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Powerful ways for "Business Expansion"

VOL:II

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1. Business Expansion Plan for Small Entrepreneurs

Business expansion may seem like an uphill task for small-scale business enterprises. But expansion is essential for a business; not just for growth but also for survival. No business has ever become a great business without growth and expansion, even if such growth is gradual but consistent. And for growth, every enterprise needs a solid business expansion plan.

1. Nature of expansion sought, Selection of expansion strategy

The nature of business expansion can be of two types – organic and inorganic. In organic strategy, a business enterprise strives for growth and expansion with self-sustained efforts. Organic strategies include market penetration, product development, market development, diversification and franchise development. In inorganic expansion strategy, a business enterprise makes use of external agents in the form of mergers, acquisitions, alliances or joint ventures.

Selection of growth and expansion strategy depends on several internal and external factors. These factors include reasons for seeking expansion, financial capabilities, accessibility to markets, USP, operational feasibilities, profitability, distribution and logistical support, competition and so on.

2. Functional analysis

At the beginning of devising an expansion plan, a business enterprise needs to conduct a functional analysis to assess its own standing, readiness for expansion and selection of expansion strategy.

This analysis is crucial because an entrepreneur or a business owner must make a realistic assessment of its stronghold with the existing products and existing markets and its operational and organizational abilities. The information output from a functional analysis is important because it lets a business enterprise assess its own strengths and weaknesses and make necessary improvements and improvisations in a business expansion project.

Marketing analysis should help a business clearly understand who are its customers, which market segments it is catering to, what needs its products and services are fulfilling, what features makes its products stand out in the market (USP), capitalized market share and market potential and how the marketing processes are executed. Additionally, marketing analysis also brings to the fore the people and agencies involved in a marketing process – customers, employees, distributors, suppliers etc. Marketing analysis will help a business enterprise assess its success and operational efficiency with the existing products in the existing markets. Marketing analysis could reveal whether a business requires an expansion or improvisations in its marketing processes.

Another important functional analysis is the assessment of the financial health of business. Clearly, availability of financial resources is a crucial consideration in planning for a business expansion. But there are other important financial considerations pertaining to business expansion like capital requirement and funding, the cost of capital, profitability and return on investment and break-even analysis. Financial analysis will help a business enterprise determine the financial feasibility of undertaking an expansion project.

3. Business expansion plan

The next stage is the preparation of the blueprint for business expansion. Business expansion plan involves preparing detailed functional plans. Some of the key functional strategies and their essential elements are highlighted below.

Marketing strategy

- What products and services will be offered?
- Which is the target market? Who are the potential customers and where are they located?
- What is the total size of the market? What is the targeted market share? Is it profitable?
- What is the level of competition in the new product category or in the new market?
- What are the pricing methods to be adopted?
- How will the brand name, products, and services be promoted? What will be the channels of promotions?

Manpower Planning

- Manpower assessment (Qualitative and Quantitative)
- Manpower requirement (Qualitative and Quantitative)
- Recruitment strategy
- Training and development programs for new products and services and new markets
- HR SOPs and process management

Financial Strategy

- Capital requirement, cost of capital, sources of funding
- Return on investment and break-even analysis
- Working capital management
- Cost analysis
- Inventory turnover
- Anticipated profit and loss statement and balance sheet
- Finance SOPs and process management

Small scale business entrepreneurs can easily embark upon its growth ambitions by professionally planning and executing its business expansion. But this growth and expansion usually do not happen overnight. The dynamic business environment only makes it further complicated. However, with the right functional strategies, process orientation, and disciplined performance, business growth and expansion is not such a distant dream.



2. Is Your Brand Ready For Expansion???

Growth and expansion are both a necessity and an aspiration for almost every business enterprise. However, irrespective of the intensity of the need for growth and expansion, only a handful of businesses succeed in their expansionist attempts. And every such business success and failure story provide important lessons to learn from. One such important lesson is that of self-evaluation or self-assessment of a business enterprise required to be conducted by its owner(s) before starting to plan for business expansion. In this article, we'll try to delve into certain relevant insights which could help businesses determine if they are fit and ready for growth and expansion.

Meaning of and Need for 'Business Expansion'

The term 'business expansion' may refer to different sets of activities depending upon the business growth strategy being applied which could be both organic and inorganic. It may mean the addition of new business locations or entering new markets, the addition of new products or product lines into the portfolio, mergers and acquisitions, joint ventures, strategic alliances, increased production, increased workforce, adding new channels and so on. A business enterprise may seek growth and expansion to achieve higher turnover and profits, to capture additional market share, to come up with competition, to meet with the changes in customer wants and preferences etc.

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Fitness Criteria for Business Expansion

- **Customer Footfall**

A steady and consistent footfall of customers who are also making purchases reflects that the products/services being offered by a business enterprise are fulfilling customers' needs and it is successfully catering to the targeted market segments. Where a business enterprise is experiencing a healthy customer footfall combined with consistent achievement of its sales target, it becomes most pertinent for its owners to assess if there's a larger market share available and if the business can fulfill higher levels of market demand. One possible advantage with this kind of a situation is that the business can be expanded by following more or less the same business model, which is known and proven to its owners and management, but on a larger scale.

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- **Leadership and Teams**

How a business is managed and its archetypal characteristics are strongly shaped by the personality and the competencies of the people who own and run the business. This is especially true for small businesses. Business expansion is not just about the presence of market opportunities. Riding on high tides is not everyone's cup of tea. Handling business growth and expansion requires energetic leadership, business acumen, vision, and planning, ability to motivate others and many other competencies. Before arriving at any conclusion for business expansion, it is worthwhile to introspect whether the business enterprise has the right kind of leadership and the supporting teams to manage a larger business.

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- **Financial Health**

The business expansion involves the infusion of additional funds for investment in different assets like land & building, plant and machinery, technology etc or to give effect to mergers and acquisitions, JVs and strategic alliances. Although most businesses would prefer to keep their reliance on external funding at the minimum level to fuel their growth and expansion projects it is something that also depends on the nature and scale of expansion sought. If the financial condition of a business is in good health, it could be relatively easier for it to attract investment.

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A business is likely to be considered as financially fit when its revenues are consistently growing, its financial ratios (profitability ratios, working capital ratio, debt ratio, activity ratios etc) reflect healthy numbers, it has adequate liquidity to meet contingencies, it has a balanced capital structure etc. Thus, when a business enterprise is financially fit, it is better poised for growth and expansion.

- **Organizational Stability**

Irrespective of the size and scale of operations, every business is made up of people, organization, systems and processes, policies and control, technology etc. It is the organization of all these elements that make a business stable and working. A business enterprise that runs on loosely or poorly defined processes and Standard Operating Procedures (SOPs) is very unlikely to constitute a stable and robust organization. With growth and expansion comes the need for an enlarged organization while maintaining its stability and robustness. Without a suitable organization and its stability, it might get very difficult for a business enterprise to manage and sustain increased business operations. Therefore, it becomes pertinent for a business enterprise to review its organizational stability for growth and expansion.

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Conclusion

Just like market research and analysis is important for a business enterprise to assess the business opportunities and threats in its external environment, in a corresponding fashion, assessment of the internal strengths and weaknesses of a business enterprise is also crucial for determining its fitness for growth and expansion. Customers, leadership, financial and organizational stability are some of the important parameters which could define a business entity's appetite for expansion.



Growing your business

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3. Six Ways To Grow Your Business

In today's business environment, growth is the best way to survive. Growth cannot be measured if there are no parameters to define it. The basic determinants of growth revolve around the same factors (sales, revenue, markets, customers etc.) irrespective of the size of the business.

The difference lies in the scope and degree with which businesses define these parameters. For example, an electronics retail store may not have a separate employee to take care of customer grievances. However, a customer oriented company will assign a separate customer care cell to deal with customer grievances.

With time, the definition of growth has expanded. Apart from the conventional objectives of higher sales and profitability, the key to growth now includes customer orientation, brand loyalty, adaptation, speed and accuracy in business decision making and operations, expansionist approach, risk management, share value, net worth, employee turnover, customer delight, professional management and so on. This shift can be attributed to the changes in the external environment over the decades like globalization, shifts in customer demographics, changes in regulations, technological advancements etc.

- **Enhance brand loyalty**

There is nothing more important to a company than its valued and loyal customers because there can be no business without customers. In order to retain customers, companies need to create brand loyalty. The biggest obstacle in this direction is fierce competition. To stay above competition and sustain brand loyalty, companies need to go the extra mile by providing superior quality products and services. We can cite the example of Nokia here. Even after staying out of the mobile phone market for 2 – 3 years, when Nokia made a comeback with Nokia 6, the product was sold out within a minute. A performance like this is only a reiteration of the strong brand loyalty enjoyed by Nokia. A business can create brand loyalty by following some simple principles –

- Provide superior quality products and services
- Exceed product expectations
- Create customer delight
- Follow up with and feedback from customers
- Look out for avenues for value addition in products and customer services
- Educate and train employees in customer-orientation

- **Create customer delight**

In recent years, the concept of customer satisfaction has broadened in scope and is now often referred as customer delight. Customer delight is a higher and superior form of customer satisfaction. It exceeds customers' expectations to leave a positive emotional experience. For customer retention and brand loyalty, businesses need to rise above customer satisfaction and try creating customer delight. Businesses can create customer delight by taking care of simple things like

- Providing a point of contact for customers where they can bring their queries and grievances
- Follow up with customers regarding their grievances
- Voluntary feedback options
- Flexible return and refund policy
- Free gifts on occasions and local festivals
- Respecting customers' privacy concerns
- Giving space to customers in stores (no satellite salesmanship)
- Deploy a customer-oriented service team