

Business Growth Requires Outside-In Thinking

Look beyond yourself, your competitors and your industry, and find out what consumers really want.

By Margaret Reynolds

For most businesses, growth is elusive and difficult to sustain. One study asserts that only 13 percent of companies are achieving modest levels of sustainable and profitable growth. So what does it take to grow?

Unfortunately, doing what you have always done and trying to do it a bit better than the leading competitor is not as productive as it used to be. A strategy of incremental improvement is often short term as your competitor will respond by upping the ante. This contributes to an upward spiral of business complexities and cost without opportunity to increase prices sufficiently as you strive to remain competitive.

Emulating competitors, even good ones, does not create new market space. Rather, this "follow the leader" mentality simply results in trading existing market share back and forth, as customers follow the best deal. A good example of this is cell phone service packages, where many consumers consistently switch their allegiance for lower rates or more free minutes. Serious growth comes from understanding your market and pro-

viding valued goods and services that meet needs better or differently than the alternatives. In other words, offer a solution that is different than your competitors, not more of the same. And to do that, you need to focus on understanding the market in which you compete, and allow that knowledge to guide your business strategy. This is what we call "outside-in" thinking.

"Inside-out" thinking, which focuses on what works for the company, is rarely an effective long-term approach to strategy development and growth. Too many businesses are so focused on doing what they do well everyday that there is little time to stay abreast of where the market is going. In order to create growth, a company has to define a strategy to capitalize on customer needs and anticipated market changes.

Learn About Your Market

How do you do "outside-in" thinking? As a precursor to developing a plan and making investment decisions, ground yourself in knowledge about your marketplace and how it is likely to change in the coming years.

- *Understand how customers use your product* — Do your homework. Ask your customers about the best and worst features of your products. Figure out whether the challenges in using your product or service are truly obstacles or just accepted as standard in your industry. How could these be changed? Ask your team: "If you were our customer, how would you want the product to work or how

would you like to be treated?" Remember when Southwest Airlines stopped serving food and assigning seats? The company learned that those sacred cows in the airline industry weren't so sacred if customers could get a much better value. Can you identify the sacred cows in your industry that may not really be so sacred? Personally, I am waiting for a 24-hour check-in policy at a leading hotel chain. I want the ability to check in when I want, any hour of the day, and not have to check out until 24 hours later.

- *Study changes that will impact your industry* — Assign responsibility for monitoring technological, environmental or social change that will influence your industry and how you deliver goods and services. What opportunities are there for you to deliver goods and services better or differently than your competitors by taking advantages of these changes? Cell phones were a true communication breakthrough, freeing us from our landlines. Next we got the PDA, which captured our "Rolodex" and schedules. Now we have the i-phone with all of its integrated features. What is next? What changes are going on in your industry as a result of digital capabilities or the emphasis on "green" —to name a few pervasive trends? Change is inevitable. We can anticipate it, embrace it and use it to distinguish ourselves or avoid it and pay the price later. Ask yourself not what do you have to do, but what would your customers want you to do?

- *Identify other customer segments that might appreciate what you have to offer* — Look for new distribution opportunities through expansion, alliances or acquisitions as a standard part of your strategic planning process. What channels aren't you tapping or segments aren't you reaching? If you aren't using digital outreach, should you be? If you are local, should you be regional? With new technology most local businesses don't have to stay local if their product or service appeals to a broader need and doesn't rely solely on local reputation for market impact.
- *Understand how other industries influence your customers' expectations* — Consider how customer access to information and services has changed across all industries. Customers' expectations are changed by the type and speed of

service they receive from all of their experiences. Customers want it "their" way; and if some other company can do it, even if it is in another industry, they expect you to be able to as well. It is common to receive instant e-mail confirmations of reservations; do you provide that service on orders? You can return products with no questions asked in many places. If you don't follow that policy, you may encounter dissatisfied customers even if your business or industry dynamics are different and make it difficult to offer that benefit. Customers define "reasonable" based on their needs and experiences, not your operational requirements.

So many companies, when considering customer-oriented strategies, start with the premise: "We can't do that because..." instead of "How

could we make that happen?" Significant growth comes from asking how you could do it, and then finding a way to do it cost effectively relative to the value the customer is willing to pay. And now that you may be offering more value in the form of greater convenience or functionality, customers may be paying more. Develop the "outside-in" approach in your business as a key to future success and growth.

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