There's Only Six Ways to Grow

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Introduction
Imagine a conversation with one of your employees and he or she asks you, "How are we going to grow this business and how can I help?" Would your response provide enough tangible direction that your employee would be able to succinctly communicate it to other employees and be able to act upon it? Would your response roll off your tongue like the proverbial elevator pitch? Before reading on, think about how you would answer that question.

Developing a growth strategy for your business, at a macro scale, comes down to some very fundamental dimensions that many executives fail to effectively quantify and communicate. In this article, I will explain the six fundamental growth dimensions available and the characteristics of each. I will then explain how to use them in developing your growth strategy. I will warn you that these dimensions are not rocket science, but many executives fail to step back and look at the macro picture, and instead get "sucked down" into the daily firefights. Please note that in this article, the growth that I am referring to is focused on revenue growth knowing fully well that profit growth is as important as, or more important than, revenue growth.

The six growth dimensions are:

1. Merge or acquire another business
2. Raise your prices
3. Sell more existing products or services to existing customers
4. Sell existing products and services to new customers
5. Sell new products and services to existing customers
6. Sell new products and service to new customers

1. Merge or Acquire Another Business.
This strategy provides the largest short term growth potential but also has the greatest risk. Merging or acquiring another company doesn't always happen as anticipated and more energy is typically spent on the acquisition while less is spent on running the current business, which sometimes is compromised.

2. Raise Your Prices
Raising prices is often difficult for many reasons. First, market conditions quite often do not permit you to raise prices. Generally prices need to decrease, not increase. Second, raising prices is not a sound long term strategy as you typically cannot continue to raise prices year after year.

The following four growth dimensions can best be described using the Growth Strategy Matrix below originally developed by H. Igor Ansoff.

Growth Strategy Matrix

	Existing Customers	New Customers / Markets
Existing Products / Services	1 **Market Penetration** Risk = low Potential = low Growth focus = 65%	3 **Market Development** Risk = medium Potential = medium Growth focus = 15%
New Products / Services	2 **Product Development** Risk = medium Potential = medium Growth focus = 15%	4 **Diversification** Risk = high Potential = high Growth focus = 5%

3. Sell Existing Products and Services to Existing Customers
This dimension, illustrated in quadrant 1, is the most basic yet underutilized growth dimension and is characterized as a Market Penetration strategy. Since your existing customers are your best source of revenue, what can be done to sell more to these customers? Does your customer buy 100% of its demand of your 'ABC' product from you alone? Most companies buy from multiple suppliers to reduce the potential risks of a single source supplier. A viable option is to develop a cross selling strategy to sell those products and services that your customer is not buying from you now. Since this dimension is based on predefined relationships, products and services, the risk of failure is quite low. On the other hand, since you have a defined number of customers, the growth potential is also limited.

4. Sell New Products and Services to Existing Customers

Since existing customers already buy from you, there is typically less of a challenge in getting them to buy additional new products or services from you. What product or service extensions or modifications could you develop to sell to existing customers? What new products or services do they need? In order to find these answers, I always like that great customer communication process called lunch. This dimension, illustrated in quadrant 2, and defined as a Product Development strategy, is a little riskier than quadrant 1 because there is a chance that the new products or services won't sell. On the other hand, if they do sell, there is now a new product line that can be potentially sold to your entire customer base.

5. Sell Existing Products and Services to New Customers

Selling anything to a new customer can be difficult. That is why this dimension, illustrated in quadrant 3, and defined as Market Development, is a little riskier than quadrant 1, but as with the previous dimension, has greater potential. To successfully apply this dimension, you should target a select new customer segment or distribution channel and develop a unique sales and marketing approach to attract them. Some people may believe that a new distribution channel is another growth dimension although, since it ultimately ends up with acquiring new customers, I believe it is part of this growth dimension.

6. Sell New Products and Services to New Customers

As illustrated in quadrant 4 and defined as a Diversification strategy, this is the riskiest growth dimension but carries the greatest potential. Selling new products and services to new customers introduces two large variables into the equation, and being an engineer and trained in designing controlled experiments, I suggest treading carefully when entering this quadrant. But, if your new product or service is successful, the rewards can be considerable.

Next Steps

Now that you know the six dimensions and strategies available to grow your business, you should quantify how much growth is planned to come from each quadrant. In the matrix above, I have included some percentages estimating how much a company growing at an average growth rate might plan on for each dimension. Obviously, a newer company, or one with a higher growth rate, might have higher percentages in the 'new' customer and product quadrants and lower percentages in the 'existing' quadrants. The challenge we see often is that the leadership team is not clear as to where the company's growth will come from. Without this definition, we believe it is difficult to establish any concrete growth plans and execution strategies since some of the basic macro strategies have not been defined. Typically, this top level growth strategy answers questions such as, "How many new customers do we need to acquire?", "How many new products and services do we need to introduce?" and, "How many new salespeople do we need to add to sell to all the new customers we are targeting?"

Now, imagine that the employee who asked you the question described at the beginning of this article was one of your sales people. You could respond by saying, "65% of our growth is going to come from selling existing products and services to existing customers, 15% of our growth is going to come from selling new products and services to existing customers, 15% of our growth is going to come from selling existing products and services to new customers and 5% of our growth is going to come from introducing new products and services to new customers. What you can do to help, since you are one of our long-time salespeople, is to identify which of your customers should be buying more of our existing product line and what needs might these customers have where with some modifications we could provide them with a new product or service." Most likely, he or she would be able to communicate that message clearly and act upon it.

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