperforming. Second element may be can we work on the one that's not performing? it's not uncommon for many of our emerging businesses to have a very slow uptake on their online platform, despite the sizzle and excitement that everyone has around.

approaching that. And so sometimes it's not so much that it's failing and should be shelved, but we need to reinvigorate it and think about how we're doing it and get some support or some help. After that, I think the other consideration is what is the market we're trying to get to and what channel will get me to that market. Do I have that one within my arsenal already? Or do I have to now go and create that new channel to get to that customer base? And maybe the initial criteria I'd be thinking about.

**Anna Hacker** (05:12)

I'd imagine that consideration of the customer, the ideal customer, is a pretty critical question here. In

**Mark Harrison** (05:18)

In

every business. Doesn't matter whether you're selling a product or providing services. You've got to know your market and you've got to target it and have a relationship with that customer.

**Anna Hacker** (05:27)

And so I feel like you may have actually answered the next question that's in my mind. But if we're thinking about which channels will attract and sustain new business, is it a bit of a balancing act? You have to think about what has worked, what what hasn't worked but might be able to work with some tweaks? But also what is the end goal? Are these all things that you're having to think about in that process?

**Mark Harrison** (05:47)

Absolutely. I think the the way I try to frame it is which one will help me find new customers, but equally which channel is supporting my existing customers because the easiest sale to make is the one where someone knows me or the relationship I already have. So the channels have to be engaging for the existing customer as well as exciting and engaging for the the new and attracting new business.

**Anna Hacker** (06:13)

And potentially also not missing the existing customers.

**Mark Harrison** (06:17)

Absolutely. You can't leave the existing customer behind.

**Anna Hacker** (06:21)

And so what are those key factors then when you're thinking about which channels to select for that scale that business that's scaling up, when you're thinking about the target audience? What are the key factors that you need to look at?

**Mark Harrison** (06:34)

There's various. Clearly geographies. If you perceive that your product is an international product, then it's no point having a bricks and mortar at the store on Collins Street when the market is worldwide. So where is the geography you're trying to get to, the channel has to get me to that. Equally though, the channel has to be cost effective. So if you're selling something low value, possibly heavy, and you're going to carry the shipping cost to that customer.

then you want to have proximity to the customer. So you're probably thinking more about local distribution rather than incurring lots of significant supply costs to get a product there. So to a degree it depends on the product, depends on where the market is that you're aiming and then finding the channel that gets you to those two things.

**Anna Hacker** (07:15)

And and so it not only depends, but it sounds like you probably are best speaking with people that know these questions that need to be asked, because otherwise you're probably going to struggle with how that scaling up might occur.

**Mark Harrison** (07:29)

Absolutely. I think it starts with your strategy. So the business before it lurches into sell, sell, sell mode, has to know what its strategy is, who it's targeting, and understand the cost supplying into a market and then they work out the channel that works within those parameters.

**Anna Hacker** (07:45)

So I think that listeners will find all of this very interesting, but everything is always a little bit more interesting when you have a bit of a case study. So do you have an example of where you've worked with a client around this?

**Mark Harrison** (07:55)

Yeah, I think an easy example would be fashion. If you've got an online store understanding the average price point that you're selling at, then allows you to target markets further away. If you're selling a garment that costs four hundred dollars, you can afford a bit of shipping cost into America to get the product to your customer over there. If you're selling a garment that costs twenty dollars and have to get the product to the customer, it's obviously a very different financial proposition.

to ship the same weight, same amount of fabric along way for a higher relative cost to the sell price. So that's that balancing act that you've got to find. Or a solution is to ultimately probably house a cheaper product overseas and distribute from overseas to re mitigate some of that cost.

**Anna Hacker** (08:37)

I can really see and I know we keep saying it depends, but it very much depends on industry, need, customer, and all of the other factors that you've just spoken about. Correct. Do you find often in discussions around scaling up and businesses thinking about the way that they want their business to scale up, that brand and messaging become important part of that discussion?

**Mark Harrison** (09:00)

Absolutely. Because the channel is another avenue, well the avenue to the customer. And so it's not only the product that you're selling, it's the whole ethos thought concept of your business that is going to the customer that has to grab the customer before they make the buy choice. And so it's more than just the product, definitely the whole image that you're trying to push with it.

**Anna Hacker** (09:20)

And potentially it could be damaging if it's the wrong channel.

**Mark Harrison** (09:23)

Correct. A well positioned website versus a poorly positioned website can be critical.

**Anna Hacker** (09:29)

And I think a bit of a I don't want to say buzzword, because that I think devalues the importance of sustainability, but are you finding that sustainability plays a really important part at the moment in people's choice of which channel they go down?

**Mark Harrison** (09:43)

I think a lot of retailers or people selling so they can be wholesalers as well perceive that the consumer has a lot of value to that. Cynically I suspect it's easy for a consumer to say that, but they still vote with their heart and their wallet. If they're engaged by a product because it's well positioned and is the latest thing, they will still buy it despite the fact that it's a hundred percent plastic. Or if it's the twenty dollar garment versus the fifty dollar garment and they both look the same, they'll still buy the cheaper garment. So I think there's a lot of noise around it.

There's a lot of best intentions by the seller, but the consumer ultimately probably decides on price and perceptions.

**Anna Hacker** (10:20)

I think that's a really important insight for the listeners because you can have the best intentions, but in the end the customer's the one that leads this really, isn't it?

**Mark Harrison** (10:29)

Correct. You have to answer their need. But a lot of the time the consumer will still be open to understanding the sustainability aspects of an offering, but they still may actually decide otherwise. So I think you still have to have a voice for it.

**Anna Hacker** (10:44)

So Mark, when you're working with clients and you see that channels they are utilizing don't really seem to be aligning with their brand and messaging and they're not really working, what is that conversation then with the client?

**Mark Harrison** (10:57)

I think the first response is always to jump in and try and fix the channel. I think the more important piece is to step back and say, Do we have relationships or are we attracting customers in the first instance? Earlier on we spoke about the fact that it's important to always remember your existing customers, they're the easiest ones to sell to. I think that's critical for every business. It's to maintain the relationship or build a relationship with the existing customers that you have and then incrementally grow from that.

So that we're not constantly churning our customer base. And that's how you build growth and you be b build a sustainable business. If we look at typical retailers, they're trying to do that through their buying clubs or their loyalty programs. And out of that, not only do you get discounts, but what you're doing is you're building a relationship. You're communicating regularly. You're putting special offers, you're keeping them attentive to what your business is doing and giving yourself every opportunity for the next sale.

And it's those relationships across every channel that can be built and should be built to underpin then growth.

**Anna Hacker** (12:01)

So that when they're thinking of that next purchase or or the next action they're doing, they're thinking of

**Mark Harrison** (12:07)

Absolutely,

correct. And hopefully also advocating for you because they have a connection to you, they're telling others about that connection.

**Anna Hacker** (12:15)

And I'm sure that sometimes that is difficult to actually balance the need to be in front of the customer without overwhelming them as well with too much information. It's a it I'm assuming it's a balancing act.

**Mark Harrison** (12:28)

Absolutely. I think we've all got inboxes that get inundated with noise every day. And there's some that we find engaging and then there's some that we find just a nuisance value. And that's why there is the unsubscribe button at the end of every email and we often go looking for it. Th an easy example is in the web platforms, but the same can be applied to a bricks and mortar or to

a sales relationship. If you've got a f team of salespeople, having a relationship with your customer, not just calling in to pick up a sale, but build a true relationship heightens the opportunity to get the next sale as well.

**Anna Hacker** (13:01)

Presumably as a client is scaling up their business and they're implementing potentially changes to the way they're operating and the way that they're implementing changes, critical to understanding is that successful is understanding what the changes are. What what is successful? What does that success look like? Is that a conversation you have to have and do you have to have measures put in place pretty early on to make sure you can measure success?

**Mark Harrison** (13:26)

Yes,

is the short answer. There's lots of data out there. Web technology is constantly is rich with data. We mine data for our clients. We report back on all sorts of things like the traffic and the cost of a sale and penetration through AdWords and all sorts of metrics that we can track. The first thing is obviously to know what you're aiming for. So you can see a trend in the data, but you've got to have an aspiration for what is the average cost to acquire a sale.

And then measure against that baseline. And there's plenty of industry norms for that. And then if we get into other channels, such as a a sales team, obviously a return on investment. If I'm investing a million dollars into probably six or seven salesmen, then I need to know that they're paying their way plus contributing to the bottom line of the business. So there's lots of metrics across every channel that we can track.

**Anna Hacker** (14:15)

And in this day and age of data and technology, presumably there's things that are a lot easier to track, but does that sometimes overwhelm people with the amount of information that they can receive?

**Mark Harrison** (14:25)

There's always going to be people inclined to get buried in data. You do have to remind yourself to step back, look at the trend, but also step back and not just look at the trend, but to look at what's driving the outcomes. That's the real challenge. It's it's something's working, identifying the bit that's working and doubling down, or more importantly, the trends aren't going the right way. Step back. What can I change to get the the right outcomes that I'm chasing? Whereas a lot of people look at only at the telemetry, but they've got to then think about their cause and effect and

the next actions that arise from that.

**Anna Hacker** (14:56)

And so balancing the use of those new technologies and the traditional ways of measuring the success of new approaches, is that something that needs careful consideration? How do you balance the need to have that traditional approach versus just focusing just on the digital?

**Mark Harrison** (15:14)

Actually don't think it's changed a lot. The basics of measuring your success is still the same. The channels have changed or have evolved. The telemetry or the graphics and the data that we capture have changed. But ultimately it proves out. My sales going up, yes or no? Am I making money? Yes or no. What is my margin doing? What is the cost of a sale? These are things that have always been there. It's just that they've got new labels, got new suppliers who help us get there.

**Anna Hacker** (15:41)

And so then maybe reframing the question as how do you balance the different channels that you're using, the digital versus traditional?

**Mark Harrison** (15:48)

Ultimately it depends on where you're getting your s success from. Those channels can cannibalize each other. I think there's plenty of businesses now who have had a traditional bricks and mortar offering and have then obviously turned on an online or web based platform and now question the value of their bricks and mortar and so they downsize it. But invariably we find that you need to actually find the balance between the two of them. One doesn't overtake the other. They have to complement each other.

**Anna Hacker** (16:12)

And presumably that comes down to the customer base. Because if you have customers who want to go into a store and they can't find it and they don't want to order online, you may have lost the most important part of what made you successful in the first place.

**Mark Harrison** (16:26)

Correct. Yeah, so certainly in retailing, the touching and the feeling are very important. So it's not only the customer, it's the product. Some products just aren't suited to the ethereal world. Others need to hang on a rack or be kicked and prodded. The new car smell, these sorts of concepts. So it very much depends on what you're doing and your customer's needs.

**Anna Hacker** (16:45)

Considering the way then that the business evolves, how do those channels evolve over the life cycle of a business?

**Mark Harrison** (16:52)

It's interesting. I think every business is at its own point in its life, its own journey, and they choose their first channel and they have to evolve from that. If we take a traditional business that has always been physical, yeah, a bricks and mortar outlet, how does it evolve? Then they go on to the online. For other businesses, if I think of a a winery client that we work closely with, they traditionally had a distribution model. They sold through bottle shops, the majors.

had a very tight customer base when we recognized our dependency on that market. We then looked to evolve the business. The first one was to move to our own bricks and mortar and experience. So offering a sell a door to our customers, attracting people to our site. On top of that, we built loyalty programs, an online platform. We added new channels to supplement our core channel, to remove our dependency on that channel and to reach a wider audience and a new audience.

But also I think it gave us customers who are stickier because they then had a relationship with us. They were at the cellar door regularly or they were receiving correspondence, dialogue, stories from us that engaged and brought them back to the business again.

**Anna Hacker** (18:01)

And I'd imagine in this time of the consumer, having an experience is pretty critical for that type of a client.

**Mark Harrison** (18:08)

I think for everything that is retail focused, the consumer's experience is critical. They need to feel good about the transaction and whether it's because of what they've bought that makes them feel good or it's the whole experience. We see it in shopping centers. They've pivoted from being a hallway with shops hanging off it to having a whole lot of restaurants and a whole lot of other reasons to go there. They've recognized the need to be more than what they were.

They want to come in, they want to have a a lovely showroom, they wanna see the product working rather than just see it in a catalogue which is historically what we do with a lot of product groups.

**Anna Hacker** (18:47)

And so those are the ways that you can get to the path of success. But what about the potential risks and challenges that are associated with these channels?

**Mark Harrison** (18:55)

think with all businesses risks, the ultimate potential risk is that you waste your money. You put a lot of hard earned money into a channel that doesn't work. So you've got to make sure that you give it every opportunity to succeed. And that means investing in the research and understanding the channel. Everything is still hard work. The classic one is a lot of bricks and mortar retailers think they can just turn on online and it'll work. But there's a very significant investment that's needed and it will be fraught because there's a financial investment.

We typically talk to our clients and say it is another store. It's just a different sort of store and you have to invest. You may not be paying for a fit out. You may not be paying for staff in the store, the physical presence or the occupancy costs, but there are costs that need to be done. You can't avoid those costs. You still got people managing it, you've still got invest in visuals, marketing, the communication through that channel or to draw people to that channel. It's all of the hard work that goes into making a new channel and not thinking that it's just easy.

**Anna Hacker** (19:51)

And not trying to focus only on online stores, but I'm sure that all the listeners can see and even think of an example where they've gone to a really good online store and and that has a lot of money behind it. That has a lot of investment in time, effort and skill of people who have to actually put the effort in.

**Mark Harrison** (20:10)

Absolutely.

The easiest example is Amazon. They have spent billions of dollars to develop simplistically a storefront, a Shopify storefront on steroids. And they luckily had the investors' money to do that before they were profitable. So it takes a lot of effort to do it properly and a lot of time and a lot of money.

**Anna Hacker** (20:27)

And so with the potential risks and challenges for the different channels that people are looking to scale up their business with, what are things that you can do to mitigate risks? I know you've spoken about a a a couple of them, but are there any other ones that jump to mind?

**Mark Harrison** (20:42)

First and foremost, it's about planning and understanding what you're trying to achieve before you spend the first dollar. And it takes a lot of time, education, or bringing the right people into your business to support you, the people with the expertise. From there on, I think it's monitoring the outcomes from your initial endeavors and learning from those and tweaking till you find the formulas that work for you. After that, it's sustained effort, continuing to have new ideas.

New ways to engage, to build your community. And then it doesn't stop. It just keeps going. You you build a monster that you've continually got to feed with new product, new ideas, new visuals, and you have to do that in order to be a success.

**Anna Hacker** (21:20)

And keep people interested and wanting to come back.

**Mark Harrison** (21:23)

Absolutely.

**Anna Hacker** (21:24)

So you talked about feeding the beast, but what happens if you don't want to feed that anymore, you want to let it starve? Can you just switch it off?

**Mark Harrison** (21:31)

I think the binary yes and no or stop and go would be dangerous because you've got customer relationships still within every channel. So I think you've got to be very considerate of it. But there's no reason to not continue to throw good money after bad or to focus your strategy on reaching your consumer or your customer by focusing only on a lesser number of channels and turning one off. You've just got to think about the implications. Clearly the first thing would be the cost to the business, redundancies and the like, legal contracts that you got to exit if it's

bricks and mortar leases. The other piece though is to very carefully understand how you pivot that customer base into the channels that you want to maintain and think about not having leakage because every existing relationship, whether they're coming through one channel or another, you should be able to transfer a lot of it over so you don't lose that value. And you may end up ultimately being better off because you're spending less money but retaining the revenue side of it.

**Anna Hacker** (22:23)

Are you seeing as well a shift in the way that channels are being approached? Is is there a change in the air where people are moving maybe perhaps a bit more to bricks and mortar or other channels rather than the online store?

**Mark Harrison** (22:36)

I think it's accepted now that a successful business needs both in the binary of should I be one or the other. I think most people acknowledge that bricks and mortar and online now can exist together within a brand or within an offering. The exception being that there are some very successful online businesses that already have very significant consumer bases or customer bases where they don't need the bricks and mortar, but most of the time it's complementary.

The bricks and mortar as a bare minimum will allow those customers who want to be tactile to touch and feel and smell and see your product. They can do that. And it acts as a billboard to remind people, if nothing else, to go online and purchase.

**Anna Hacker** (23:13)

I know you talked about and we've already delved a little bit into feeding the beast, but can you elaborate a little bit more on what that is? What are the costs associated, the resources and tech needed to effectively manage and maintain each of the different channels? And I I feel like we're gonna come back to the start of this episode and you're probably going to say it depends.

**Mark Harrison** (23:34)

Correct. But to try and be maybe a little more succinct, I think the first thing we'd tell our clients is that you need to have specialists in each channel. You can't be an expert across everything. And too often we see a client who thinks they're a really good retailer, really fail at the online component because they buy a platform but they don't have the expertise, one, to set it up correctly, or two to maintain it and drive it. Or build that relationship through that channel with

A different customer base and possibly also the existing customer base. So I think the first thing to do is recognize that you need an expertise in order to have success. After that, I think it's also about patience. Some of these channels take some time to pay their way. And so you've got to look for how you can sustain that obviously investment, but also find the ways to get the growth and capture that growth or change your approach to get the growth and accelerate as quick as you can so that you're not just

funding losses for one of the work, but you still have to be patient through that journey.

**Anna Hacker** (24:34)

And so Mark, how is it that people can stay up to date on emerging channels and trends so that they can make sure that their business remains competitive?

**Mark Harrison** (24:43)

It'd be nice to say that I think we've exhausted our economy with channels, but I think it's how channels evolve is probably the more important piece. Yes, there may be a new channel that none of us have thought of yet, but typically what we find is that it's more a case that existing channels just evolve, such as we spoke earlier about bricks and mortar now becoming more of an experience as to why you're there, rather than just I'm walking into a shop to buy something. We're seeing greater investment in websites in terms of the virtual fitting room.

And so that's an evolution that we're seeing in a lot of retail platforms. It's a case of watching the market. I think most of our audience aren't going to lead the way because they don't have the money to invest in the technology to be cutting edge. But what you've got to do is make sure that you're aware of what others are doing and when it is cost effective, replicate it or do your own version of it. And there are different pivots that you can do from the virtual fitting room just to showing different size models wearing your product so that you can see how it might fit on you.

So it's just about being open minded and watching the markets around you.

**Anna Hacker** (25:43)

And I think that that is also surrounding yourself with people that can do that for you. So so can give you support.

**Mark Harrison** (25:50)

That's the expertise that you need. The specialists help. We can't be everything to everyone.

**Anna Hacker** (25:54)

So is there anything else you think the listeners in this episode on channels would like to know? Anything that we haven't spoken about?

**Mark Harrison** (26:02)

I think the key points that I'd make sure to emphasize to anyone who's thinking about how to evolve their business and the channels they trade through is to not act rashly, fully appreciate the investment they're gonna make and the time and the effort that it's gonna take, and then do it properly. I don't think there's too many half measures when seeking to evolve your business. And so you've got to be patient, you've got to have the resources and you've got to have the strategy behind you and give yourself every chance of success.

**Anna Hacker** (26:31)

That's just a wonderful way to end this episode. So thank you so much for joining us on the show, Mark.

**Mark Harrison** (26:36)

No, thank you for having me.