

# How to Grow Your Business: 4 Surefire Methods



In this SWC Business Brief, we bring you up to speed on the four fundamental ways to grow your business and introduce you to a few common approaches for each.

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## INTRODUCTION

# How to Grow Your Business: 4 Surefire Methods

Congratulations! You have built and launched a business. You're a member of a very select group of individuals. According to the U.S. Bureau of Labor Statistics, of the approximate 209 million working-age people in the U.S., only about 10 percent are self-employed, which includes four percent who own their own business and have employees working for them.

If your business is more than a year old, you've crossed a major threshold – more than a fifth of new businesses close after their first year in operation. By the fifth year, the failure rate hits 50 percent.

The main cause of new business failures? Cash flow – more cash flowing out than flowing in. Some of that is due to poor money management, but part is also due to slow or non-existent growth, or even a decline in sales and revenue. Strong growth can drive success even when a business isn't careful about spending.

The problem is that while entrepreneurs are often superstars when it comes to starting a business, they're often lousy at managing and growing a business. They may not even be aware of the four ways to grow a business and increase its value.



# The 4 Ways to Grow a Business

You can find all sorts of ways to grow a business, but they all boil down to the following four:

- 1 **Increase your number of good customers.**
- 2 **Increase repeat sales.**
- 3 **Increase average sales value.**
- 4 **Make each business process more effective.**

Yes, that's it. Four ways to grow your business.

If you're thinking we missed one – cutting costs – technically speaking, that won't grow your business. Cutting costs increases profitability, but not revenue. It improves the value of your business only if you reinvest the savings toward growing your business in one of the four ways mentioned above. Instead, if you look at costs through the lens of making your business processes more effective, your focus will be to make sure that every dollar of cost becomes an investment. And investments, not costs, generate returns!

In this SWC Business Brief, we bring you up to speed on these four fundamental ways to grow your business and introduce you to a few common approaches for each. We don't go into detail because every business and business owner/manager is different. We can take a deeper dive and explore specific techniques when we meet with you personally to discuss your business.



## METHOD 1

# Increase Your Number of Good Customers



Customer acquisition is where most business owners initially focus on growth. It's known as the “front end” of marketing because it's about identifying and connecting directly with prospective customers.

While your business has many techniques available for winning new customers, here we focus on the five biggies:

- Identify or create unique core differentiators
- Improve your people skills
- Implement a sales system
- Target your marketing to your customers
- Plan your promotions

*Focus your time, energy, and critical resources on **good customers**, not on **every customer**. By acknowledging that not every customer is good for your business, you start to identify attributes of your ideal customer, which you can use to inform your marketing efforts (more about this appears below in “**Target your marketing to your customers**”). This approach has the added benefit of increasing employee wins (good customers tend to be less of a drag on your team, leading to higher employee satisfaction).*



### *Identify or create unique core differentiators (UCDs)*

A *unique core differentiator* is the reason why customers buy your products and services instead of something else. You may have several UCDs, each targeting a different segment of your customer base.

You can develop UCDs simply by reviewing your products and services and the way you do business. Or, you can do it through innovation. For instance, if you run an automobile parts business, your UCD(s) could be one or more of the following:

- Free same-day parts delivery to local repair shops
- The widest selection of parts in stock – to appeal to auto repair enthusiasts in your area
- Free how-to repair videos to appeal to the novice do-it-yourselfer

Each of these could be effective because each is based on what's important to at least one market segment or customer need.

*Think about how you'd finish this sentence:  
"People buy from me because I'm the only business that . . ." If you can fill in the blank with something unique you offer, then that's a UCD. If you can't, then it's time to come up with something unique to offer.*



### *Improve your people skills*

Business is just as interactional as it is transactional. Too many business owners spend time and money looking for new ways to promote their products and services when they could improve sales simply by interacting more effectively with existing and prospective customers. Investing in *lead generation* is a waste of money if leads are turned off during their first interaction with you or one of your sales or customer service reps, or if they call and get the runaround from an automated answering system.

Of all the skills you can invest in, nothing may be more valuable to your business than people skills. Whether you or your staff are doing sales calls, handling information inquiries, fielding complaints, or interacting with one another, the ability to communicate, solve problems, and resolve disagreements will always lead to better outcomes for your business. With the right training, your employees will have the ability to handle any interaction successfully, leaving customers impressed and recommending your products and services to others.

## *Develop a sales system*

Just about everyone knows someone they'd call a "natural born salesperson," and every business owner wishes they had one (at least!) on the team.

If you carefully observe these people, you'll notice a pattern to the way they sell – how they get the prospect interested, how they keep them interested, how they handle objections, how they deal with questions about price, and how they finally ask for the sale – all in a way that builds trust and understanding. In fact, if you watched them often enough, you'd probably begin to recognize that they have systemized their routine; they have a "sales system."

*You can choose from dozens of sales systems, including Gap Selling, Ninja Selling, Question-based Selling, Spin Selling, and Triangle Selling.*



## *Target your marketing to your customers*

To get more bang for your marketing buck, target your advertising, emails, direct mail, and other marketing efforts to customers instead of taking a shotgun approach. While no one wants to be "should" on, your marketing should focus on a specific group of people who are the right type to purchase your product or services, and it should deliver a message that resonates with them.

For instance, if you're selling high-end computers, you'd be wasting money trying to sell to novice users who just want something that's affordable and easy to use for basic computing. Instead, you'd want to market to gamers, graphic artists, programmers, and other advanced users and deliver a message that positions the computers you sell as being designed specifically to meet their needs.

*Prior to investing in marketing and advertising, invest in market research, so you get to know your customers before pitching to them. Identify your main market segments and profile them according to their needs, desires, and interests. Then you can market in a much more focused and cost-effective way.*



### **Plan your promotions**

To get the most out of your promotions, create a marketing plan that includes the following details:

- Your annual advertising budget
- A list of promotional activities – *tradeshow exhibitions, newspapers, online advertising, and more* – with a rationale for engaging in each activity (which activities are likely to be most effective and why?)
- Metrics for measuring the success of your promotions
- A method for gathering data and analyzing your metrics
- A schedule of advertising “things to do” for the year

Without a plan and metrics to measure the success of different campaigns, you're flying blind, and your advertising efforts will be, at best, hit or miss. Remember that you need to use the right media at the right time for the right audience. Trying to win customers without a plan and metrics to measure your success will deplete your advertising budget without necessarily adding a single customer. And you wouldn't even know it.

## METHOD

2

# Increase Repeat Sales



While acquiring new customers is “front end” marketing, customer retention (measured in repeat sales), is “back end” marketing. Increasing the number of times your customers buy from you benefits you in several ways:

- Increases sales and revenue per customer without adding a penny to the cost of customer acquisition
- Proves that your products, services, and customer service are satisfactory to existing customers
- Holds the potential of expanding your customer base, assuming your returning customers recommend your business to others

*Acquiring a new customer costs up to six times more than retaining an existing customer, so put at least as much effort into keeping customers as you do to acquire new ones.*



### ***Classify your customers***

To ensure that you're giving your best customers the best treatment, classify them as A, B, C, and D; Platinum, Gold, Silver, and Bronze; or by using some other ranking system:

- **“A” customers** are pleasant and dependable – your dream clients. They buy from you regularly, don’t haggle over price or scheduling, pay you on time, don’t complain, and serve as a source of new business opportunities in the form of referrals or mutually beneficial partnerships.
- **“B” customers** don’t spend as much money with you, question your prices, pay you every time but not necessarily on time, and complain occasionally. They have the potential to become “A” customers with a little work.
- **“C” customers** are bothersome. They order and return products frequently or are constantly changing the scope of a project or the deadline or milestones. They haggle for discounts, ask lots of questions, and don’t listen to your advice. They always pay, but often after several reminders. You dread talking to them and begin to wonder whether they’re worth the trouble.
- **“D” customers** are the ones you’d rather not deal with. They treat you poorly, complain about your products and services, waste your time, lowball you on price, and post negative reviews about your business or what you offer. You wish you never met them.

Use the rankings to guide your decisions about how far to go to please your customers. You may want to invite “A” customers to special events or involve them in your product development. Your “A” and “B” customers may receive special mailings or offers and are bumped to the front of the line when they call. In contrast, you commit to the bare minimum necessary to keep your “C” customers, and you may refer your “D” customers to a competitor, freeing up resources for your A’s and B’s. Keep in mind that “D” customers, while not being right for your business, might be someone else’s “A” customer. By turning them away, you might be helping them find the right person or company to serve them.



## *Be attentive*

According to the American Society of Quality, 68 percent of customers who switch to a competing business do so because of perceived indifference. In other words, when a customer drops off your map, it's usually because they feel unappreciated. To increase customer retention and referrals, express your appreciation in the following ways:

- Follow up to thank your customers and ask them to come back.
- Send regular mailings to build on your customer relationships, such as newsletters, exclusive offers, calendars, service reminders, articles of interest, holiday cards, and so on.
- Establish a loyalty program that rewards frequent purchasers.
- Make follow-up phone calls to ensure that your customers are 100 percent delighted with the product or service they received.
- Ask for input about what you can do better or any needs that are not being met.
- Come up with ways to make your customers' lives easier or better. This may call for improving your customer service and support or innovating new products and services.

*With the above in mind, establish a system for maintaining contact with your customers and expressing your appreciation of them.*



Most businesses fail to recognize the profit potential of their existing customers. Once a customer is delighted with whatever you delivered, they want to continue the relationship. Making them feel important and valued gives them the incentive to do that.

### *Provide awesome service and support*

When it comes to customer service and support, follow the *Platinum Rule*. While the *Golden Rule* is to treat others as you would like to be treated, the *Platinum Rule* is to treat others as *they* would like to be treated. Here are a few suggestions for treating customers as they like to be treated:

- Reach out to your existing customers to find out what you could be doing different or better to serve their needs.
- Keep tabs on your competitors to find out whether they're doing anything different and better than you.
- Monitor your customer service and support successes and failures and use the information and insight you gathered to improve. When you lose a good customer, you need to find out why and correct the problem.
- Try to identify your customers' unmet needs and desires before they do and introduce new products and services they'll love.
- Be nice. Sometimes being respectful, pleasant, and attentive and spending the time to listen to customers and hear what they're saying are all that's needed.

If your business is more than just you, train your entire team on how to treat customers right to ensure that you're delivering quality customer service and support consistently.

### *Gather and analyze customer feedback*

You really have no idea what your customers think about your products, services, and support unless you actively seek feedback. Here are a few suggestions for gathering customer feedback:

- Search the internet for reviews of your business, products, and services. Start with Yelp, and then search for reviews on Google and then Facebook.



- Ask for feedback in person, via email, or over the phone. In addition to getting valuable feedback, you'll show customers that you're interested in them and their opinion – something other businesses may not bother with.
- Follow up with customers after their purchase to address any concerns they have.
- Conduct a satisfaction survey. With services such as SurveyMonkey, the process has never been easier.
- Create a customer advisory board. You invite a group of frequent customers to gather and discuss a particular aspect of the service they received, what they valued, what could be improved, and so on.

Don't waste the time and effort you and your customers invested in gathering and providing feedback. Use the information to continually improve the way you do business, and let customers know that their suggestions are being followed.

*Ask customers who submit positive comments to serve as a reference or provide a testimonial for you online using Yelp, Google, and Facebook.*



## METHOD 3

# Increase Average Sales Value



*Average sales value* is total sales for a period divided by the number of customers who bought something from you during that period. Suppose 62 customers bought a total of \$4,650 in merchandise last week. Your average sales value for the week would be \$75 per customer per week ( $\$4,650/62$ ).

If you could boost your average sales value to \$100 per customer per week, you would increase your weekly income to \$6,200. Over the course of a year, you'd increase your sales from \$241,800 ( $\$4,650 \times 52$ ) to \$322,400 ( $\$6,200 \times 52$ ).

In this section, we explain the following methods for encouraging customers to place bigger orders:

- Cross-selling
- Up-selling
- Bundling
- Smart merchandising
- Tweaking your margins and pricing

### **Cross-selling**

*Cross-selling* involves convincing customers to add other products to their order. For example, if you pull up a listing for a



TV set on Amazon, directly below the listing, Amazon presents *products related to this item*, such as a TV stand or wall mounting bracket, a digital camera, and a sound system. With this approach, you're simply suggesting other items that the customer may find useful.

To start thinking about possible cross-selling opportunities within your business, go back and look at your major product or service offerings and ask, "What else could we offer to go with this item that would add value and help the customer get the most out of the purchase?"

## **Up-selling**

With *up-selling*, you try to convince customers to buy a better product at a higher price. Vehicle manufacturers do this by offering different models of the same vehicle. For example, you can get a Toyota Highlander Hybrid Luxury Edition (LE) starting at \$38,735 MSRP, an XLE starting at \$41,535, a Limited starting at \$45,490, or a Platinum starting at \$48,690. At each higher tier, you get better quality and more bells and whistles.

A great way to identify or create up-selling opportunities is to offer your products or services in three or more tiers, along the lines of good, better, and best, or bronze, silver and gold. Your first tier might be for price-conscious buyers. Your second tier is a balance between quality and affordability. Your third tier appeals to customers who settle for nothing but the best and most fully featured offerings.

## **Bundling**

*Bundling* involves offering multiple items for less than the items can be purchased separately thereby appealing to customers shopping for the best value. For example, a yoga instructor may charge \$25 per session or 20 sessions for \$400 – a savings of \$5 per session. A retailer may charge \$45 for a blouse and \$55 for pants or \$85 for the outfit – a savings of \$15.



Review your full range of products and services to identify any bundling opportunities.

## *Smart merchandising*

Merchandising involves promoting the sales of goods, which you can do in countless ways. Here are some examples:

- Point-of-sales displays advertise products to customers waiting in line to check out.
- Endcaps (*shelves at the end of an aisle*) promote products you most want to sell – generally, popular products or those with the biggest markup.
- Content marketing (*blog posts, articles, white papers, podcasts, videos, and so on*) provides free information that subtly recommends products or services or shows how to get the most out of them.
- Client testimonials help to build confidence in your expertise and trust overall.
- Free testing or evaluations can uncover problems that customers are happy to pay you to solve.
- On-hold messages can be used to introduce customers to products and services they're unaware of.

## *Tweaking your margins and pricing*

Numerous pricing methods are available depending on the approach you take to running your business, including the following:

- **Keystone pricing** is a markup that ensures a reasonable profit. With the keystone approach to pricing, you set the



price of the products you sell at an amount that is double the wholesale price or cost of the product.

- **Penetration and discount pricing** is used for breaking into new markets or clearing out old inventory
- **Loss-leading pricing** (*selling a product at a loss*) is what you'd use to attract customers in the hopes that they'll buy other products on your website or in your brick-and-mortar store
- **Competitive pricing** is used when attempting to beat the competition
- **Premium pricing** (*charging more than the competition*) is to be reserved for higher-quality products or services

To increase your average sales, you must have a firm understanding of your margins and how they affect your *bottom line* (your company's net income found at the bottom of its income statement). Be careful about getting involved in price wars and pricing yourself out of a decent profit.



## METHOD

4

# Make Each Business Process More Effective



One of the ways to improve business outcomes is to improve your business processes. Outcomes are the product of qualified personnel following highly effective procedures. Hire good people, and make sure every business process is as effective as possible.

In this section, we touch on several fundamental ways to improve your business's internal processes, including the following:

- Develop a mission and goals
- Identify your strengths, weaknesses, opportunities, and threats (SWOT)
- Work *on* not *in* your business
- Create a business that runs itself

### *Develop a mission and goals*

Having a mission and goals should keep your business and all your employees laser-focused on what truly matters.

Here are a few mission statements to inspire you to create or improve the one you have for your business:

- **Google:** To organize the world's information.



- **Kohler:** To contribute to a higher level of gracious living for those who are touched by our products and services.
- **LinkedIn:** To connect the world's professionals to make them more productive and successful.
- **Walmart:** To save people money so they can live better.
- **SWC:** To increase our client's net worth.

Goals are milestones for which everyone in the business is ultimately responsible. Be sure every goal you set for your business aligns with and furthers the mission of the business.

### *SWOT your business*

In business, a SWOT assessment (*Strengths, Weaknesses, Opportunities, and Threats*) is intended to help you gain a clear understanding of the current state of your business and the competitive environment in which it operates. With a SWOT in hand, you're able to determine where to go next, and inform the actions that can be taken to achieve the future state you desire.

A good SWOT combines and organizes data and expert insights that summarize the current state of your business. Like any planning tool, a SWOT assessment is only as good as the information it contains. Through SWOT analysis, you can begin to capitalize on your strengths, correct for any weakness, identify opportunities, and figure out how to take advantage of them, as well as identify anything that threatens your business, such as the following:

- Increased competition
- Regulations that may negatively impact your business
- A tight labor market, which makes finding talent difficult
- An interruption to your supply chain
- A global pandemic or other disaster
- New products or technologies that make what you're selling obsolete



SWOT is a key component of any plan for starting or growing a business.

### ***Work ON not IN your business***

If you're too busy doing business to improve your business, it's not likely to grow. Delegate any business activities that can be done by someone else, so you can invest more of your time, effort, and expertise working *on* your business instead of *in* it. Then, take a step back and look objectively at the entirety of your business. What can you be doing different or better to serve existing customers and attract new ones?

This step is so important that we dedicated an entire blog post to it – "[Working 'On' Your Business Rather Than 'In' Your Business.](#)"

### ***Create a business that runs itself***

Ideally, you want your business to run itself, without your having to attend to every detail. When your business runs itself, you benefit in four ways:

- You have more time to devote to higher level tasks that improve and grow the business.
- You have more time and focus for friends and family members and for yourself.
- Your business can easily and affordably scale up by hiring and training more people.
- You create a business entity that you can sell or pass down to your heirs quickly and easily.

To create a business that runs itself, hire good people and systemize all business processes – everything from marketing and sales to customer service and human resource management.



# Making All 4 Ways Work Work for You



The four ways to grow your business work best when combined in an overall approach. Think about the concept of *synergy* – the whole is greater than the sum of its parts. The mistake many business owners make is to focus on just one of the four ways, thereby missing out on significant growth opportunities.

Let's look at an example of how the four ways can work together for you: Suppose you have a customer base of 1,000. Now implement the four ways to grow your business:

- 1 You increase your number of good customers by 10 percent to 1,100.
- 2 You increase total repeat sales 10 percent from \$20,000 annually to \$22,000 annually.
- 3 You increase the average sale value 10 percent (for example, from \$100 to \$110).
- 4 You systemize all your business processes, so you can more easily and affordably scale up by hiring and training more personnel.



Here you see that we've increased each of the three factors by 10 percent, but your business growth will exceed 30

percent. At 30 percent growth, your business would grow from \$100,000 to \$130,000, but when you increase each factor by 10 percent, your business grows from \$100,000 to \$143,000 (1,100 customers x \$110 average sale per customer + \$22,000) representing 43 percent growth.

In addition, because you systemized your business processes and delegated the daily operations to others, you managed to grow your business with less time and effort on your part.

### *How We Can Help*

Unlike many tax planning firms that offer bookkeeping, payroll processing, and tax filing services exclusively, here at [SWC](#) – *Southern California's independently owned tax planning and financial services advisory firm for small business owners, real estate investors, and high net-worth individuals* – we go the extra mile for our business clients by offering business consulting services, as well.

You may not have the time, perspective, and expertise to analyze your business objectively and identify specific growth opportunities that will work for your business, but we do. We can help you grow your business in a way that requires less of your time handling daily operations. With our guidance, you can create a business that runs itself, so that you can invest more time and effort on higher level tasks and have more free time to enjoy your life, all while increasing its value for whenever you decide to sell it or pass it along to your heirs.



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