

Building Business Momentum

By June Campbell

What development stage is your business in?

Experts identify three main stages of business growth. **The Startup Phase** is the time when you get your business up and running, locate customers, make sales and essentially, have money coming in. At this point, typically you are an Owner/Operator.

The next stage is **Early Stage Expansion**. In this phase, your business experiences "growing pains" similar to the ones I will discuss below.

In the third stage, your business moves from Owner Operated into Management. In other words, your function is that of manager. You are no longer involved in the day to day operation of running the business or of producing the product or service.

Only a minority of small businesses move into the third phase. Therefore, today's article will address ways of managing growth as you move into Stage Two.

You know its time to look for ways to manage growth if any of the following apply:

1. You have steady income and regular sales but you are working too hard. You are investing "**sweat equity**". You know that if you continue working at that speed, you will burn out, lose productivity or worse -- become ill. It is time to find a way to increase growth while working less.
2. You are running into **cash flow problems**. Cash flow problems are typically caused by the need to invest in inventory or in product development, or to cover payroll. However, while money is being spend on the above items, the payment for sales is delayed until the product is developed, delivered and invoiced. That is, you have capital assets (equipment, inventory), but cash is flowing out faster than it is flowing in. In this situation, you will need to find a way to manage by generating an influx of cash while continuing to develop your products or services.

If it's time to grow your business, you'll want to manage that growth as efficiently as possible. Try one or more of the following:

Existing Customers and Existing Products

Find ways of selling more products to your customers, or raise the price or fee. If you have been charging your customers the same price for a year or more, it is reasonable to notify them of an increase. Similarly, there comes a time when you might decide to turn down low paying work in favor of spending the time looking

for higher paying markets. You might also increase inward cash flow by strategies such as announcing a sale, or by offering a discount if people pay now for a year's worth of services.

Existing Customers, New Products

Keep your existing products, but look for new customers. Ask your existing customers for referrals, have a contest or publish a newsletter. Look for opportunities to reach new customers through joint ventures or other strategies. For example, if you are selling web development services, you could locate a company selling ecommerce software and arrange to promote one another's services to your existing customer list. You will both be using your existing products to reach new customers.

New Products, Existing Customers

Develop new products and sell to existing customers. This is often referred to as developing *back end* products, and is a favorite approach used by the web's more successful entrepreneurs. For example, if you are currently selling gardening supplies, you might notify your existing customers that you now have added vegetable cookbooks or garden ornaments to your inventory.

New Products New Customers

You develop new products and look for new customers. Essentially, this means you have a new business, and like all businesses, you will need to do your homework and your market research.

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