Growth Strategy

Growth strategy: It is a business plan aimed at increasing the company's market share. It enables you to chart your path towards expansion and continuity in the market you target. It can also be described as the safest way for a company to expand and grow while avoiding risks and consequences.

Growth strategy is one under which the management plans to move forward and achieve growth of the organization, in the areas of manufacturing, marketing, financial resources, etc.

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For **a deeper understanding** of growth strategy, let's explain the Ansof matrix framework

It is a tool for strategic marketing planning and project development, developed by Russian scientist Harry Ansoff.

Summarizes four high-level business growth strategies used by companies, including the risks associated with each strategy as shown in the image:

1- **Market penetration or rapid penetration**: means promoting existing products in their market sectors and selling a larger quantity.

2- **Market development strategy**: Developing and creating new markets for existing products

3- **Product development strategy**: developing new products for existing markets

4- **Diversification strategy**: developing new products for new markets.

Growth strategies can be classified into two categories:

Internal growth strategies are those in which a company plans to grow on its own, without support from others. On the other hand, external growth strategies are those in which the company plans to grow by merging with others.

Business growth strategy:

Instead, a growth strategy addresses how your company will evolve to meet the challenges of today and in the future. A growth strategy gives your company purpose, and it answers questions about your long-term plans.

Growth strategies typically start with identifying and accessing opportunities in your market. It goes beyond your business and marketing plans, which detail how you will meet specific business objectives.

Growth strategies **are important** because they keep your company working toward goals beyond what is happening in the market today. They keep leaders and employees focused and aligned, and force you to think long-term.

Bad **decisions** often happen when you make decisions based on today, rather than an emerging tomorrow.

Types of growth strategies:

Below are the most important growth strategies, which consist of both categories as mentioned above:

Internal growth strategies

Some common internal growth strategies are given below:

1.Market penetration:

Market penetration is a growth strategy, where a company attempts to seek to increase the sales volume of existing products by penetrating (or going deeper into) existing markets through devices such as the following:

Aggressive advertising and other sales promotion techniques.

Encouraging new uses for the old product, such as using coffee during the summer season via cold brew or coffee.

Putting up exchange offers, for example exchanging old scooters or TVs for new ones at a discounted price etc.

2.Market development:

This growth strategy, as the name suggests, aims to increase sales of existing products through market development, i.e. exploring new markets for the company's products.

For example, many companies have achieved significant growth by entering into foreign markets; Push their products by changing size, packaging, brand name, etc.

Market development may be attempted by a company within the same country as well, for example. Selling electronic goods like transistors etc. in rural areas.

3.Product development:

Product development as a growth strategy means developing new and improved products to sell in existing markets; So that people who have become indifferent to the old product over time are attracted to the new product due to the charisma associated with the phenomenon of novelty.

4.Diversification:

Diversification is a very important growth strategy. Since growth involves risks, diversification, as a growth strategy, implies developing a wider range of products to spread the risks or to reduce the risks associated with growth.

The basic philosophy of diversification is supposedly found in the old English proverb which suggests that one should not keep all of their eggs in one basket.

5.Update:

Modernization includes replacing worn out and obsolete machines, etc. with modern machines and equipment operating according to the latest technology; To achieve goals such as better quality, cost reduction, etc.

Modernization is a growth strategy in the sense that it helps to achieve more qualitative production at lower costs; Thus helping to increase sales and profits for the organization.

External growth strategies:

Some common external growth strategies are given below:

1.Joint projects:

A joint venture is a growth strategy in which two or more companies create a new enterprise (or organization) by participating in the equity capital of the new organization and by agreeing to participate in its management in an agreed upon manner.

A company or company may have a joint venture with another company from the same country or a foreign country.

To ensure the success of the joint venture, the project partners must agree in advance:

- Objectives of the joint project

- Shareholders' participation in capital

- Management style, etc.

2.Mergers:

Merger, as a growth strategy, means merging (or integrating) two or more companies into one. The merger may take place in a cooperative approach or it may take place in an adversarial manner. In the latter case, the merger is known as an acquisition.

Advantages of horizontal merger:

Horizontal merger eliminates intense competition between units operating in the same line of business.

Helps secure economics of operation on a large scale; Thus, it reduces the cost per unit of production.

It can benefit from external economies in terms of transportation, insurance, banking, etc.

Increases the competitive strength of the group and provides a synergistic effect.

Limits of horizontal merger:

This type of merger does not guarantee the supply of raw materials.

Tends to gain monopoly power in the market; Thus increasing prices and exploiting consumers.

It carries in itself the risk of overcapitalization.

The merger may generate extraordinary profits, tempting the government to impose more taxes.

3.Vertical mergers:

Vertical integration arises as a result of the integration of those units operating at different stages of production of a product. Also known as serialization or merging process. Vertical fusion may be backward or forward. When manufacturers integrate in successive production stages the source of raw materials; It is known as reverse fusion.

On the other hand, when manufacturing units combine with business units that distribute their products; It is known as forward integration or fusion.

Reverse consolidation was adopted to control raw material sources; While forward merger aims to control distribution channels that eliminate brokers' profits.

Components of developing a successful business growth strategy

Developing a growth strategy requires coordination among a cross-functional group of stakeholders; It can't just be a few people in a room with a whiteboard. Everyone involved should understand what they are working toward and why, as well as what they are expected to bring to the process.

To be successful in your strategy, you need to consider what will significantly impact business growth. Let's take a look at a few:

1. Value propositions and business growth steps

For a company to expand, it needs to increase its reach to existing target customers and acquire new ones. To do this, a company must design a value proposition that clearly explains what it does and why customers need it. Then it must create a growth strategy that provides the steps (i.e., growth moves) the company will take to take new things to market.

2.Brand fit and customer experience

Even the world's most famous brands started from scratch at some point. So how did they become one of the biggest names in the market? By building the connection with customers and providing a distinctive and integrated customer experience.

Building a brand is much more than just a logo and color palette (although these things are important for brand recognition).

Your brand should be recognized by its values and how customers experience you – both of which should be highlighted in your growth strategy.

3. Think about long-term business growth

Focusing only on the present and making quick decisions about the future is never a good idea. Your organization needs to invest time and energy thinking about where the world is headed and what that means for your customers, partners, employees, etc.

Your growth strategy will help you make good decisions for the future of your business, even though it may seem uncomfortable to bet on even when the present seems uncertain.

4. Expansion into new markets, categories, and customer segments...

Your company's core business must be strong before making major expansion moves. However, setting long-term goals will help you determine the steps you need to take and measure your progress along the way. Think of it as a roadmap.

Quick wins and small successes can be mile markers that guide you toward the long-term goal of expanding into other markets, categories, and/or sectors.

Furion is a brand that has been a leading manufacturer of audio-visual equipment, instrumentation and power solutions for the specialty vehicle, luxury recreational vehicle, yacht and consumer industries.

With this strength behind them, they were focusing on entering the home appliance market. Nabi worked with Furion to define brand purpose principles that would attract growth in this new market, including a new visual identity, which was unveiled with great success.

5.Grow at a pace you can handle

We've all seen it before, and we'll see it again – companies that grow too quickly and then fail because they can't keep up. A growth strategy will help you develop at the right pace for the organization.

The last thing you want to do is overextend yourself to secure short-term gains that will ultimately put too much pressure on your business and your employees. It can be difficult to make trade-offs, sometimes sacrificing excitement for sanity, but sometimes it's necessary for the overall health of your company.

This doesn't mean you shouldn't take risks, but the risks you take should make sense in the context of the big picture.

Developing growth strategy :

Now that we've looked at examples of how other companies are achieving growth, we turn to you. Where should you start with your growth strategy?

Your own? Follow these steps:

1. Define your goals

Most entrepreneurs think about growing revenue. But how can you increase revenue? By acquiring additional customers?

Introducing new products? Charge more fees on existing products?

Think about the logical goals of your project, and what stage of the business life cycle you are in now. If you are a new start-up company,

Customer acquisition may be the main goal of your growth strategy. If you want to expand into the B2B space,

You'll have to consider factors like what it takes to make B2B sales and direct B2B marketing.

When setting your goals, make sure they are measurable. To know if your plan is on the right track, you need

To a measurable goal. For example, you might set a goal of acquiring a thousand new customers by the end of the year.

2. Make sure to plan and set short-term goals:

When you set your goal, it should be achievable within the next quarter or month. Why does it have to be short term?

Shorter timelines allow you to move through the planning process quickly. Because you're working on achievable near-term goals, you don't have to waste time trying to figure out where you'll be a year from now, and you can continually refine your plan for successive time frames.

If you aspire to a long-term goal, divide it into several short-term goals that will lead you to achieving the larger goal.

3. Conduct market research:

You need to conduct research to validate the approach you are considering for your growth strategy. What are the market trends?

Who are you targeting? Who are your competitors? What do your customers need today?

By gaining insights through research, you will be able to better assess risks and collect data that can...

Use them to set the next move.

4. Develop a prediction and measurement model:

The model predicts the path you are trying to achieve with your growth strategy. This may seem like unnecessary work,

But it serves two important purposes.

First, it measures progress toward your goals. Are you reaching your target growth numbers? The model can show this.

Second, the form serves as a communication tool to gain approval for the plan. For example, if you rely on a sales team

To acquire customers, their agreement with the goals in your growth strategy model is key to increasing the chance of success.

The feedback you will receive is also invaluable for ensuring the accuracy of the model.

5. Identify actionable steps:

Next, you need to move from goals to actionable steps. This means identifying tactics to achieve your goals.

For example, you may need a go-to-market strategy, especially when launching a new product. If customer growth

As a primary goal, CRM software can help you manage your customer relationships.

Once you've identified the core elements of your growth strategy, you should have concrete next steps to begin implementing them.

Develop your skills in building and developing digital strategies with the latest technologies and marketing methods,

Developing a growth strategy is important, but even more important is executing that strategy. Use actionable steps

And measure the results against the prediction model to ensure that you are moving in the right direction and can achieve growth in your project.

A dynamic growth strategy guides you and your team toward the future of your company. When you know what you want and have a way to get there, you will avoid the risks of making hasty decisions that will cost you in the long run. If you are thinking about how to create or improve your growth strategy

Growth Strategy :

In this type of strategy, the company raises the level of its goals from what it was previously, develops new products, opens new markets, creates new production processes, and creates new uses for old products. The facility resorts to this type of strategy in several cases, including:

When the industries to which the organization belongs are turbulent and volatile, because following a stable growth strategy only achieves short-term success.

Because growth brings better profits to the organization.

Because growth reflects its benefit to society as a whole.

Organizations resort to growth strategies because they are very popular with most business managers, as they enable managers to cover up the organization's mistakes, increase their chances of promotion, and because growth in general is associated with success.

An organization pursuing a growth strategy must have sufficient resources for growth, including financial resources. There are several types of growth strategies:

a. Integration strategies integration strategy

Integration strategies include forward integration strategies, backward integration strategies, and horizontal integration strategies, all of which are sometimes referred to as vertical/vertical integration strategies. All of these strategies allow the organization to control distributors and control suppliers and/or competitors.

1- Forward Integration Strategy

The forward integration strategy is to possess or increase control over the activities, means, and outlets of distributing the organization’s outputs (goods and services), and direct dealing with its customers. Examples of applying this strategy are granting a concession (licensing the sale or manufacture of the product), or the oil company opening owned distribution stations. And sell directly to consumers, or the textile factory opens its own showrooms to sell its textile products... and so on. This strategy is used in several cases, including:

When a company's existing distributors are expensive, unreliable, or unable to meet the organization's distribution needs.

When it is difficult for an organization pursuing a forward integration strategy to obtain new distributors with good capabilities and capabilities through which they can provide competitive advantages to the company.

When the organization possesses the human, financial and administrative resources required to manage and operate the business and activities related to the distribution of its new products.

When existing distributors and retailers obtain a high profit margin, the producing company is forced to distribute its products itself.

2- Backward Integration Strategy

Backward integration strategy is the control and ownership of the activities and means of supplying the needs of the facility by the organization itself without resorting to suppliers. An example of this is when a textile manufacturer owns its own farms to grow cotton instead of purchasing it. Or restaurants that specialize in selling French fries own farms to grow potatoes instead of buying them from suppliers. This strategy is used in several cases, including:

When the cost of current suppliers is high, they may be unreliable or unable to provide the organization's needs for spare parts and raw materials.

When the organization possesses the human and financial resources required to manage the new business of supplying the organization with its primary resources and spare parts.

When current suppliers obtain a high profit margin, it tempts the current company to invest in providing its needs for raw materials and spare parts on its own without resorting to suppliers.

When the organization needs to obtain its resources quickly, and suppliers are unable to do so, it is known that backward integration is usually more profitable than forward integration, but it is less flexible due to the presence of expensive assets that are not easy to sell, which constitutes an obstacle to the company if it wants to Get out of this field.

3- Horizontal Integration Strategy

Horizontal integration strategy is where the company acquires or increases control over competing companies. These strategies are usually practiced in the case of establishments that operate in one industry, such as the automobile industry, soft water, or the insurance industry. This frequently used strategy takes many forms, including:

Mergers: It is the joining of two or more companies, where the shares of each of the two merging companies are replaced with unified shares of the new company, and the result is the formation of a new company. The merger usually takes place between companies of similar size and in an amicable manner, and the new company often bears a name derived from the names of Merged companies.

Acquisition: which is the purchase of a company and completely containing it as a division or as a subsidiary of the purchasing company. The purchase usually occurs between companies of varying size, and the acquisition may take place in a friendly or unfriendly manner. A friendly purchase is similar to a merger, but an unfriendly one (control or forced takeover) is takeover. By purchasing shares and ignoring the top management of the controlled company. Horizontal integration strategies are resorted to in the following cases:

When an organization competes in a growth industry.

When increasing size gives a significant competitive advantage to the new company.

When the organization possesses the capital resources and human competencies required to manage expansions successfully.

When an organization can gain monopoly advantages in a particular sector without facing legal opposition to this monopoly.

B. Joint-venture Strategy

It is considered a common strategy, and is achieved when two or more companies form a temporary partnership, or when a financial union is formed from some major financial institutions to finance projects that need huge funds in order to benefit from some opportunities. In short, this strategy is based on the formation of a temporary partnership between two companies or To take advantage of some of the available opportunities, two or more companies often form a separate (independent) organization in which they share ownership rights. This strategy is used in several cases, including:

When there are some profitable projects that have some kind of risk and require large sources of funding.

When two or more small companies have competitive problems with larger companies, forcing them to form a temporary company.

When a local company forms a temporary company with a foreign company, this brings several advantages to both parties, including reducing risks in the host country and gaining mutual experiences.

C. Diversification strategies

There are two basic types of diversification strategies: the concentrated diversification strategy and the mixed diversification strategy.

C-1 Concentrated Diversification Strategy

The strategy of concentrated diversification is the addition of new, different products, but they have a relationship and connection to existing products. This relationship or connection may be in one or more aspects, including the consumer’s uses of the product, distribution outlets, administrative skills, or product similarity, such as a laundry soap factory. Produces body soap, or a men's perfume factory produces perfumes for women. The focused diversification strategy is resorted to in several cases, including:

When the company competes in an industry that is not developing or whose growth is slow.

When adding new products related to existing products contributes to enhancing existing products effectively.

When new products related to existing products can be sold at a highly competitive price.

When new products related to existing products can be sold in another season different from the season for selling existing products, such as if the new product is in the summer, and the current existing product is in the winter.

When the company's current products have reached the Decline Stage, which represents one of the stages of the product life cycle.

C-2 Conglomerate Diversification Strategy

The mixed diversification strategy is adding new products, but they are not related to the existing products. This strategy is resorted to in several cases, including:

When the basic industry to which the organization belongs suffers from a decline in sales and price levels.

When the organization possesses the required capital, experience, and management capabilities required to compete successfully.

When an organization has the opportunity to purchase a business that has no relation to existing products, but represents an attractive investment opportunity.

When the market is saturated with the company's current products.

Intensive Strategies

Intensive strategies are so called because they require intense effort to develop the competitive position of the organizer's products. Intensive strategies include market penetration strategy, market development strategy, and product development strategy.

D-1 Market penetration strategy

Market penetration strategy is a strategy that seeks to increase the market share of the company's current products in the current market, by undertaking a major marketing effort. This strategy is widely used, either alone or with other strategies. This strategy includes increasing the number of salesmen, increasing advertising expenses, Distribute promotional gifts and increase publicity. The facility uses these strategies in several cases, the most important of which are:

When the current market for the company's products is unsaturated.

When there is a possibility to increase the usage rate of existing consumers of the company's existing products.

When the market share of large competitors is decreasing while overall industry sales are increasing.

When an increase in production volume gives a competitive advantage to an establishment.

D-2 Market Development Strategy

Market development strategy is a strategy based on introducing existing products to new geographical markets, whether these markets are local or international. Companies resort to this strategy in several cases, the most important of which are:

When new geographic markets become available for the company's products.

When the organization has sufficient excess production capacity to open new markets.

When the organization carries out its current work in a successful manner.

When the organization possesses the capital and human resources to manage expansion operations.

When the organization has reliable, inexpensive, and quality distribution channels.

When the industry to which the organization belongs becomes of good reputation locally and internationally.

D-3 Product Development Strategy

Product development strategy is a strategy that seeks to increase sales by developing or modifying the specifications of existing goods and services, and product development usually requires significant research and development expenditures. Establishments use this strategy in the following cases:

When an organization competes in an industry characterized by rapid technological development, such as computers and communications devices.

When the organization has research and development capabilities.

When major competitors offer products of high quality at a competitive price.

When an organization has successful products in the Maturity Stage, the organization thus benefits from this advantage in developing new products to attract customers because of their positive experiences with the organization’s current products.

Cases of giant companies that adopted a growth strategy:

Companies that have successfully used growth strategies

We take examples of companies that have successfully used growth strategies:

Facebook:

Facebook is now ubiquitous among millions of users, although when it launched in 2004, it was one of many social media networks that didn't attract much attention. Since MySpace was the dominant social media site at the time, so how did Facebook dominate the market?

In its early days, Facebook used a “market penetration” growth strategy.

It started by focusing on a narrow target customer base, then gradually expanded. Here's how Facebook implemented it in detail:

Start small: Facebook started in one common room at Mark Zuckerberg's Harvard University. Thus, the initial customer base was Harvard students.

Gradually Expand: Once Facebook gained traction at Harvard, it gradually expanded to other colleges. This allowed the company to grow using the same success model used at Harvard.

Increase growth when you're ready: After Facebook spread to colleges, it opened up to non-student audiences. This therefore required a focus on modifying the product to the needs of each new customer segment. As a result, Facebook avoided the growth challenges that led to its decline

MySpace and the great demand for using Facebook.

Amazon:

Amazon's retail dominance of the market began in 1995, consumers at the time were not accustomed to purchasing online. Despite this, Amazon has grown to billions of dollars in annual sales. So what has enabled Amazon to grow?

The answer is a diversification growth strategy

Amazon was among the first online retailers, offering the ability to buy online (a new concept at the time) in a new market: the Internet. This is Amazon's growth strategy approach.

It focused on providing an improved customer experience: it began by providing customers with a larger selection of books than were available in traditional bookstores. Being online, Amazon had no shelf space limits. Also, customers can check the website and see if

The book was available immediately. This convenience has allowed Amazon to succeed and compete with larger booksellers.

Then it expanded with the same methodology to market other products and services.

Dollar Shave Club Company :

When Dollar Shave Club launched its razor products in 2012, Gillette had a significant share of about 70% of the US market according to Entrepreneur magazine.

In 2019, Gillette's market share eroded to about 53% according to a CNBC report. Meanwhile, driving Dollar Shave's growth

Club Unilever bought it for $1 billion. How did Dollar Shave Club challenge a much larger competitor?

It implemented a market development growth strategy

The key to its success was providing a low-priced alternative product to the leading product in the market through direct sales to the consumer, which represented

A new market for its razors at the time.

Identifying a new market: While Gilette was selling its products to retail outlets. Dollar Shave Club used the Internet to recruit

A direct-to-consumer model allows them to sell razors for as little as $1.

Delivering an enhanced customer experience: Dollar Shave Club has worked with manufacturers in Asia to produce high-quality razors,

At a cost saving to the customer, these products and their costs are then marketed directly to consumers so that they can flock to their offers

low cost.

Google:

Google is best known for its search engine of the same name, but the main secret behind the growth and popularity of the company now called Alphabet is its huge revenues. How did Google do it?

Google used a product development growth strategy

It started as a business-to-consumer (B2C) company offering a search engine. But she needed a source of income. To generate these revenues, it developed a new product, AdWords (now called Google Ads), aimed at companies that had to pay for advertising.

So I worked on:

Customizing the product to the customer: Moving from a B2C product to a business-to-business (B2B) product requires a new set of capabilities

Designed for a B2B audience.

It made sure that the new product complemented the existing products: Google made sure that its new AdWords product was compatible with

Seamlessly with the experience of the B2C product, which is the search engine, it had to maintain the speed of its search engine, so it provided

Text ads supported by the Google search engine. This ensures that the consumer experience is not degraded by advertising, ensuring continuity

Consumers use the search engine.