Chapter 3

The Yellow Brick Road

The Best Traveled Road for Marketing Success

Deciding what marketing strategies are best for a company can be overwhelming. Determining and knowing what stage a business is in will help define how and where to get started with marketing strategies to grow the business.

When times are tough, we will feel challenged. As a business owner, look for support from someone in the same situation as you or who has been in the situation before and has come out stronger. Even when money seems scarce, having a solid collaboration of business owners around will always provide the strength needed to nourish a business.

No matter how much we try to seek a standardized solution for running a successful business, every business owner runs his or her business based on individual perspectives and principles, which need not always be similar. Every business has its own set of guidelines and processes designed for its efficient functioning. However, in general, all small businesses experience one or more of these five stages:

(Right Brain Thinking)

The Five Business Stages

Stage 1 – Existence or Infancy (start-up and ramp-up)

This is the stage where the main problems of the business are obtaining customers and delivering the product or service being offered. The business plan is simple in that the owner does everything and directly supervises employees, who should be of at least average competence. Systems and informal planning are minimal or nonexistent. The company's strategy is simply to remain alive. Many businesses in this stage never gain sufficient customer acceptance or product capability to become viable unless they look at their overall marketing strategy and implement some of the concepts as described in this book. The getting started is fairly easy for this stage of the business.

Chapters 5 through 9 should be the beginning focus for marketing strategies in this stage of the business before implementing other strategies. This will be the foundation for developing a strong business with confidence. Once these areas are completed, then focus on other chapters, beginning with Competitive Intelligence.

There is a lot of planning that goes into starting and running a business that is in its first five years. Stage 1 is the blossoming phase during which business plans and strategies are finally executed and the company exists. This is the stage where the business is not generating a lot of revenue quickly, but is trying to establish itself in the market and attract a stable set of investors and customers. This is the stage where the business invests a lot of resources in creating the basic infrastructure for marketing and advertising itself in the market.

This is the phase during which innovative ideas are encouraged in order to establish a USP (unique selling proposition) for the company. It is a difficult task to have a smooth sailing business without any struggle right from the beginning since Stage 1 of the business set up involves higher risks. The income in the first two stages is often less than the investments and, consequently, this initial stage is marked by lower profit margins. The main focus is on developing the business from the inside out for growth.

Stage 2 – Survival or Adolescence (delegation and growth mode)

This stage shows the business has demonstrated that it is a workable business entity. It has acquired enough customers and has shown customer satisfaction with its products and/or services to keep these customers. The key problem now shifts from mere existence to the relationship between revenues and expenses. Watching the bottom line becomes an important factor in this stage. The company may think about developing systems and processes but they are minimal. Formal planning is at best, cash forecasting. The company is still simple with a small number of employees supervised by the owner, a sales manager, or an operations manager. Decisions are carried out by the owner through the managers. The major goal of the business is survival and the owner is still synonymous with the business.

During this stage of the business, it is time to recap and analyze the things done in chapters 5 through 9. Now is the time to focus on the Competitive Advantage of the Business by reading chapters 10 through12. I also suggest reading chapters 4, 13 and 14 to confirm you are reaching the right marketing channel and tracking the strategies set in motion for capturing a true picture of the business. Having a full understanding of this information will maintain the solid foundation developed in your business. This is also the time to think about how innovation is implemented in the business model and look at establishing the Grand Canyon for the business.

"There is a lot of planning that goes into starting and running a business..."

Once the business passes this blossoming phase, it begins to find core customers. Stage 2, also known as the growth phase of the business, is when the business establishes its niche in the market. This is the phase where the business starts to establish brand identity and generate brand loyalty within the customer base using sound marketing practices. Although the focus of this stage is to maintain core customer groups and build trust and goodwill among the customers, this stage is recognized by a rise in consumer demand. This requires increased inputs in terms of production, manufacturing, and general operations to keep up with the rising sales and continued growth. The growth phase is thus marked by increased sales, rise in profit margins, and establishment of the brand name in the market.

Stage 3 – Success (integration and running in growth mode strategically)

This stage displays business continuity and sustainability. The decision facing business owners now is whether to exploit the company's accomplishments and expand or keep the company stable and profitable. Decisions should be made to use the company as a platform for growth or as a means of support for the owner as he or she completely or partially disengages from the company. Various levels can take place during this stage of the business such as the success-disengagement sub-stage where the business has attained true economic health and earns average or above average profits, or the success-growth sub-stage where the owner consolidates the company and marshals resources for growth.

There should be competent managers in place with plenty of cash stored up for the operations of the business during either of these two sub-stages. Basic financial, marketing, and production systems are in place with operational budgets. The owner and/or the company's managers should be monitoring a strategy to maintain the status quo during this stage. Among the important tasks are making sure the business stays profitable so that it will not outrun its source of cash to develop managers and meet the growing needs of the business.

Stage 3 is the stage where the business reaches a certain maturity level in terms of the market. The brand identity and brand image of the business are well established. The customer base, investors, and other important business networks are well laid at this point. The sales are either increasing or at least have reached a considerable regular volume and require fewer resources for advertising to enhance sales. Conversely, intensive marketing is a must to enhance the overall market position or at least establish the current market position. This is the phase where the company may want to branch out into other ventures and/or dabble with product innovation. This is the business stage where the profit margins are fairly stable.

During this stage, reevaluate the marketing strategies once again and the competitive intelligence to be sure the business is set for succession planning. This would be a good time to be sure all marketing strategies are in place as adopted for Stages 1 and 2 with a focus on chapters 17 through 20. During this stage, the focus should be on tracking the strategies set in place and having a full understanding of how the customer thinks. "Coopetition" comes into play during this stage. Coopetition may happen when companies work together to build up the weaker parts of the business where the company realizes it does not have a competitive advantage and believes it can share common costs.

This is not a new concept and a great example is the coopetition between Peugeot and Toyota on shared components for a new city car for Europe back in 2005. In that case, the companies saved money on shared costs, while remaining fiercely competitive in other areas. For coopetition to work, a business needs to define clear and concise roles where they are working together and where they overlap for competition. If this stage is successful, the company then proceeds on to Stage 4.

Stage 4 – Takeoff (fast growth)

This stage of take off is the development of one or more leading sectors in the economy:

Primary Sector – production stage
Secondary Sector – manufacturing stage
Tertiary Sector – service industry
Quaternary Sector – intellectual activities
Quinary Sector – decision making in a society or economy

The rapid growth of a business is dependent on one or more of the above economy sectors and four stages of business. There must be an increase in the effective demand of the products or services being offered. A new production function along with an expansion of capacity should be introduced into these sectors, and there needs to be sufficient initial capital and investment profits for the takeoff in these leading sectors. During this stage, the owner delegates responsibility to others to improve managerial effectiveness of a fast-growing and increasingly complex business. There needs to be enough cash on hand to satisfy the great demands growth brings. The business becomes decentralized and divided usually in either sales or production.

The key managers must be competent to handle a growing and complex business environment. The systems become more refined and extensive. Both operational and strategic planning are implemented and involve specific managers. The owner and the business are on the way to becoming reasonably separate, yet the company is still dominated by both the owner's presence and possibly stock control during this phase of the business. This is a pivotal period in a company's life both financially and managerially. It has the potential to become a big business at this time. If a business reaches the success stage in Stage 3, then surprisingly Stage 4 is usually unsuccessful, either because the business tries to grow too fast and runs out of cash, or is unable to delegate effectively enough to make the company work.

EXHIB-IT! Tradeshow Marketing Experts faced this stage of growth in years 2006 – 2007. The company grew over 122 percent in just two years, which necessitated a move to a larger space to accommodate the business growth. We moved in early 2008 and were hit hard with the stalled economy in addition to the aftermath of the cost of the move. We were into our line of credit up to $92,000 by summer of 2008. As a business owner that runs a cash-only business, this was difficult to fathom. The cost of the move was much more than was budgeted and I was traveling often for national volunteer work, in addition to public speaking engagements, resulting in the company running more without the business owner.

The second half of the year picked up and sales were in line with the budgeted growth plan, which allowed the line of credit to be paid off by

November 2008 to get the cash flow back to normal. Systems and processes were completely revamped due to the growth. New systems were written, employees hired, and strategic planning with marketing emphases on viral, digital, and social media were put in place for innovative marketing.

During this stage, it is important to look at all of the above marketing strategies set out in stages 1, 2, and 3 performed to date and reevaluate everything and then focus on chapters 15 and 16 for the strategic building and longevity of the business. If this is not done, the growth may surpass the strategy and the business could fail.

Stage 5 – Maturity (a strong resourceful business foundation)

This stage is the essence stage for a business that can reach this maturity level. It comes from hard work, focus, and drive with one eye on the financial side of the business and the other eye on the marketing side of the business. During this stage, a company has focused on building value for its customers and has established overall company excellence. Continuous innovation is a must to stay at this business stage.

There needs to be a flexible, responsible and innovation-friendly company structure adaptable to changing internal and external conditions. During this phase, cash flows are stable and there is an establishment of marketing networks and operational channels. The respective brands become well known and there is a stable and faithful customer following. This is an ideal time for businesses to consider expansion, franchising, or work on an exit strategy for a business merger or sale.

The one thing I see some businesses struggle with during this stage is stagnation of operations and the complacency that naturally occurs as a business ages. Mature companies often forget or forsake the one thing that made them successful in the first place: a customer-centric business model. This is where some businesses are more concerned with cost cutting and bottom-line results than about the customer.

The business looks for ways to cut costs or increase revenues, often at the expense of the customer. The business forgets that satisfying customer needs and continuous value enhancement and innovation is the only path for continued sustainable growth. This creates opportunities for new, smaller companies to emulate and improve upon what made their bigger competitors successful in the first place and steal their customers.

Marketing should never be forgotten during this mature stage; re-evaluation of strategic goals and objectives with implementation methods need to stay in place to maintain this stage. Otherwise, the company may take some backward steps and go back to the Adolescent Stage and need to develop a new marketing strategy to keep the business going.

Every business at some point in time undergoes a stage where it experiences a decline in sales and an overall unfavorable atmosphere in the market, termed as recession or stalled economy. This is nothing but a period of reduced economic activity, which results in a sharp or considerable decline in buying, selling, production, and even employment. A company may experience a reduction in profit margins or even loss, depending on the market positions. This is the phase where the company struggles to maintain its existence in the market and tries to equip itself for a quick recovery.

My company experienced this setback in early 2008 with the beginning of the downturn economy and a company move to a larger showroom facility that was not budgeted accurately. It took over six months to recover from the move costs and down time, but with an assessment and restructure of the marketing strategies in place, business picked back up and the year ended better than projected. I suggest if this happens to you as a business leader, read each chapter with "baby" eyes and evaluate what is working and what is not working and make the necessary changes to stay the innovative leading company built to last.

These are the five stages of a business cycle experienced by every business, whether large or small. Sometimes the business flourishes and gains maximum profits, while at other times the business is on the verge of a complete breakdown. It is the attitude and the positive perspective of successful business owners that keeps every business going through the ups and downs while always aiming for the pinnacle.

I hope this helps you decide not only which stage your business is presently in, but a way to develop the strategy (right brain thinking) and tactical focus (left brain thinking) that should be implemented during each stage of the business. Marketing is an ongoing strategy that will continue to keep the business growing. Remember, once the marketing stops, you may see a decline in business revenue.

"Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion."

~ Jack Welch