Who to Who

Focus Enables Growth

Copyright How To Who 2016 All rights reserved

Focus Enables Growth

What did the manufacturing company President say when asked what enabled his company's growth over the last year? Focus, Focus, Focus.

Some manufacturing business leaders were talking recently about growth and one of the participants shared what he and his company did last year to grow significantly, while positioning themselves for even stronger growth in the upcoming year.

In a word, focus. They identified and paid attention to customers where they had a strong differentiation and strong margins.

At the end of 2014 the company did $14M in revenue. At the end of 2015 they were just shy of $18M in revenue. By the end of 2016 they expect to exceed $24M in revenue. That's a 42% increase in revenue over two years, and all of it is organic growth; no acquisitions or mergers.

Of even greater impact is the fact that the company's gross margins over the two year period will grow by over 25%, and the net profit will grow from 9% to 16%.

To explain further, the company paid attention to market openings, customer interactions, and their people. Here's the path they took.

They began with a detailed analysis of their customer base and where they made money. And when I say detailed I mean it. They determined on a customer-by-customer basis total revenue, gross

Copyright How To Who 2016 All rights reserved

margin, contribution margin, and net profit. This entailed not only assigning to individual customers the direct costs to serve them, but the indirect costs as well. Their financial people worked overtime on the allocation formulas, but it was worth it.

Once they understood how much each individual customer was worth to the company, they prioritized the customers. The important ranking was for the contribution margin and the profitability. Gross revenue dollars mattered, but efficiency and profits mattered more.

The end result of the analysis was clear identification of market openings where the company could leverage their expertise. They learned there were a few clustered markets where their most profitable customers resided. The company's offerings were very good fits for the needs of customers in those markets. Competition existed, but it was not competition tied to price. The competitive battle was around quality and delivery.

Knowing the market opening was important. How they interacted with customers was as important. In essence, the company and customer became virtual to each other. The IT team worked with individual customers to integrate their systems. Customers could go to an online portal to place orders, check on orders, expedite orders, personally interact with operations, sales, etc.

The transparency factor mattered most to customers, and the company took advantage of this. They invested in their IT and connectivity with customers. It gave the company a distinct advantage that the customer valued, and was willing to pay for.

Copyright How To Who 2016 All rights reserved

The third link in the chain was to focus on their people. They trained their people on how to interact with customers, most importantly in terms of their communication skills. The company realized that what they did enabled deals with customers. Keeping those customers relied on the ongoing relationships they developed with them.

In summary, one manufacturing company's three areas of focus that enabled growth are:

Market openings. Pursue opportunities where you are distinct and valued in the mind of the customer. This is where your return on your resources and investment will be greatest, and your potential for growth is strongest.

Customer interactions. Understand how the customer wants to connect and interact with your business. Touch points with customers shape the customer's reality. Make sure the touch points work and deliver value.

Your employees. Help employees to think about the customers first. Provide the training on communication skills and relationships that strengthen the bonds with customers. What you do gets the deal; how you interact keeps the customer.

Focus enables growth. Look for the market openings where you are valued by the customers. Focus on your employees and their interactions with those customers.

Copyright How To Who 2016 All rights reserved