Where to start when your growth stops

Why would two companies in the same industry, with the same financial performance, command vastly different valuations? The answer often comes down to how much each business is likely to grow in the future.

The problem is that a lot of successful businesses reach a point where their growth starts to slow as the company matures. In fact, the price of doing a great job carving out a unique niche is that the products and differentiators of your business that made you successful can start to hold you back.

If you make the world's greatest CCTV systems at £5,000 you may have a successful, profitable business until you run out of people willing to spend £5,000 on a system as cheaper products enter the market.

Demonstrating how your business is likely to grow in the future is one of the keys to driving a premium price for your company when it comes time to sell. To brainstorm how to grow beyond the niche that got you started, consider the Ansoff Matrix. It was first published in the Harvard Business Review in 1957 but remains a helpful framework for business owners today.

Sometimes called the Product/Market Expansion Grid, the Ansoff Matrix shows four ways that businesses can grow, and it can help you think through the risks associated with each option.

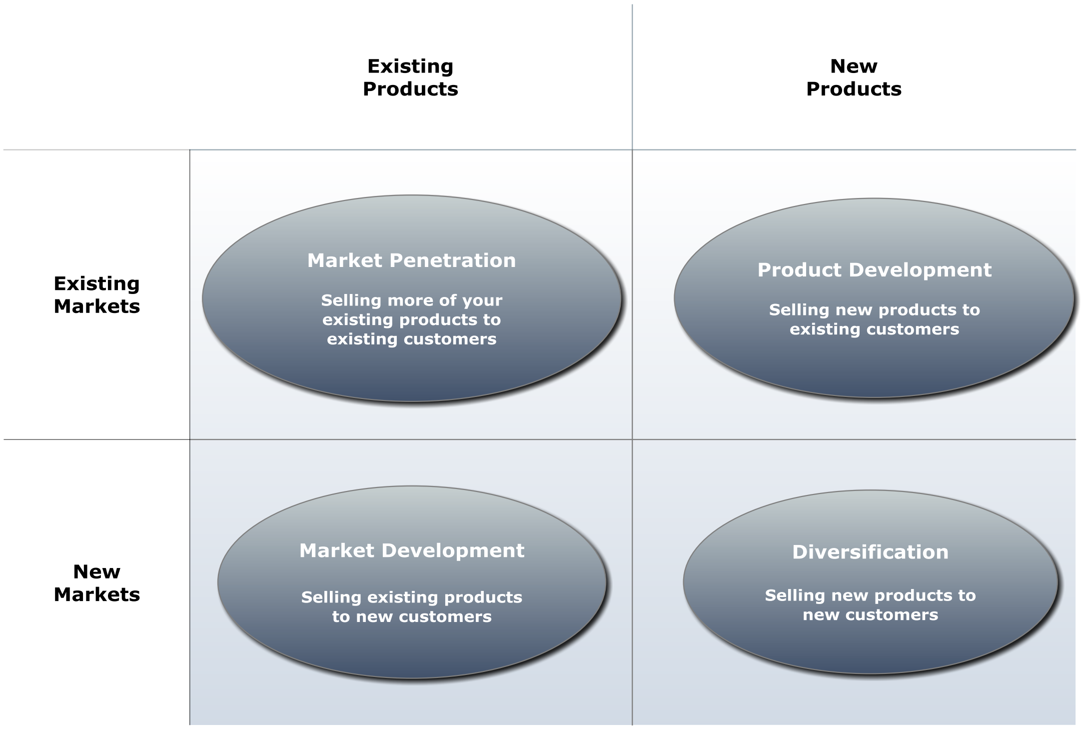
Imagine a square divided into four quadrants representing your four growth choices, which include selling…

1. Existing products to existing customers
2. New products to existing customers
3. Existing products to new markets
4. New products to new markets

The choices above are presented from least to most risky. In a smaller business, with lower product development budgets, focusing your attention on the first two options will give you the lowest risk options for growth.

Existing products to existing customers

It's natural to feel like you're being greedy when you go back to the same customers for more of their spend, but the opposite can often be true. Your best customers are usually the ones who know your company, like you the most and are often pleased to find out that you – someone they trust – are offering new products they need.



Existing products to existing customers is the lowest risk strategy and is simply about increasing one or more of the following:

- Increasing average order values
- Selling more order lines per customer
- Increasing the frequency with which a customer orders from you

If you want to sell more of your existing products to your existing customers, draw up a simple chart of your products and services. List your best customers' names down one side of the paper and your products across the top. Then cross-reference your customer list with your product list to identify opportunities to sell your best customers more of your existing products.

New Products to existing customers

Another approach to growth is to sell new products to existing customers. For example, selling Access control products to your customers who currently purchase CCTV from your company.

Once you become successful, it can be tempting to sit back and enjoy your success. But in order to drive up the value of your business, you need to be able to demonstrate how you can grow, and the least risky strategy will be to figure out what else you could sell to your existing customers.

Harper Morgan specialise in helping security product companies and manufacturers to grow. Look at our website to find out more.

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