

Approaches to Business Growth

Introduction

Your business will survive, grow and flourish by selling more to more people. This may be selling more of your existing products or services to existing customers, or it can be selling new products or services and/or acquiring new customers or markets.

The framework presented here is designed to help you think about growing your business. It covers:

- why growth is important to your business
- what options for growth are available to you
- links to more specific information and step-by-step guides to help you to decide what you want to do and how to achieve it.

The more specific information and step-by-step guides include:

- a diagnostics questionnaire to help find out for yourself which of the three approaches to growth is best suited to your business
- more detailed information and practical tips on each of the three approaches to growth
- a series of '10 minute' step-by-step guides on techniques for achieving growth. Each guide is designed to take about ten minutes to read through and to provide an outcome for your business.

Which are you?

ABC Ltd is a small retail business with a number of outlets. It has a staff of 55. The owner took over the business started by his father. In the last 20 years sales have been standing still. The owner would like to see the business growing again but does not know how to go about it. He has come to terms with the status quo.

XYZ Ltd is a young service business with four partners and two support staff. The partners are keen to expand the business but are really not sure whether they should be putting their limited business development resources into the product or into getting new customers. They are trying to do a bit of both but are not achieving their target for growth.

These simple examples illustrate the problems commonly faced by small businesses.

ABC Ltd, far from not growing, is actually shrinking as competitors take its customers and inflation erodes the value of its business. Even if a business wants to stand still it has to grow in order to:

- cover rising costs and retain the value of the business
- replace customers who go to the competition or simply stop buying from them
- replace the products or services that become uncompetitive or obsolete.



XYZ Ltd is not focussing its limited resources and is trying to do too much at once. Between them, the four partners may be able to find, say, two to three man/days a week for business development activities. This might have to cover talking to prospective customers, developing new services and dealing with a marketing agency that is developing a website and other communications materials. Needless to say, not all this is going to be done well in the time. The moral is to focus on those activities that are going to yield the best results fastest and that the business can afford.

What do you want to do?

Before you start selecting options for growth or planning your growth, it pays to make sure you are clear on what you want to do. Here are three questions that will provide a valuable foundation for whichever approach you ultimately decide to adopt:

- What has triggered you to think about growth now?
- What business are you in?
- Which of your business capabilities do you want to exploit?

What has triggered you to think about growth now?

Small business managers do think about how they should grow their businesses. However, this is something that happens when they are less busy satisfying orders or sorting out other problems. Usually something forces them to think about growth. In your case, it may be one of the following:

Reason	Example
A plan for growth is needed	Your bank manager wants a business or marketing plan to support your cash-flow forecasts or request for an overdraft.
Loss of sales	You have recently lost one or more key customers to competitors.
Resource allocation	You have thought about developing a new product or service but are not sure if it is the best use of resources.
Under-used capacity	You have bought two new specialist machines when you needed one-and-a-half. You therefore need to find orders to increase utilisation.
You have to achieve your objectives	You want to grow and have been thinking about it for a while but now is the time to do something about it.
Scatter-gunning	You have tried a range of ideas or attempts but none has really worked out, perhaps because you have been trying to do too much at once.



What business are you in?

The foundation for growth is to understand what business you are in. For example, if you are an hotel, the route to growth you may adopt will depend on how you see the business:

You think you are...	So you invest in...
... providing food and accommodation	... dividing up the larger rooms into smaller ones to get more people in.
... providing holidays	... developing and promoting one- and two-week holiday products.
... providing leisure breaks	... advertising in magazines.
... providing facilities for training events	... employing a sales person to sell the facilities to companies and organisations.
... enhancing personal well-being	... arranging with local beauty therapists, aromatherapists and masseuses to provide treatments in the hotel for guests.

This will help you to appeal to a defined set of customers who will find your offer attractive and credible. When you have defined this, it helps to write it down as a mission statement to communicate to your customers and motivate your staff.

For a ten-minute step-by-step guide to understanding what business you are in and writing your mission statement, please see the '10 Minute Guide to Developing a Mission Statement'.

Which of your business capabilities do you want to exploit?

There are broadly two ways to grow a business:

- Go out and find a market opportunity, then establish and organise a business to satisfy that opportunity. This is fine for an entrepreneur with good ideas and resources to invest.
- Understand the capabilities and limitations of an existing business and then go out and find an opportunity that matches those capabilities. This is a more effective approach for most small businesses that are already up and running, with resources that have distinct capabilities.

The important point for you is to identify what your business is good at and to build on that. It's all too easy to believe your own sales literature, but your customers may think you are good at something else. Why not ask them? They will soon tell you.



What options for growth are available to you?

There are four main approaches available to you for growing your business:

		Products/services	
		Existing	New
Customers	Existing	Growth through existing customers	Growth through new products and services
	New	Growth through new customers and markets	Growth through diversification

Growth through existing customers

Increasing sales to existing customers by selling them more

You can do this by selling existing customers more of what you are already selling them or by selling them other products or services in your range.

It also means trying to find other customers like your existing customers. For example, if you are selling industrial machines to six major customers in the automotive industry, finding other customers like these in the automotive industry would fall into this category. The logic here is that you are trying to sell more to customers whose needs are similar and who tend to buy in the same way. Strictly speaking, the wording of this approach to growth should be growth through existing types of customers. This approach tends to yield a short-term payback.

For more information on growth through existing (types of) customers, or exploring ideas on this approach to growth, please see 'Growth Strategies: Growth Through Existing Customers'.

Growth through new customers or markets

Increasing sales through new (types of) customers or by entering new geographic markets

For example, your industrial machines may be equally useful to, say, the aerospace industry or the railway industry but they use the machines in a slightly different way and buy differently.

New geographic markets can be other regions within a national market or other national markets. Your target customers are likely to be similar to the customers in your existing market(s). Of course, you can look to serve new customers in new markets but this means that you have to do two new things at once, thus increasing your risk.

This approach has a significant number of unknowns and generally requires more investment, which has a medium term payback.



For more information on growth through new (types of) customers or new markets, or just exploring ideas on this approach to growth, please see 'Growth Strategies: Growth Through New Customers or Markets'.

Growth through new products or services

Developing and offering new products or services, usually to your existing customers first to minimise your risk

The trick here is not necessarily to create completely new products or services but, if possible, to repackage or modify your existing products or services. This again minimises your risk. Of course, if your existing products and services are becoming uncompetitive or obsolete, then you may need to consider completely new ones.

This approach usually has a significant number of unknowns, especially if you are creating a completely new product or service. It generally requires significant investment and has a medium- to long-term payback.

For more information on growth through new products or services, or just exploring ideas on this approach to growth, please see 'Growth Strategies: Growth Through New Products and Services'..

Growth through diversification

Developing new products or services and offering them to new customers

This is usually a high risk approach and one to be considered only when:

- you cannot meet your objectives for growth through the other three approaches
- you have exhausted all potential for growth through the other three approaches
- you are looking for a genuinely new and innovative approach to growth *and* you have the capital to invest and resources to carry the work through.

Most smaller businesses still have much potential for growth in the other three approaches, which carry far lower risk. We are not providing specific information or thoughts on this approach, but for firms that have to consider diversification as an approach, they should apply simultaneously the principles of growth through new products or services and growth through new customers or markets.

As you may have gathered, risk increases as you come down this list. This has implications for the approach you choose for your business.

More information and techniques

If you know which approach is the one you want to pursue for your business, or are just looking for ideas on ways to grow your business, use the drop down menu to find other articles on Growth Strategies.

- Growth through existing customers
- Growth through new customers and markets
- Growth through new products and services



Alternatively, if you want to use a questionnaire to help you to identify and focus on suitable approaches to growth look out for the Diagnostics Questionnaire available soon at www.cim.co.uk.

A key part of any plan for growth is getting your marketing right. For a quick and simple measure of your business's marketing capabilities, the 'Marketing Dashboard' available soon at www.cim.co.uk will help you to identify where your strengths and weaknesses lie in looking for and taking on new business.

If you are ready to get on with formal marketing planning and want a framework for, and some tips on, marketing plans, please see the Marketing Planning Tool at www.cim.co.uk

