

Talking Technology

Four ways to grow your high technology business

By Steve Burns, Capital News contributor

I am frequently asked by technology entrepreneurs “how do I grow my business profitability?”

One of the difficulties that high technology companies have experienced in recent years is to not apply sound business principles to grow their businesses.



In this series of articles we will be looking more closely at the basic business principles that can be used to grow any business – regardless of the size of the business, the complexity of products or the industry type.

How many ways are there to grow your business?

The answer is only four!

It does not matter what industry you are in, whether you have two employees or over 200 or what ownership structure you have, there are just four ways to grow your business:

1. Increase the number of customers of the type you want to have.
2. Increase the number of times customers come back.
3. Increase the average transaction value of each sale.
4. Increase the effectiveness of each process in your business.

Understanding that there are just four ways to grow your business is the first step towards growing a profitable business.

Applying them to your business is critical to your business' long-term success.

Most traditional marketing and business development strategies concentrate purely on lead generation... to acquire more and more customers.

However, have you ever stopped to think of the type of customer you want to have?

More pointedly, have you ever thought that you might be “acquiring” the wrong customers? Customers that utilize your capacity but that do not have the long term potential to increase your profitability.

Having the wrong type of customers can be disastrous to your business.

When a business is starting up they usually prepare an elaborate business plan that details the target market and how they are going to reach them. Yet rarely do businesses ever revisit this analysis. Is the profile of customers that you currently serve consistent with your original profile? If not, why not?

The first step is to clearly understand the profile of the customers that you are currently doing business with.

Customer segmentation utilizes a mix of financial and non-financial measures to help you prioritize and segment your customers.

Determining the profile of your customer base is hard work but it is worth the effort.

Determining the profile of each category is a business-specific decision that can provide invaluable insight into where you are focusing your resources.

For instance, statistics show that most of us spend 80 per cent of our time on the customer segment that produces 20 per cent of our bottom line profits.

Do you know how you are spending your time and how your business can make the shift to increased profitability?

Once you have identified the customer segments into A, B, C and D customers, very serious questions need to be asked. For instance, questions like, "How can I attract other A customers to my business?" or "How do I move a customer from being a B to an A?" or "Should I fire my D customers?" are all invaluable questions to ask.

For a business to grow profitability, it needs to have market research to back up its decisions. There are many ways to obtain specific, actionable feedback or market research from customers.

However, I enjoy getting face to face with customers to ask them the tough questions.

You can choose any segment of customers to start with but I prefer to focus on the A customers first – that is, the customers that meet the profile of the type of customer that I want to serve through my business.

I develop a specific list of questions that I want to ask and then I follow up with the customers to book a convenient time to meet with them face to face (if possible).

The questions are very tough, hard hitting questions and are designed to uncover the truth in a business – what is going right in the business, what should not change, what should be changed or eliminated immediately and what should be improved over the longer term.

This direct, customer-centric feedback is an invaluable step to growing your business profitably.

I am often asked by entrepreneurs who should be asking the questions to customers – the entrepreneur and their staff or an independent third party? I prefer to use an independent third party initially for two reasons.

Firstly, feedback from customers says that they highly value the opportunity to speak with an unbiased third party and that they are sincerely appreciative of the business' sincere desire to improve their business.

Secondly, a third party can increase your accountability to implement your customers' ideas.

The worst possible thing you can do is to ask the questions and do nothing with the information. After the survey is complete, an ongoing survey can then be built into the business processes of the business.

Next week we will continue to look at the four ways to grow your business by focusing on other ideas to increase the number of customers of the type you want to have.

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