Developing a Growth Strategy to Become a Big Company Success Story

We are excited to be hosting the next meeting of the Marin Business Forum on June 21. Pete Daffern, CEO of Clairmail, will be the guest speaker for the meeting, discussing his views on "Strategizing for Growth." Pete is the ideal expert to address this topic because of his track record of start-up successes, having negotiated the $173 million sale of Clairmail to Monetise plc earlier this year, and the successful sale of Purisma to Dun & Bradstreet earlier in his career.

Strategic growth successes have been a hot topic in the news lately, such as the recent IPO success for Facebook and the acquisition of La Boulange by Starbucks for $100 million. Turning any small business into a bigger business for acquisition is challenging. According to an article in *Inc*. magazine, statistics show that only 0.01 percent of companies reach $250 in annual revenue, and 0.036 percent ever reaches $1 billion in sales. Most companies stay small, while a select few find a way to expand to become thriving large-scale businesses.

Keith MacFarland of MacFarland Strategy Partners observed what it takes for small companies to become growth success stories and captured his observations in a book, *The Breakthrough Company*.

What MacFarland identified as a common thread was that all really successful growth strategies require the least amount of risk and effort. Think of growth as climbing a ladder; there is less risk on the bottom rungs of the ladder, but each rung brings new opportunities for rapid growth, but at greater risk. To maintain rapid growth over the long term, start with the lower rungs and assess risks and opportunities, then expand the level of risk as you grow. The rungs MacFarland identifies include:

1. **Market penetration**: The least risky strategy for any business is to sell more current products to existing customers. Sell more products by increasing demand, or finding new uses for current products, such as using baking soda as a carpet deodorant.

2. **Market development**: Selling more of your current product to an adjacent market requires slightly more risk. Franchising, for example, is one way to expand to adjacent markets.

3. **Open alternative channels**: Find new ways to reach your customers, such as expanding from a storefront to an online catalog, or renting or leasing products in addition to selling them.

4. **Product development**: Creating new products or variations on current products to sell to your current customer base is another common strategy that incurs slightly higher risk. Consider the success cable carriers have had in adding Internet and telephone services to their entertainment packages; they are selling new services to their current customer base.

5. **Creating new products for new customers**: By far the riskiest growth strategy is trying to create a new product for an unproven customer base. For example, Apple gambled and succeeded with the iPod – offering a standalone product that did not rely on other Apple technology. The result attracted a new army of customers who then could be sold other Apple products.

In addition to these intensive growth strategies, MacFarland also identified what he calls integrated growth strategies:

- - A horizontal strategy would include buying a competing business to expand your market.
- - A backward strategy would include buying one of your suppliers to improve operational efficiency, get better control of the supply chain, and shorten time to market and costs for new products.
- - A forward strategy would include buying component companies that are part of your value chain, such as a baker who acquires coffee shops or storefronts for direct sales.

These are just a few strategies to promote business growth. If you want to learn more and even discuss some of these strategies with your peers, please join us at the June 21 Marin Business Forum meeting or join the conversation by commenting here.