

Maximizing Business Potential

Companies are born to sell. Whether product or service, whether technology driven or low tech, companies are created as vehicles for the generation of profit. In this sense young companies have it easy because their annual growth is a function of their initial low volume. As companies get larger – a testimony to their success – their growth seemingly stalls. The question therefore is; is it possible for a company to simply max out and reach its full potential?

The answer is no.

There is an old saying regarding innovation that if you don't make your products obsolete some other company will. Said another way, just because you're standing still doesn't mean your competitors agree the race is over. Simply stated – if you don't grow your company you will lose whatever profitability you are enjoying. Moreover, remaining stagnant will frustrate your employees as it will limit promotion opportunities, and discourage investors, who might flee for more ambitious companies. Most dangerous, companies that don't grow experience atrophy as partners, distributors and others they are dependent on abandon them for greener pastures.

Being in business, therefore, mean that you have to always strive to reach your potential – and that you understand that your potential is endless.

So how do we maximize business potential? How do we sustain and maintain growth? You don't think I brought you this far without sharing the answer, do you?

Maximizing Potential – Proceed With Caution

The somewhat typical (or most widely used) tactics for stimulating growth all come with their own set of challenges, meaning that while they can be counted on to boost the bottom line in short run, they are not genuine growth strategies that will lead to sustainable long term growth. These tactics include:

1. **Raise Prices** – Price increase do bring more money in, although they can also serve to alienate existing customers and place you at a competitive disadvantage. You cannot raise your prices every time you seek growth – particularly since you should be seeking to grow your company all the time. So raising prices is an extremely short term tactic.
2. **Cut Costs** – Another way to increase profitability is if you reduce the amount of money you are spending. While this could be a reasonable tactic – as you certainly should not be spending money you don't need to be spending – the problems kick in when you cut costs by not spending money you should be spending. Typically costs are cut in areas like marketing, sales force, customer service, and product quality – all areas that will come back to haunt you and actually result in the direct opposite of growth – negative growth. So, cutting costs if they are valid is always a good thing to do and can lead to some short term growth (as measured by profitability). But, again, it is not a tactic that generates long term, sustainable growth.
3. **Lower Prices** – Lowering prices can increase sales as it draws customers to your product and can create incentive for purchasing. The trouble with lower your

- prices is that your competitors will most likely respond in kind, leading to a devaluation of your category and lower profitability for all. Useful to generate short bursts of increased sales volume, lowering your prices generally does not serve to improve long term growth.
4. **Expand to International Markets** – Some companies seek growth by moving into international markets. While success in additional markets serves to grow revenues and can establish your brand on a worldwide scale, the barriers to entry generally leave this option for only after you have succeeded in maximizing your potential in your home nation. In addition to protective barriers and regulatory hurdles, international business requires a good understand of each host culture, the ability to understand and play the foreign currency game, a good eye for local partners, and substantial capital. As we'll see in the next section of this article, there are plenty of markets to grow into in your home country. Leave the international expansion for last.
 5. **Introduce New Products** – Another path toward growth is the introduction of new products. More products on the shelf means more buying opportunity for the consumer, better positioning against your competitors, and more sources of revenue. Generally speaking new products are a good way to stimulate growth, and for those products that hit, sustain growth too. The minefields along the way include the high cost of (good) product development, the temptation to throw me-too products into the market that dilute your brand integrity, and the risk of cannibalizing sales on your existing products. On top of all that, few new products (compared to the vast number of those introduced) actually succeed.
 6. **Expand Through Acquisition** – A somewhat popular way of growing is to literally buy it. Many companies seek to expand through the purchase of others that, as they see it, lend synergy. To say that this practice has proven disastrous would be exaggerating, but only a little. Most large acquisitions suffer from severe barriers to integration of the two once proudly independent units. Small acquisitions, while less costly when they fail, have similar issues. Acquiring your growth makes sense when you're buying a competitor, and even then, it's risky.

Maximizing Potential – Proceed With Gusto

So if the above tactics aren't all that great, where does the growth come from? I'm so glad you asked. The growth you are seeking, the growth you need, the potential you have and are seeking to maximize are available from the very market you are currently engaging. The chances that your current markets are fully penetrated are next to zero, as markets experience natural growth and offer up segments and niches that you have yet to exploit. Consider the following moves:

1. **Identify Adjoining Markets** – Every product we sell have adjoining markets, that is markets that we can, through slight revision of our products, also enter. We witness this often in the food industry when a dry goods company enters the frozen food market. Another example often cited is footwear, where we saw companies specializing in one type of shoe (such as running) move into adjoining markets (like basketball). There are opportunities of adjoining markets in your sector. You simply need to search them out and siege the opportunity.
2. **Break Your Market Down** – Chances are the markets you are currently serving can be broken down further than they already are. Once again using the food example, there are variations of the same foods for people who prefer less salt,

- low fat and very spicy. In the footwear arena we find sports shoes by sport, and even by skill people are seeking to enhance (such as jump higher).
3. Carry Your Brand Into New Categories – Bringing your brand into new categories is risky business and can only be done if the new category is consistent in the minds of consumers with your core products. In the food sector it makes sense for Hersheys to offer chocolate syrup. It would not make sense for them to offer waffles. In the footwear sector, some manufacturers have successfully leveraged their association with sports to move into sportswear.
 4. Redefine the Market – You can capture an entirely new group of consumers by redefining your market a bit. For example, Snack Wells achieved this brilliantly with their line of healthier cookies. Similarly, Reebok drew in the non-athletic crowd when they introduced a line of casual looking sneakers.

Onward & Upward

Tudog has, through its columns in our monthly newsletter, sought to define the goal of marketing in the minds of our readers as “selling more product to more people for more profits”. This can be broken down into 4 distinctive categories:

1. Sell more of your existing product to your existing consumers.
2. Sell new products to your existing consumers.
3. Sell your existing product to consumers you are not selling to now.
4. Sell new products to consumers you are not selling to now.

By continually striving to maximize your potential, and by understanding that your potential is endless, you can reach this goal, and beyond.