

Episode 116: How can I grow my business?



In business, if you're standing still, you are normally going backwards.

Therefore, you are going to need to find ways to grow. The most useful tool I think is one based on the BSG Grid. It creates 4 cells in a two by two matrix of markets and products.

1. Existing product in your existing market

This cell is often called 'penetrating existing customers.'

To grow, your existing customers have to buy more of what you are selling.

If they buy one a year – then they need to buy two. A simple approach may be a promotion on the second one, like a discount.

2. Existing product in a new market

After penetration comes 'new market development.' Are you selling your existing product in all the places you could?

Maybe try a different country or even continent. This is of course going to cost you money – new markets imply new channels. This can be very cost effective if the marginal increase in cost is low.

3. Existing market with a new product

Of course it maybe easier to do 'new product development' than open a new market.

Maybe your existing customers would buy a product that is in an adjacent space.

They may be willing to buy a product in a new space – given your track record.

Remember it can take years to design and test and new product.

Unless you invent a new 'iPhone', replacement product business takes time to scale.

4. New product and a new market

The first three options all include some type of market share grab.

Companies in mature markets often struggle to take market share.

The last cell is known as 'diversification' and is the riskiest strategy of all.

In this case we are changing both products and markets.

With the biggest risk can come the biggest rewards and that's true here.

Diversification can make your business growth dramatic but takes time and money.

You can also reduce the risks by partnering or acquiring.

Bottom line: In every business plan spanning 3-5 years, you should simultaneously be considering penetration, new product and market development as key growth strategies. When you have done that then consider diversification – never start there.