

Business growth strategy for SMEs

a practical, market-driven approach

pdmarketing

Introduction

SMEs face a growth dilemma - that of how to change in order to grow, but at the same time maintaining the very essence which has made them a successful business in the first place.

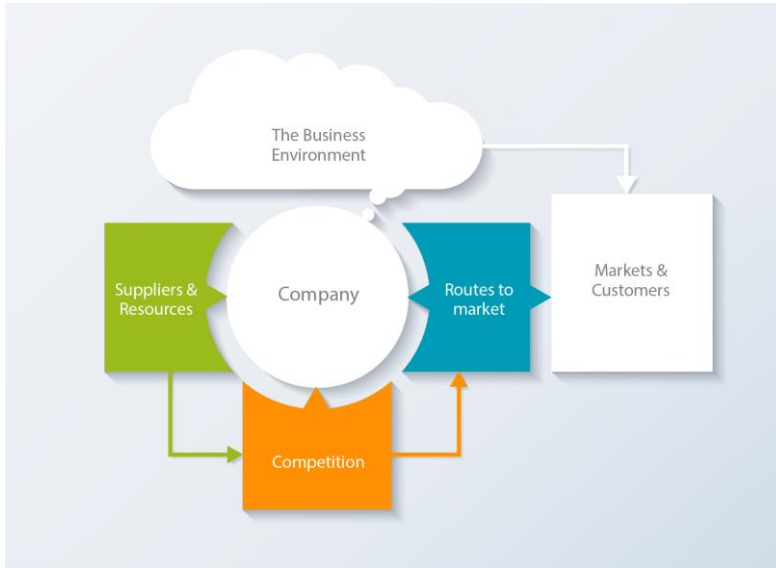
This executive summary advocates how a market-driven approach addresses the dilemma, and outlines how to initialise and drive a focused plan for growth.



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A vision for growth



“Being **Market driven** is dealing with the right customers; being **Customer focused** is dealing with customers in the right way”

Growth challenge for OEMs

Many small businesses start out with the aim of offering a great product or service for their identified customers and sectors, and the most successful tend to be those who combine this with an unerring ethos to delight the customer. Of course it's a commendable ethos. As a customer how satisfying is it to receive a service from a supplier who is passionate about what they do, clearly aligns their offer to your needs, and goes out of their way to ensure you as the customer receive all that you require - and more?

Market-driven, Customer-focus

It would be difficult to find a successful SME who didn't have an exceptional customer focus ethic. But when it comes to growth of a business, the challenge is often to maintain such customer focus, yet also having enough of an eye on what is going on within the wider market environment that your customers are a part of, and are influenced by, for example:

- *Trends and changes in the market*
- *Growth potential of existing customers*
- *How to attract new customers*
- *Opportunities in adjacent sectors*
- *Threats from competition*

It's for this reason that this summary advocates a market-driven, customer focus approach for growth, especially for SMEs.

'Market driven' is the strategic element, and this ensures that continuous awareness of trends, changes, opportunities within the markets in which the OEM operates and targets. This is essential because today's products and customers may or may not be the same in the longer term. 'Customer focus' is the tactical element, and this enables the ethos of the SME to be maintained, it is the integrity associated with how the organisation operates and treats customers.

It's a business-wide strategy

A market-driven strategy of this type is not just the role of a marketing department, it's a top-down management approach which says that everyone in the organisation has an impact as a contributor and representative on behalf of the organisation.

Opportunities and catalyst for growth reside within your overall business environment - internal personnel, existing customers, route to market partners, existing markets, adjacent markets and new markets.

The key is the communication of a clear vision, and to be open to ideas for change and continuous improvement.

Competitive advantage

What is your company great at?

A good starting point for understanding your differentiators is to ask yourself the following question,

“ what is it that you that you do which customers value, and competitors struggle to compete with?”

The answer to this is very important in understanding your positioning in your market, (we'll come on to the market potential for this strength in the next section).

Your market positioning

Now position your strengths against your competitors, identifying not only where you compete most effectively but also which competitors lead in other areas and why. For example, a certain competitor may have a leading offer for say, low function, high volume requirements.

For competitors, you should also identify 'substitutes', these are alternative options for your customers but might not necessarily be in the same category of technology as your own business. The SWOT tool remains a useful aid for undertaking this initial analysis.

Note that Strengths and Weaknesses are elements within your control (that you can lead and change), and Opportunities and Threats are outside of your control (but you must understand and respond to).



“Your company’s growth potential is a product of your environment; your strengths represent your ability to exploit these market opportunities”

Identifying opportunities



“Growth opportunities are all around you, the skill is in the approach to exploiting the right ones for your business”

Market opportunity

In its simplest form, the market opportunity open to an organisation within their growth strategy can be broadly categorised as:

Customer penetration

Existing customers, existing products

Product development

Existing customers, new products

Market development

New customers, existing products

Diversification

New customers, new products

When assessing the market opportunity based on your strengths and differentiators, you are essentially trying to discover which of these strategies to adopt (maybe even a hybrid).

The previous discussions on positioning come into play in this evaluation; equally, Risk vs Reward considerations need to be applied to the decision process. Undoubtedly ‘diversification’ carries the most risk in terms of moving away from the company’s comfort zone, but depending on your current positioning it may still be a viable consideration.

Market drivers

Understanding the market drivers is an essential part of this process, considering this from first a macro level, for example:

- Social trends
- Technology
- Legislation

and then down to a micro level which asks specific questions about your target sectors and customer types:

“what do my target customers look like, and how will my offer positively impact what they do on a day to day basis”

For this micro process, this summary recommends a market/customer analysis process which considers a ‘MAPS’ hierarchy analysis of a sector thus:

Markets

Drivers, influencers, route to market

Applications

Key applications and functions

Products

What products mix form required solutions

Services

Differentiating services are to the sector

Market size

When assessing the market size you should consider at least three areas:

Serviceable Addressable Market

is what you can access now with current products, services and competencies

Total Addressable Market

is what you could grow access, but with a with changes in your offer

Adjacent Markets

are essentially different sectors, but ones which could use your technology and services

Creating demand

Your value proposition

Importantly, these should be assessed and expressed in terms of what you mean to a customer - why you are a valued supplier to their company, and why you make a difference to their business. Put simply, these statements would reflect the attributes that your existing repeat customers would say about you as a supplier (ie: it's not just what you think is a strength of your company).

What you say and how you say it

It's rare that a company is judged on its product or service alone - in most purchases it's as much the experience of dealing with the company that is important, for example:

- *was the product easy to select and purchase*
- *do I feel important to the supplier*
- *am I confident about the support that I would receive after my purchase*

Your 'content strategy' is a crucial element in clearly describing what the products that you offer as a business; but it's equally important in establishing the feel of a company that the user will be happy to have as a supplier (eg: outlining an accessible support infrastructure, and maybe educational material as appropriate). The effect of your content strategy should be clarity of your offer, ease of access to your products and services and inspirational in portraying your overall values.

Targeted communication

With an aligned content strategy, your marketing communication resources can look at the proactive and reactive marketing tools at their disposal (eg: website, direct promotion and social networking as appropriate for your business environment).

Marketing communication can be very subjective, it's key therefore to have a degree of objectivity and measure which aligns all communication output back to the corporate goals, for example are you making effective advances in your targeted market sectors.

Your brand value

Often, an organisations brand is incorrectly deemed to be predominantly at the communication level - eg: your corporate styling, design of website. However it is much more profound than this.

Your brand is the area where 3 crucial elements intersect, and they are:

- *what you say*
- *what you do*
- *what the customer experiences*

In other words, it's not just one of two of these that are important, but where all 3 are true (eg: it's not enough to say it, you must live it and the customer must experience and believe it).



“Once you define and believe in your value proposition, you can then communicate it and create market demand”

Making it happen



“Ensure that you have a clear vision, with a focused plan. Instil a sense of purpose and drive within those who can actively make a difference”



Whatever you do, act now

Sounds like a cavalier statement but it's to emphasise the importance of being proactive, taking the initiative and creating purpose within your organisation for change. This is an internal message which explains that change is a necessity in order to grow to the next level, and not a reflection of any shortcomings in current operation and performance.

Create a focused plan with these 4 main elements

A focused plan is advised, to prove the value of change and inspire further similar programs. An example plan would adhere to SMART objectives in the following categories:

Core competencies

What strengths is the focused plan going to be based; examples might be a new product, an particular service skill or a application specific to a target sector

Market drivers

What are the reasons that a customer would be inspired by your offer - how is their life made easier, or what differentiator does it create for them in their own market

Available resources

Can the program be created with your own resources, if so what impact would it have on existing commitments and processes. What other partner resources may be required

Specific targets

Identify the specific targets, in this way your program is more focused and you can judge market reaction more readily. During larger scale roll out you can take a broader approach.

Making it happen

Effective leadership is essential, whether it be by an individual or via a Leadership Team, it establishes purpose, drive and momentum.

Back the advocates and those who want to make a difference, work on influencing those who are more reticent. The first steps are critical and often the ones most likely to face barriers and obstacles.

Change is a difficult concept for most organisations so identify, support and incentivise those driven by challenge; inspire and encourage any doubters; and manage any obstructors.

That there will be obstacles is not questioned, but belief in the plan and perseverance will ultimately drive an SME to the next level of growth that we have discussed in this summary.

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