



## ***Commentaries and Insights from Allawos & Company***

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### ***Don't Overlook Proper Organic Growth***

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Slowing of a company's growth can have many causes. Competitors' superior products, services, pricing or execution are always the first factors to be blamed. Next in line comes external economic factors such as we have been experiencing for close to a decade, e.g. a stagnant or unpredictable economic environment.

The harder ones for most managers to admit are changes in the perceived value of the entire segment the company serves (the "buggy whip" phenomena), management missteps or the failure to expand into other market segments that the company is capable of addressing.

Expansion into new or adjacent segments cannot be done lightly. The opportunities for failure are significant and often not understood by management teams that have gotten comfy in their traditional markets. In most cases such moves are best done only when the company is willing to bring in new managers that have experience in

the new market segment be they as employees or consultants.

At the extreme this can be done through acquisitions in the hope to change overall company thrust and at the same time acquire expertise and market share immediately. The issues and execution factors related to growth strategies through M&A is a subject in itself for a later date.

More often there are attempts to stimulate organic growth, that is growth addressed by the company's current portfolio, by a concentration and refocused efforts on the company's captured market and customers. Typically there is a focus on the largest and most loyal customers in the hopes of leveraging strong current relationships and customer loyalty.

But these customers offer the smallest opportunities for organic growth because the company already has a large share of their business.

With current products and services this often becomes in the end a discounting exercise that may increase sales volume but with questionable impact on net profitability. Worse yet, once discounted, it is hard to re-establish the old pricing model with one's "strategic accounts."

The real organic growth opportunity is with the non-loyal customers who may not be captured by competitors but rather play the field and frequently switch between suppliers. Increasing business from these non-loyal customers is by far the largest organic growth opportunity. It might be obvious but for some reason it is often overlooked.

Often times company management assumes they know why a given non-loyal customer is non-loyal. But do they? Commonly this knowledge comes from feedback in past sales engagements that often focus on price and go no further. The customer has not really been engaged in these ad hoc interactions.

Product and service feature sets, warranty terms, support policies and even personalities are often deeper issues with non-loyal customers that are within the organic growth opportunity segment.

One of the most productive ways to stimulate organic growth from these customers is to really engage them. An approach that can be of great value is to ask those key less-than-loyal customers to participate in a formal series of one-on-one interviews to get input on a new product concept or feature-set which also includes feedback on the current state of the relationship and the competitive offerings.

By framing it as a formal program in which they are valued participants most customers consider it a compliment and are often more likely than one would think will be willing to participate. It is among other things a positive for customer relations.

The value of this exercise is not just in increasing customer capture and evolving loyalty but is n much better than focus groups can be as a real source of ideas for the improvement of products and services.

At the same time customer expectations must be managed in the process. As has been mentioned before in a different context, the process runs the risk of being turned into a commitment to restructure products, services or pricing.

Avoiding this pitfall is best done by using a third-party to execute the program. Bringing in outsiders to facilitate and guide the process is frankly required for success.

This approach to enabling organic growth is one of the most cost effective tools in stimulating growth within a segment that a company already addresses with its products or services.

It is organic business development executed within the context of market research.

### **About Allawos and Company, LLC**

Allawos & Company is a comprehensive global business-consulting firm tuned to enable organizations identify and exploit opportunities through creative engagement built on a foundation of decades of senior management experience.

Whether in corporate development, strategic planning, alliances, market development, diplomatic engagement or manufacturing optimization, our team is focused on client-specific value creation.

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