



30 Knowing the three ways to grow a business

- ***Get new customers***
- ***Sell more to existing customers***
- ***Sell more often to existing customers***

To grow any business you will need to either attract new customers or increase transaction value and frequency of purchase of the customers you have already got. Or even better you can do all three.

If you were the owner of a baker's shop one way to sell more would be to attract more customers. You could do this by offering a free loaf to every new customer. Another way would be to sell more to the customers you have got. You could offer a special meal deal that consists of a baguette, a cake, a packet of crisps and a drink at a special package price. A third way would be to encourage the customers you have got to come in and shop more frequently. You could do that by creating a loyalty card and giving discounts for frequent visits.

Why is this information important?

Many people focus on getting new customers as if this was the only way to build business. This is in fact the most costly and time-consuming route to more business. Building business with existing customers by creating ways for them to buy more and more often is a far cheaper and quicker way to increase revenues and ultimately profits.

Your challenge

Your challenge is to know your figures and to open your mind to ways to develop each of the three ways to grow any business.

The dimensions of business growth

Your total business revenue will be made up out of the number of customers you have, multiplied by the amount they spend, multiplied by how often they spend it.

$$\text{Customers} \times \text{Value} \times \text{Frequency} = \text{Total}$$

Example

If you have ten customers who spend £1,000 twice a year your total revenue will be £20,000.

If you get one new customer and get those 11 customers to spend 10% more three times a year you will see your revenues reach £36,300.

If you get five extra customers and encourage all 15 to spend 50% more four times a year you will be looking at a cool £90,000.

And finally if you manage to double your number of customers to 20, double their spend and increase the number of times they buy from you to five times a year, you will increase your turnover from £20,000 to £200,000.

CHECK YOUR OWN DIMENSIONS OF BUSINESS GROWTH – SPECIAL RESPONSE QUESTIONS

- ▶ How many customers do you have right now?
- ▶ How much do they spend in an average transaction with you?
- ▶ How many times a year do they spend this with you?
- ▶ What would happen if you increased these figures by 5%, 10%, 20% or 50%?
- ▶ What ideas do you have that could increase transaction value?
- ▶ What ideas do you have that could increase frequency of purchase?

How to use this information

Evaluate some of the tactics for boosting business with existing customers and attracting new customers. Choose the best to integrate into your business and you can expect to see a measurable impact on your bottom line.

Think three ways to grow and maximise your business potential