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# POWERFUL WAYS FOR "BUSINESS EXPANSION"

VOL: I



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# 1. How to Develop Business Growth Strategies and Manage Growth?

In today's business environment, no business can afford to remain complacent with its achievements of the past or its grand opening run. If a business has to survive in the long run, it must learn to grow with its environment – demographics, industry, technology, competition and stakeholders. The scope and meaning of business growth can be wide and may include higher sales, higher profits, cost minimization, larger market share, increased net worth, higher ROI, movement along the supply chain and so on.

## A. Organic Growth Strategies

### 1. Market Penetration

Market penetration strategy is very suitable when a business enterprise aims to pierce through the existing markets with its existing product line. With market penetration, a business aims to further increase its market share in the existing market with its existing products. This strategy is very popular because it entails minimum risk. It may involve price adjustments, extensive promotional campaigns, increased production and supply, providing incentives and going omnichannel. Market penetration strategy is eligible for application only if there is an untapped market share in the existing market (for the existing products) which is available for a business to capitalize on. However, market penetration does not involve any major changes to the existing business model but requires development of USPs for better positioning and popularity. It may also involve out-of-the-box sales strategies and efforts because the products are already known to the targeted non-customers.

## **2. Market Development**

In market development strategy, a business enterprise experiments with their existing products by launching them in new markets with the objective of capturing new business territories. This may involve extensive market research, study of demographical features, availability of supply chain infrastructure and channels of distribution, presence of competitors and competing products, local promotional campaigns, price adjustments, changes in packaging, availability of manpower for operations and so on. The precondition for eligibility of market development strategy is a workable market share in the targeted business territory. Establishing business in new markets may involve adoption of business model different from the existing one. Franchise route is a popular business model when it comes to extending business to new and difficult-to-access territories. Franchise model involves delineation of ownership and operational control and application of franchise SOPs and audits. Profit and risk sharing and return on investment are important considerations in a franchise business model.

## **3. Product Development**

Product development strategy is when a business enterprise intends to offer new products to its existing markets. Product development strategy helps a business cater to new customer segments in the existing markets. This can strengthen the foothold of a business enterprise in its current operational territories and also serve as a brand booster. New product design involves research and development, innovation, creativity etc. Freemium business model coupled with strong positioning can be very effective when new products are launched in a market which a business enterprise is already well acquainted with. Product training is essential for sales and marketing staff. Freemium business model is very popular in the field of social media and mobile communication apps.

## **4. Diversification**

In diversification strategy, a business enterprise goes on full aggression mode by launching new products in new markets. This may involve extensive market research, product innovation, research and development, competition analysis, segmentation, brand positioning, full scale promotional campaigns and offers, associations with supply chain infrastructure, pricing decisions and so on. Diversification can almost take the shape of a new strategic business unit and may involve full scale business planning from the scratch. When diversification is done within the local geographical limits, a business enterprise will have the advantage of its existing supply chain network and logistical support. Various considerations involved here are capital investment; sources and cost of capital, return on investment, breakeven analysis, staff recruitment, sales and business development, new processes and SOP (standard operating procedures) definitions and so on.



## **B. Inorganic Growth Strategies**

### **1. Mergers & Acquisition**

Mergers refer to amalgamation of two business enterprises to form a new business entity. Mergers can be horizontal integration or vertical integration. Horizontal integration involves merger of two competing firms to capture larger market share or to counter bigger competitive forces. In vertical integration, two firms in the same supply chain (say a producer and a distributor) merge to form a single entity and exercise dominance over the supply chain. The recent proposed merger between two major mobile service operators Vodafone and Idea is expected to be one of the most significant mergers in India's telecom sector (1).

Acquiring control and ownership of another business enterprise by purchasing 51% or more of its shares is called acquisition. Through acquisitions, a company strives to take control of associated product lines. Purchase of the popular communication app WhatsApp by Facebook is a renowned acquisition (2).

### **2. Joint Ventures**

In a joint venture, two or more firms come together to form a new business entity but both the firms retain their individual entities and identities. Microsoft and GE formed a JV called Caradigm, a healthcare IT company providing enterprise software solutions in the field of population health management (3). JVs are extremely useful when two different enterprises with unique USPs and core competencies are capable of jointly creating high value or premium products and services. Finance, operations and HR processes in this new entity may be different from the ones followed by the partnering firms in their respective businesses.

### **3. Strategic Alliances**

Sometimes two businesses join hands to achieve certain predetermined goals and objectives without forming a new entity. These firms share their intellectual property, assets and technologies in execution of the common project. Such coalitions are called strategic alliances. Strategic alliances are popular not just in business but also in politics. Nokia and Microsoft entered into a strategic alliance wherein the latter designed the mobile operating systems for Nokia smartphones (4). Later, Nokia's phone business was acquired by Microsoft (5).

Selection and development of business growth strategy and managing the growth process are equally important. While the former involves vision and business acumen, the latter is all about creating the environment necessary to sustain the growth. A pro-growth environment should include availability of professional skills and expertise, ERPs and automation, processes and SOPs, USP driven positioning and out of box selling strategies, robust financial planning and a healthy ROI.



## 2. Five Most Powerful Ways to Stay Ahead in Competition

Once you establish your business organization, you cannot afford to stay constant in terms of your progress and improvement. In this modern world of technology, several business organizations of a particular area are constantly reinventing themselves to push themselves ahead of their competitors. No matter what field you belong to, it is inevitable to face competition from your peers. Therefore, it is extremely essential to keep pushing yourself and your business organization to stay ahead in the competitive market. In this post, we look at some techniques and ways to enable you to sustain in the competitive environment of business.

### 1. SOP and Sales:

As most of the business organizations are familiar with the Standard Operating Procedures to streamline daily business activities and processes to get better results. At the same time, it is also vital to take special care of your sales department. Increase in sales means increase in business. Therefore, implement special SOP plans and procedures to boost your sales. Boosting sales will have a direct reflection on your customer base. Adopt new strategies such as E-Commerce market to increase your sells. When it comes to International commerce, keep a check on currency conversions, customs, sales taxes, licenses etc. Therefore, implement appropriate SOP's as it will provide a step by step procedure to arrive at the best outcomes.



## **2. Digital Marketing:**

Digital Marketing will trigger your sales prospects enormously. In fact, it will also provide a means to connect with your audience and customers. Establish your company profile on prominent social networking websites such as LinkedIn, Twitter, Facebook, MySpace, Instagram and Snapchat. You can also set up a website with attractive designs and informative content. Try to be consistent in updating your social media presence to make yourself relevant in the eyes of the audience. Target new customers through contests and discounts on special occasions to expand your customer base.

## **3. Use of IT Systems:**

Make use of special software's to track and monitor the progress of your business activities. Implement ERP to automate tedious processes and generate better results. It is very essential to keep a check on the work productivity and efficiency of your employees. Use software's to monitor their performances and for annual appraisal. Get rid of unproductive staff by replacing them with professionals who will contribute for the welfare of your business organization. Implement DBMS, supply chain management, customer relationship management etc to strengthen the nature of your business.

## **4. Promote your USP:**

Having a Unique Selling Point (USP) will be an added advantage to your business organization. It will provide you with an edge over the others. In the competitive market, practicing conventional methods will slow down your progress and impact the business prospects. Therefore, adopt new techniques and technology to deliver promised results. Keep yourself upgraded with the latest developments in your field. Deliver products/ services which your competitors are not able to do so.

## **5. Build a Brand:**

When your business operations and product adhere to the expected quality requirements, then it can be said that you have built your brand. Brand building requires time and sincere efforts to deliver excellent results. Build the reputation of your business organization by being honest and sincere. Keep the image of your company safe and free of any controversies. When you build the brand, you are bound to receive more customers and it shall therefore reflect in your revenue.

Thus, the above discussed ways will surely help to stay ahead of your competitors in your area of business. Hope this post proves to be informative and educative



### 3. Effective Ways to Financially Prepare for Expansion

Financial preparation is a critical part of any business expansion project. Talking about financial preparation, three aspects that come to the forefront are the financial liability that will arise from a new project, financial ability to execute the project and financial feasibility of carrying out the project.

A business expansion project shall increase the financial liabilities (increased costs) which have to be sourced internally and/or externally (revenue generation, loans and borrowings) reflecting the financial ability of the business enterprise to support expansion. The third aspect is determining the financial feasibility (profitability, healthy ROI) of executing an expansion project. The three financial pillars (liability, ability and feasibility) and project financial management are elaborately discussed here to help businesses effectively prepare on the financial front for their expansion projects.

#### 1. Financial Liability

Costs of business expansion are of two types – capital expenditure and direct and operating costs. The capital expenditure includes investments in machinery, equipment, furniture, space, set-up and establishment costs etc. The direct and operating costs include the expenditures to run the new project. This includes the purchase of inventory and raw materials, wages and salaries, rent and bills, repair and maintenance, insurance and legal expenses etc. Capital expenditure and direct and operating costs associated with a project constitute its financial liabilities and have a direct bearing on its profitability. Therefore, it becomes important that a business enterprise makes a detailed assessment of these costs.



These costs have to be recovered to create surpluses. While the investment in capital assets may be recovered in a phased and indirect manner, the direct and operating costs have to be covered on the go. Through cost accounting, a business enterprise can get a clear picture of the financial liabilities of a proposed project based on approximate figures and prices.

## 2. Financial Ability

The financial ability of a business reflects its knack to procure additional capital funds required to establish a new project and generate sufficient revenue to cover the direct costs and operating expenses. Some of the pertinent questions that arise in capital funding decisions are –

- What is the amount of fresh capital required (cost of new assets, other long-term establishment costs)
- What will be the composition of capital (debt-equity ratio, proportion of self-funding etc)
- What the potential sources of capital (loans, credit, angel investors, mortgage etc)
- What are the costs associated with procuring capital from various sources (interest rates, collateral, ease of acquiring funds etc)

The second part is revenue generation from the new project to cover its direct costs and operating expenses. A business enterprise needs to prepare realistic revenue projections which will reflect the quantum and frequency of cash flow. Liquidity is a crucial element of financial management in business. Businesses need to maintain a healthy working capital ratio to ensure smooth flow of operations in any of its projects or business units. In the event of liquidity crunch, which may happen because of poor revenue collection resulting from poor sales, credit policies, bad debts etc, operations may come to a halt leading to further revenue losses.

**"The financial ability of a business reflects its knack to procure additional capital funds required to establish a new project and generate sufficient revenue to cover the direct costs and operating expenses."**

## 3. Financial Feasibility

The financial motive behind every business venture or a project is to generate profits. After ascertaining the costs and revenue generation capabilities of a project, a business enterprise would be in a suitable position to determine the financial feasibility of a proposed project. Financial feasibility of a project determines its fate as to whether it should be executed or not. If a project is not able to generate a healthy and steady flow of revenue, it would not be able to cover its costs. ROI also indicates as to how soon the project will be able to reach its breakeven point. There are hosts of financial metrics used in the financial analysis which includes profit margins, return on equity, returns on assets etc.

Ascertaining the financial feasibility involves preparation of various financial statements like profit and loss account, income and expenditure account, balance sheet, statement of sources and application of funds etc based on approximate figures and prices.

**"Financial feasibility of a project determines its fate as to whether it should be executed or not"**

#### **4. Project Financial Management**

Once a project is financially approved, the next step is laying down the base of its financial management. Financial planning has been broadly discussed above. The other important areas are identifying the key financial processes, structuring of the finance department/team and design for control measures.

For a new project, the primary financial processes are procurement and investment or allocation of capital funds, regulatory compliances, accounting record keeping and information system, processing of receivables and payables, cash flow and credit management, liaisons with other departments and audit. Each of these processes comprises of several operations and activities which have to be streamlined and documented. This can be done by developing Standard Operating Procedures or SOPs that serves as a guide map for employees to execute their routine duties while maintaining the rules and standards.

Finance is a sensitive area for any organization or project. Apart from prudence and professionalism trustworthiness and integrity are essential competencies in the members of the finance and accounts team. Adequate control measures are crucial to the functioning of the finance department. Authority, accountability and responsibilities must be clearly defined leaving no room for any sort of ambiguities. Along with finance SOPs, periodical audits must be conducted to ensure that rules and regulations pertaining to accounting, reporting and other processes like regulatory compliance and cash handling are being diligently followed.

**"Authority, accountability and responsibilities must be clearly defined leaving no room for any sort of ambiguities."**

Financial preparedness and vision are vital for any economic venture. Without the financial ability, a business enterprise will not be able to establish a new project and cover its financial liabilities. And even if they can, doing so without sound financial feasibility will render the whole project unworthy or loss-making causing it to become a financial burden on the existing business and operations.



# Digital marketing in business.



## 4. Five Most Powerful Reasons why you need Digital Marketing

Digital marketing refers to the use of digital platform or channels to promote and advertise brands, products, services, offers etc with a broader goal of establishing a connect with the targeted customers and market segments. Popular platforms for digital marketing include websites, apps, blogs, social media, video streaming sites and so on.

Various strategies have emerged over the years to extract the most out of digital marketing and the best ways in could be put to use. These strategies include SEO (Search Engine Optimization), content marketing, affiliate and native advertising, social media marketing, pay-per-click and pay per view advertising and so on. Because of its outreach, impact and economy, digital marketing has become an important strategic tool in marketing for all types of business and non-business organizations.



## **1. Access to a wider audience and new age customers**

The total number of internet users in the world stood at a whopping 3.4 billion in 2016 and the total number of mobile phone users worldwide is expected to reach 5.07 billion by 2019. Because so many people nowadays use internet and smartphones, that marketers can reach out to an extremely wide range of audience by communicating through digital mediums. From a marketer's perspective, this also makes advertising and marketing campaigns more efficient.

Secondly, most of the new age customers, who constitute an overwhelming majority of customers, are active users of the internet and smartphones. These new age customers mostly comprise of the millennials and the generation next. Digital platforms like social media and interactive mobile apps provide a fantastic opportunity to marketers to understand the customer behaviour, lifestyle traits, needs and aspirations of these new age customers.

Because of the universal outreach of digital marketing, business enterprises from any part of the world can easily promote their brand, engage marketing strategies and cater to a nationwide market or even international markets.

## **2. Use of data analytics**

Businesses need data to take informed decisions. Digital marketing tools and platforms can readily provide businesses with real-time and accurate data on customer behaviour based on the interaction with these digital platforms. This raw data can be further processed and analyzed to derive meaningful information and trends on customer behaviour and necessary changes in marketing management could be implemented in a short span of time. The information on customer behaviour can be further used for cross-channel digital advertising.

At the micro-level, businesses can use the digitally generated data to customize product and service offerings for groups of customers with similar buying and consumption patterns. One prime example here is the customized mobile voice and data packs offered to its customers by mobile service operators. In other words, data analytics can help businesses get closer and closer to their targeted customers and market segments by better understanding their needs and addressing them accordingly.

## **3. Brand promotion**

For various reasons like homogeneity of products and services, intense competition from national and international brands, customers' indifference and high costs of high-impact promotional activities like advertising in television and print media, sponsoring entertainment and sports events etc, small and medium scale enterprises often find it difficult to project and position their brand and USP strongly to a wider audience. In this scenario, digital marketing emerges as a game-changer for these business enterprises.

By making use of digital marketing platforms and strategies like SEO, content marketing, websites and apps and social media marketing, even small and medium-sized businesses can effectively and efficiently reach out to the wider online audience and project their brands and USPs to the targeted market segments with high impact. With active online presence, business enterprises can establish a continued digital connectivity with their customers and market segments. With repeated visits and interaction with the business websites, apps and social media pages, the business-customer bonding only gets stronger and stronger in the course of time.

#### **4. Cost-effectiveness**

The conventional marketing and promotional activities like advertising in television and national print media, event sponsorship etc has mostly predominantly remained the domain of corporate giants. These kind of promotional activities are usually expensive and falls heavy on the business budget. On the other hand, the basic digital marketing platforms and tools are relatively much economical. The falling price of internet services is yet another plus for digital marketing. The cost-effectiveness of digital marketing draws particular attention from bootstrapped startups which often uses it as a strategic marketing tool. However, to extract more out of digital marketing, use of advanced tools and technologies become pertinent. This can include business and retail analytics software, cloud-based services, graphics and animation based GUI, services of professional software development, maintenance of servers and database management, advanced hardware and networking, VR and augmented reality and so on.

#### **5. Expression and interaction**

Digital marketing is leaps ahead of conventional promotional tools in terms of expression and interaction. With the informational content in online digital form, customers can access, read, listen or watch about the products and services of a business enterprise at any time, from any place from his digital device. With the help of AV formats, products and services can be explained in a more engaging manner for the customers. The other important aspect of digital marketing is that the customers get an opportunity in the same digital platform to have their say, leave feedback, raise complaints, send queries or track their engagement with the business. Such customer empowerment can lead to strong brand loyalty.

Business in the 21st century is nearly impossible to be fathomed without its integration with the ongoing digital revolution; a revolution driven by the internet, smartphones and other technologies of digital integration and connectivity. Globalization, business-friendly economic environment and decreasing trade barriers continue to open up new markets and market segments for business. Digital marketing is the bridge that connects business enterprises with their customers and markets in an era marked by digital prowess and congenial business environment.