



Information Booklet

Business Management

6



Growing Your Business for SMEs

Introduction

Small and Medium Enterprises Development Authority (SMEDA) works under the Ministry of Industries and Production, Government of Pakistan and was established in 1988 with the objective to propel economic growth through development of SMEs. SMEDA serves as an SME strategy-advisory body for the Government of Pakistan and facilitates partners in meeting their SME development agendas.

SMEDA envisions growth of a globally competitive SME sector, through creating an enabling environment and support services for increase in the national economy. SMEDA strives to achieve this vision by providing assistance in employment generation and value addition to the national income, through development of the SME Sector, by helping increase the number, scale and competitiveness of SMEs.

National Business Development Program for SMEs (NBDP) is a project of SMEDA which intends to provide hands-on support services to SMEs. The aim of this business development support provided by NBDP is to advance new businesses and improve efficiencies in existing SME value chains to empower them to contend in global market. NBDP expects to facilitate around 314,000 SME beneficiaries over the period of five years.

Disclaimer

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Objectives

- To impart basic knowledge and importance of business growth.
- To identify key factors that lead to business growth in the long run.

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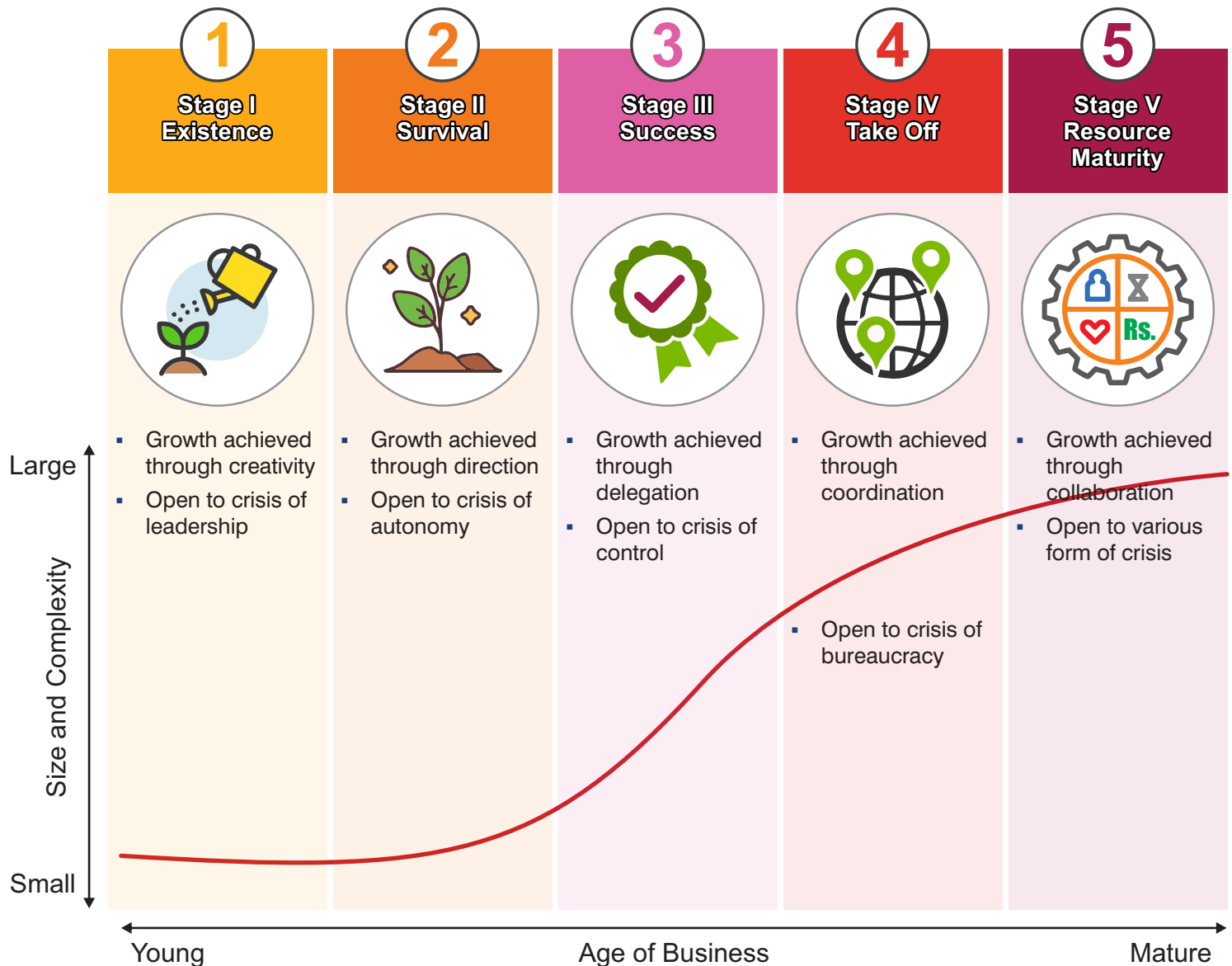
Business growth is an amalgamation of the ideas, initiatives and activities aimed towards making a business better. This includes increasing revenues, growth in terms of business expansion, increasing profitability by building strategic partnerships and making strategic business decisions.

During its growth, a business goes through the stages of business life cycle and encounters different challenges that require different financing sources and remedial measures. For example, a business will require a different strategy when it comes to market penetration, business development and retaining market share. As the business matures, operations and priorities will change therefore requiring business financing to change as well.



The Five Stages of Business Growth

The five stages of business growth entail existence, survival, success, take off and resource maturity. Each stage comes with its own set of opportunities and challenges.



1

**Stage I:
Existence**

At the existence stage, the main concern of a business is to gain customers and deliver the product and services contracted for. The strategy of the business is simply to remain alive.

2

**Stage II:
Survival**

Before reaching this stage, the business has proven that it is workable and that it has sufficient customers and products or services that can cater to them. At this stage, the focus shifts from mere existence to the relationship between expense and revenue.

3

**Stage III:
Success**

At this stage the size and complexity of the business grows rapidly. Owners have to decide whether to leverage the business's accomplishment or just to maintain its profitability and stability.

4

**Stage IV:
Take Off**

The focus at this stage is to plan the business's growth and to secure financing for that expansion.

5

**Stage V:
Resource
Maturity**

This is the last stage and pertain to strengthening and controlling the financial gain that has come with the business growth. At this stage, business owners are focused on expanding the management force to overcome inefficiencies and apply tools such as budget, strategic planning and standard cost system in order to systematize the business.

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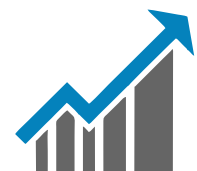
Types of Business Growth

Organic Business Growth



Organic growth focuses on producing more products, services and space for business success. Businesses that focus on organic growth may buy a larger storefront or expand shifts to manufacture more product. Businesses focused on organic growth need to literally expand to accommodate their needs. It is a solid business growth strategy for new businesses and also businesses that have tapped into a new market and face shortage of products.

Strategic Business Growth



Strategic business growth focuses on the long-term growth of a business. Businesses that focus on strategic growth have already reached the organic business growth stage and need to find additional markets. A strategic growth strategy may be to reach a previously untapped market through advertising or create additional products to add to inventory. The strategic business growth strategy allows businesses to focus on long-term plans and use stored capital to attain those goals.

Partnership/ Merger/ Acquisition



For some businesses, acquiring, merging or creating a partnership with another business can present unique benefits and opportunities for market expansion. This strategy of business growth can be risky but also with the most potential success. A well laid merger or acquisition can help a business enter a new market, manufacture more product, and gain the customer loyalty cultivated by another brand.

Internal Business Growth



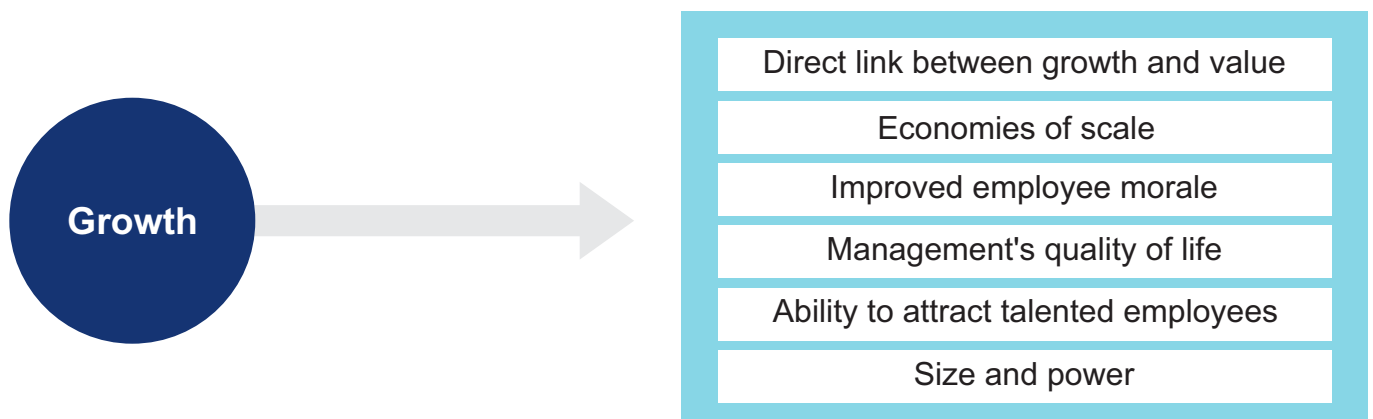
This business growth strategy uses current resources and determines how they can be used better. This growth is often the hardest because rather than simply expanding into another market or trying to expand a product line, businesses must change how they conduct business, a process that can be challenging for employees. Internal business growth is a great way to maximize resources without a significant outlay of capital.

Challenges to Business Growth

Before embarking on the venture of business growth, the owners should carefully assess the pros and cons of their decisions.



Benefits of Business Growth



Increasing sales and customers is critical to business growth. Establishing a strong customer base and ensuring a consistent revenue stream is a prerequisite to business expansion. Some tips to increase sales and customers for business are as follows:



Signs that Its Time to Grow

- Industry is growing
- Cash flow is steady
- Customers want more

1

Invest in
Marketing

An obvious way to increase sales is to boost marketing efforts. However, it is important to carry out marketplace research to learn which messages speak best to the target audience. Advertisements and promotions should be run in limited locations and results should be checked before spending the entire budget on the activity. Marketing communication efforts such as using coupons, electronic codes or social media statistics should be evaluated to understand what is working versus what is not.

2

Review
Pricing
Strategies

If the product or service is price sensitive, special attention should be paid to pricing strategies. Competitive intelligence should be carried out to assess what the competitor is charging, and prices should be raised or lowered accordingly. Lowering prices can increase revenues to make up for lower margins while raising prices can create a higher perceived value in the minds of customers.

3

Increase the
Distribution
Channels

Another way to boost sales is to change where the business is selling its product or service. It is best to perform a careful study of the effects of using online selling, direct mail, wholesalers, retailers, distributors and outside sales representatives to identify how each method can affect the sales volumes, profit margins and total profits. In some cases, new distribution channels require marketing support.

4

Diversify the
Offerings

If a business has been running for a long time, then diversifying the product portfolio and services can help its growth. If a business faces market saturation, it should determine products that target customers are interested in buying and expand its portfolio. Replacing old products with new may result in decreased sales initially but can report higher revenues if the replaced product is sold at a higher price.

5

Develop
Relationships
and Cross
Promotions

Developing relationships in a business can support and increase its sales and revenue. For this purpose, identify non-competing businesses which have similar target customers to develop cross promotional offerings.

How Departments Can Help Each Other to

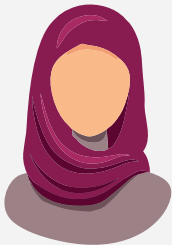
MAKE MORE SALES

Customer service can help sales

- Upsell and cross-sell
- Learn and disclose common pain points
- Personalize customer experience
- Reduce customer effort



Sales can help customer service



- Solve specific problems, not just make sales
- Educate customers on what your company can do for them
- Dedicate time to maintaining relationships
- Report customer needs and requests to appropriate parties

They can help each other

- Increase retention by boosting reciprocity
- Identify, track and act on the most important metrics



Tips for Sales Promotion Techniques

Sales promotion techniques are known as promotion tools; some of these are listed below:

Sample: Customers are given samples to introduce a new product or to expand the market base.

Demonstrations or Instructions: These are instructions given to generate awareness amongst customers about using the product. This method may be used in products like washing machines etc.

Coupon: Coupons serve as certificates that reduce prices. When a customer gives a coupon, he/she receives a discount or free products with the purchase.

Money-Refund Orders: This indicates refund of the full purchase price if the buyer wants. It is helpful in the introduction of a new product. Refund offer creates interest and increases sales considerably.

Premium (Gift) Offers: These are temporary price reductions, which appeal to customers instantly. Towels, dinner ware, hairbrushes, keychains, ball pens, toilet soaps, bathing soaps etc. are given as in-pack premiums.

Price-Off: The price off label is printed on the package that a certain amount is reduced from the actual price to attract customers. It gives a temporary discount to the customers.

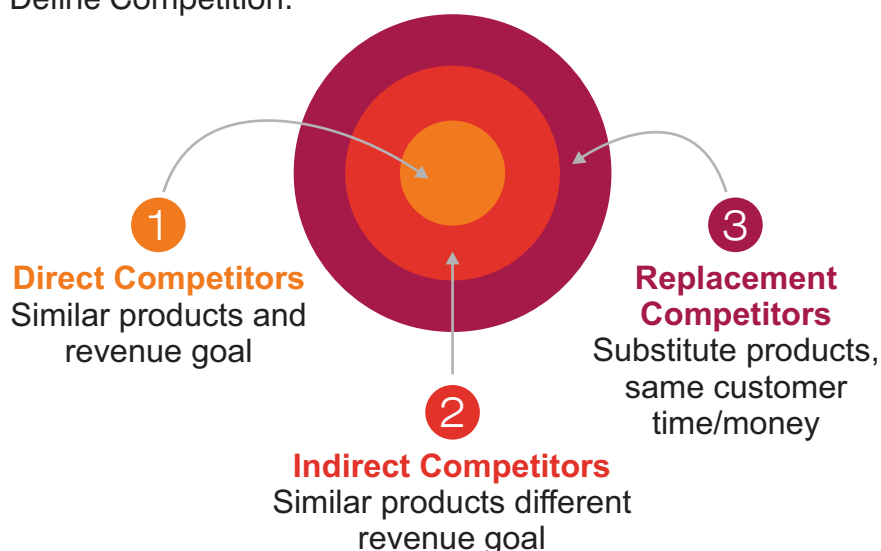
Contests or Quizzes: These are held to stimulate customer's interest in the product. In these contests, participants compete for prizes on the basis of their skill or creative ideas.

Fairs and Exhibitions: Trade shows, fashion shows or parades, fairs and exhibitions are important technique/tools of sales promotion. They provide a forum for the exhibition and demonstration of products. Free literature can be distributed to introduce the business and its products to the public.

d

Awareness about Market Competition

Define Competition:





e Identifying New Opportunities

A business should continuously innovate to remain successful and seek opportunities for growth and improvement:

1

Listen to potential customers and past leads:

Ask customers about their needs, wants, challenges and frustrations within the business industry.

2

Listen to existing customers:

Ask them about their experiences, frustrations, feedback and complaints. This valuable customer information will help identify key business opportunities to expand and develop current products and services.

3

Analyze competitors:

See what other startups are doing, and more importantly, not doing. Assess where are they falling down and what are they doing right. Ask what makes customers choose a certain business. This will help identify key business opportunities to expand market reach and develop products and services.

4

Monitor industry trends and insights:

Subscribe to industry publications, join relevant associations, set Google alerts for key industry terms and news and follow other industry experts on social media. Remain updated about the latest techniques and trends.

Process of Identification, Evaluation and Selection of Business Opportunities

STEP 1

Identification of needs and wants of customers

STEP 2

Environmental scanning, self analysis & community values

STEP 3

Screening of business opportunities

STEP 4

Selecting a business opportunity & preparing a business plan

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Reinvestment and Business Planning

Reinvesting in the business is critical for its growth. Most businesses use some of the revenue from sales to invest in factories, machinery and new technologies.

An income statement –a report showing a business's sales, expenses, and profits for a certain period– can help decide whether the business is profitable enough for allocating funds for reinvestment.

For this purpose, a business first records its total sales for the period. Next, it finds its net income by subtracting all of its expenses, including taxes, from its revenues.

These expenses include the cost of goods and depreciation, a non-cash charge the business takes for the general wear and tear on its capital goods. Once the actual cash flow figure is ascertained, the business owners can decide how the funds will be allocated. When cash flows are reinvested in the business, additional products can be produced.

Business Growth Through Reinvestment

First Quarter Income Statement

Generates

Investment in new plant, equipment and technologies

Allows

Sales of Goods and Services:	100,000
Less: Cost of goods sold	40,000
Wages and salaries	25,000
Interest payments	5,000
Depreciation	10,000
Earnings Before Tax:	20,000
Less: (Taxes (at 18%))	3,600
Net Income:	16,400
Plus: Non-cash charges	10,000
Cash Flow:	26,400



Remember!

As long as the business remains profitable and the reinvested cash flow is larger than the wear and tear on the equipment, the business will grow.

Strategies for Reinvesting Profits in Business



Make Business Improvements

Make operational improvements e.g. update computers, cash registers, invest in a new illustration software etc.



Employee Development

Invest in training and development of employees.



Hire Additional Staff

Investing in hiring more staff to take up new responsibilities.



Go Digital

Strengthen the business's web presence; invest in a professional website, add online ordering options, or a customer service chat bot.



Expand the Business

- Add new products, services
- Build up inventory of best selling products
- Open a new location
- Move to a bigger space

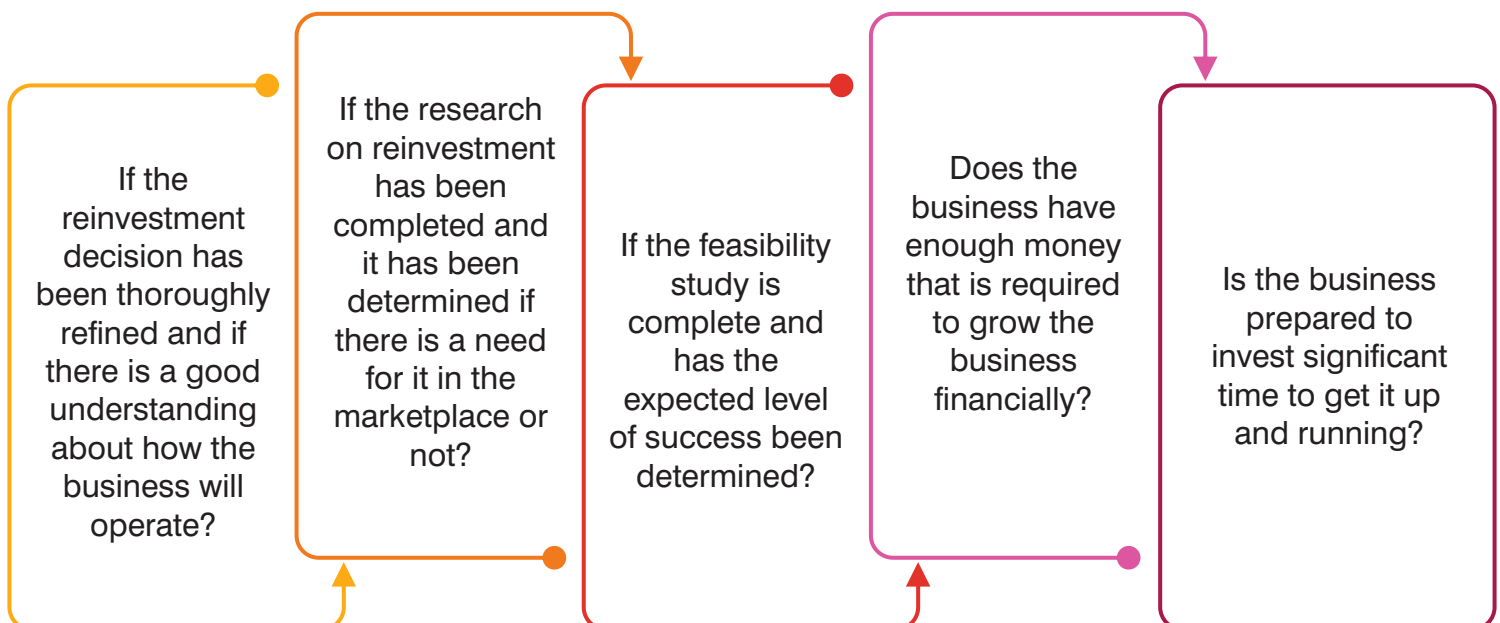
Business Planning for Reinvestment

Before reinvesting in a business, it is essential to look at potential opportunities, then calculate the return for each one and to assess the risks. A business plan can help a business to secure finance, prioritize efforts and evaluate opportunities.

What Should a Business Plan Include?



Considerations for the Business Plan



Customer information management system is a strategy to learn more about customer needs and behavior in order to develop a stronger customer relationship. Customer information helps a business to gain insight into its behavior and help develop products and services that its needs.

Customer Relationship Management (CRM) is a technology for managing all customer relationships and interactions with customers and potential customers. A CRM system helps the business stay connected to customers, streamline processes and improve profitability. There are many free and open sources available online which can be used for effective Customer Relationship Management.

5 Growth Benefits of CRM

Increase Field Team's Productivity



Access real-time data and make decision on location any time

Increase Data Security



Centralize customer and business data in one secure ecosystem

Increase Chances of Making Right Decisions



React to customer behavior and market trends fast

Increase Efficiency



A well-oiled machine means higher profitability

Increase Sales Leads



Follow quality prospects, not false leads



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