



Organic Growth – Prosperity from the Inside Out

SoftwareCEO

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Webinar Overview

- Goals:
- Explore strategies and best practices for organic business growth
- Stimulate ideas for your particular growth challenges
 - Understanding Growth
 - Strategies for Organic Growth
 - Operationalizing Growth



I. Understanding Growth

What is Growth?

- Sustained increase in revenues
- Accompanied by profitability

What Is External Growth?

aka: Partnership, Alliance, Teaming

- **Strategic alliance**
 - Collaborative working relationship, no formal entity
- **Joint venture**
 - Partnership or co-owned corporation
- **Merger or acquisition**
 - Formal financial and organizational integration

Organic Growth

- Sustained increase in revenues produced by solid strategies and outstanding use of the company's assets.
- These assets include the company's value chain (suppliers, outsourcers, distributors).
- Revenues are accompanied by profit or a practical profit plan.



II. Strategy for Organic Growth

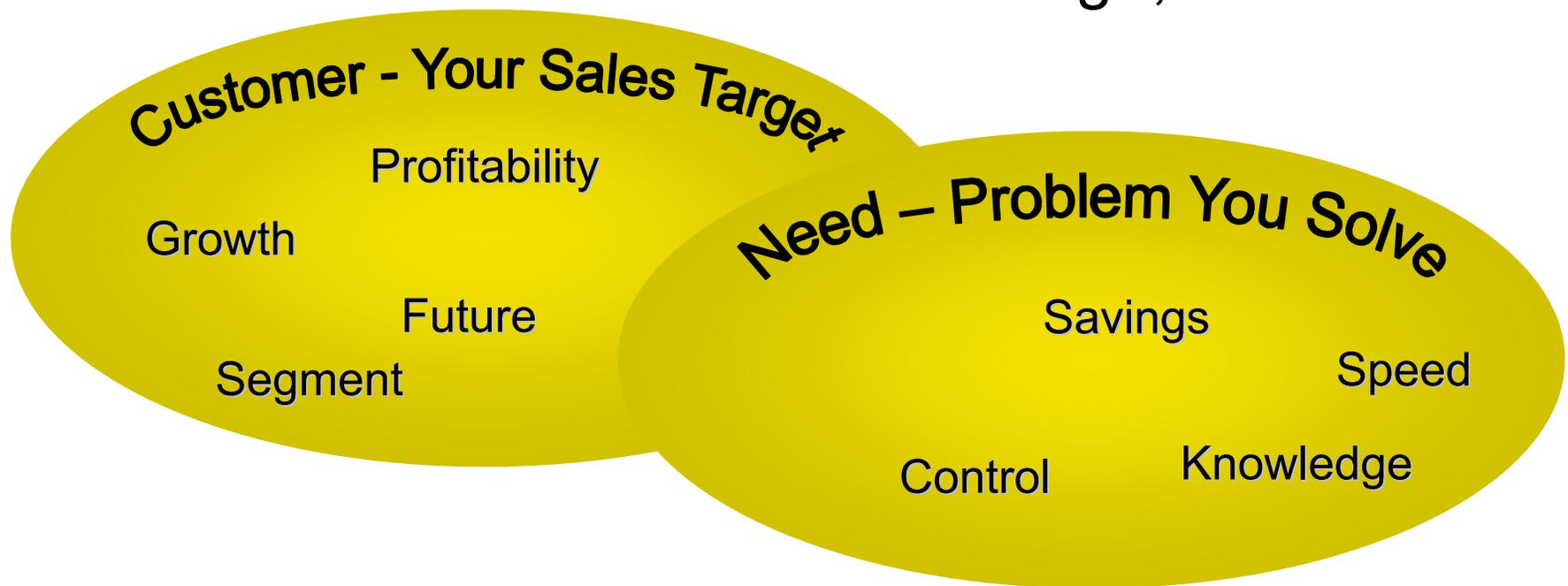
Where These Ideas Come From:

- Honor Roll: Kronos, Manhattan Associates, Business Objects, OPNET, ANSYS, Trend Micro, Open Text. . .
- Growing Private Companies: Unica, TotalView Technologies, Certeon, Black Duck, My Web Grocer. . .

Focus on Your Few Best Markets

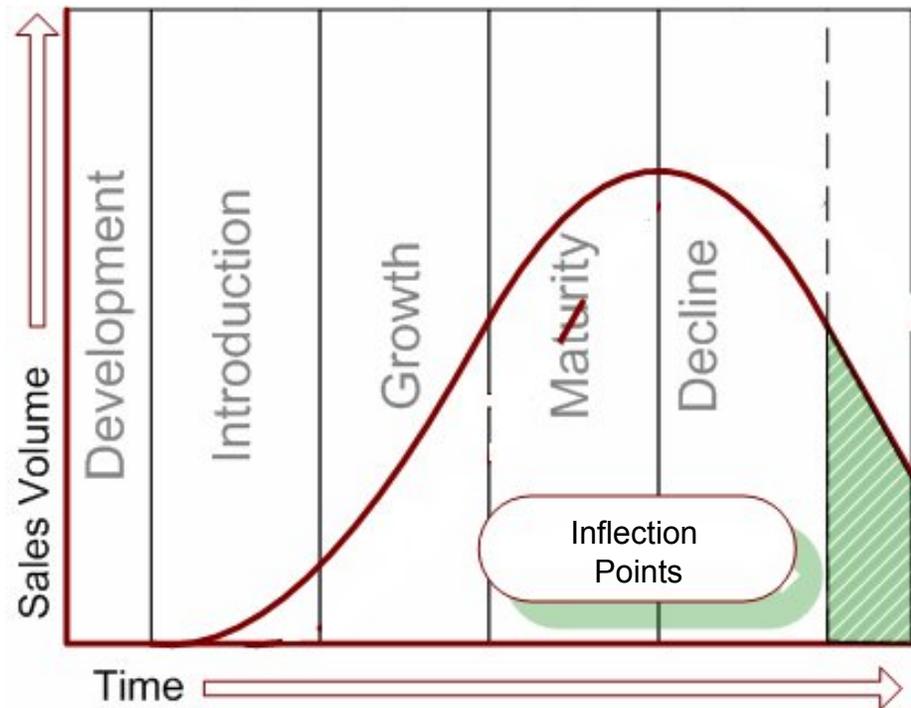
➤ “Pick the right market – if you are not there, all the rest doesn’t matter.”

- Mike Greenough, SSA Global

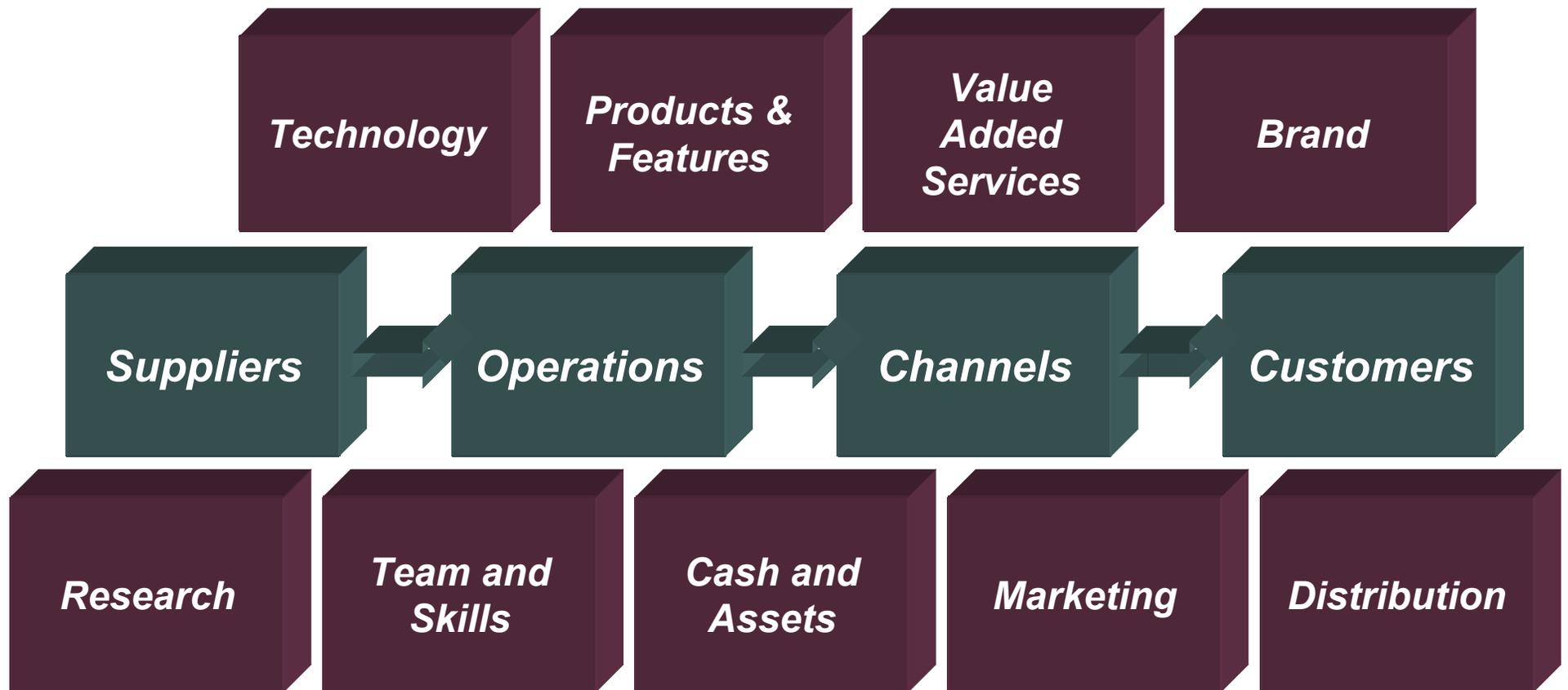


Master Your Industry

- Is it formative, growing, maturing, consolidating, declining?
- Who are the major competitors?
- What is your own growth stage?
- Where is the industry heading?



Understand Your Growth Drivers



Integrate Your Business Model

- New possibilities and risks
 - Software as a Service (D2Hawkeye, My Web Grocer, WebDialogs)
 - Mobile Gaming Advertising (AdME)
 - Free-plus-ads (Mundu; NY Times vs. WSJ)
 - Free-plus-upgrades (Eudora)
 - Free-as-lead generation (viral marketing)
- Business model is more than a revenue model
 - R&D, distribution, rewards and retention, spending

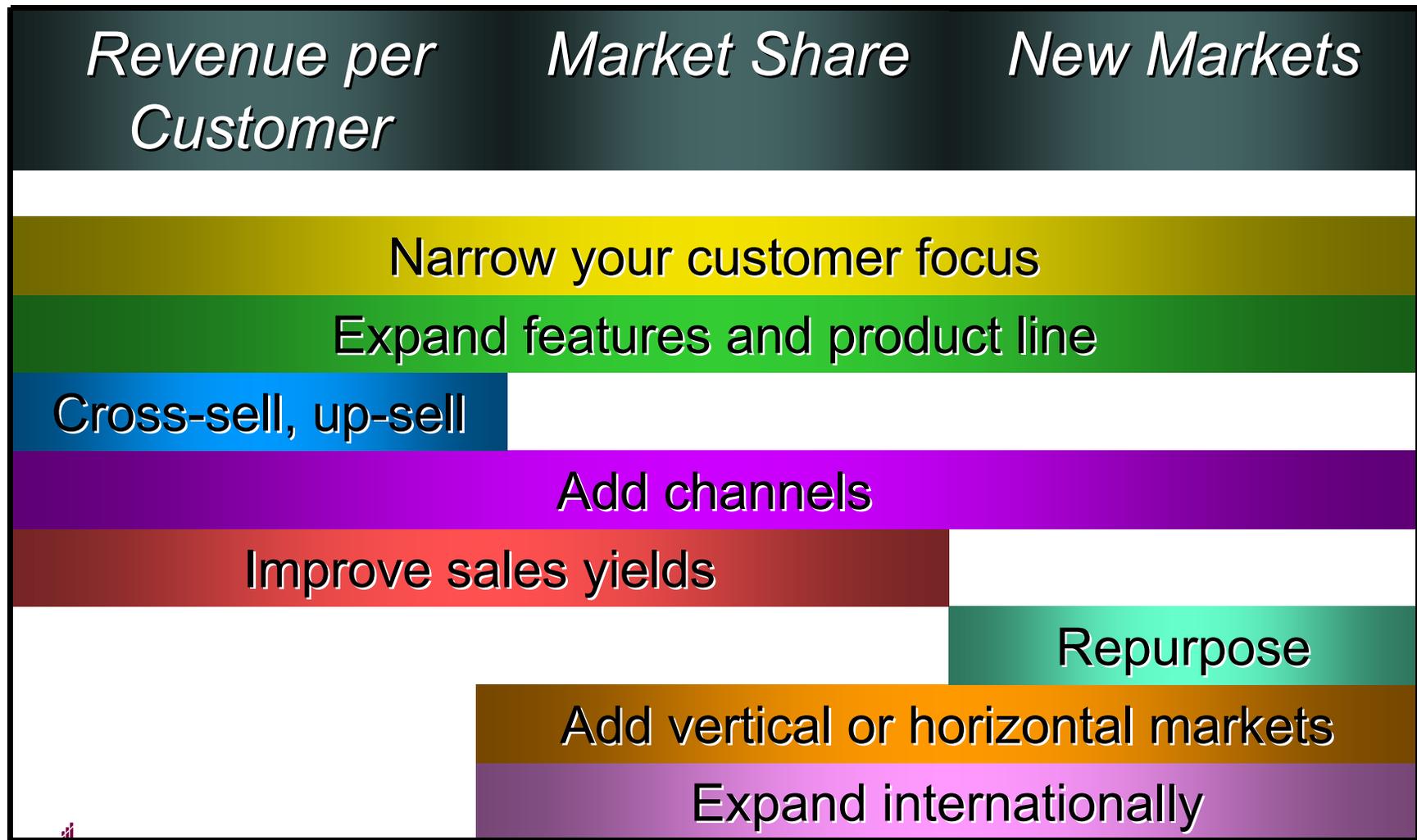
Dissect Your Own Company

- Speed, Effectiveness, and Feedback
- Activity chains:
 - Marketing/Lead Generation/Sales
 - Development/Distribution/Channels
- Goals, standards and metrics
- Reporting and communication



III. Operationalizing Growth

Map Your Tactics to Growth Goals



Expand Your Portfolio For Cross-Selling and New Customers

Incremental

Radical

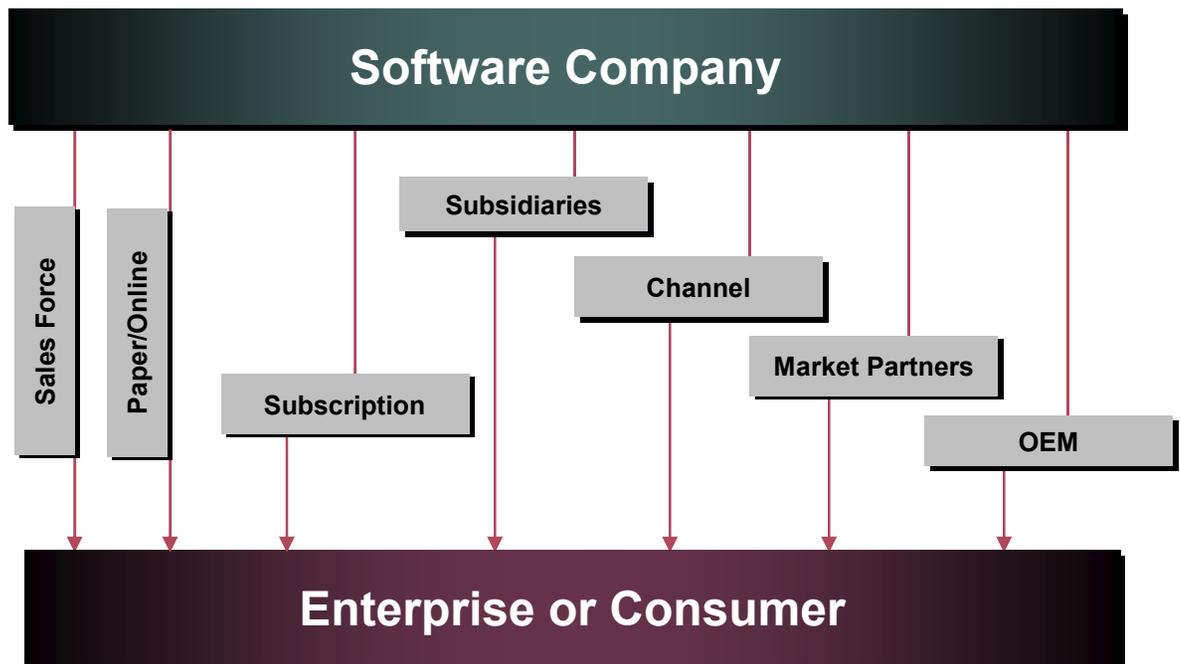
<i>Focus</i>	Cost or feature enhancement	New business, product and/or process
<i>Technology</i>	Exploit existing technology	Explore new technology
<i>Uncertainty</i>	Low	High
<i>Direction</i>	Linear	Discontinuous

Retain and Grow Current Customers

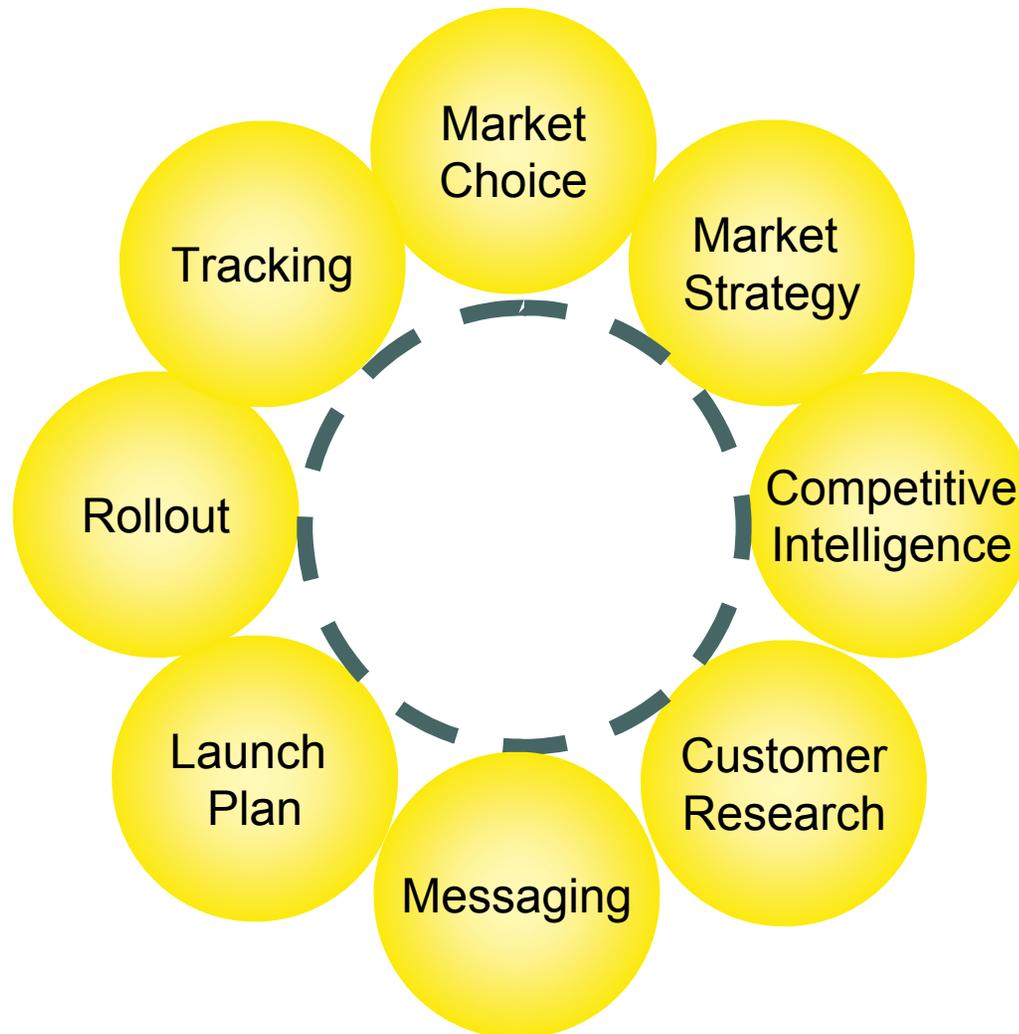
- Up-selling and cross-selling are your most powerful, least expensive, growth tools
 - Multiple products – Would you like fries with that?
 - Upsale - The double-decker costs only 50 cents more than the basic burger.
 - Bundle – How about the value meal?
 - Value added services - Would you like that dinner delivered?
 - Strategic sell – Would you like us to manage your college cafeteria?

Consider Channels a Transitional Extension of the Company

- Superior distribution will always beat superior product
- Tailor to:
 - Price point
 - Target market
 - Product variant
 - Vertical integration
 - Customer types



New Markets – A Start-up Challenge



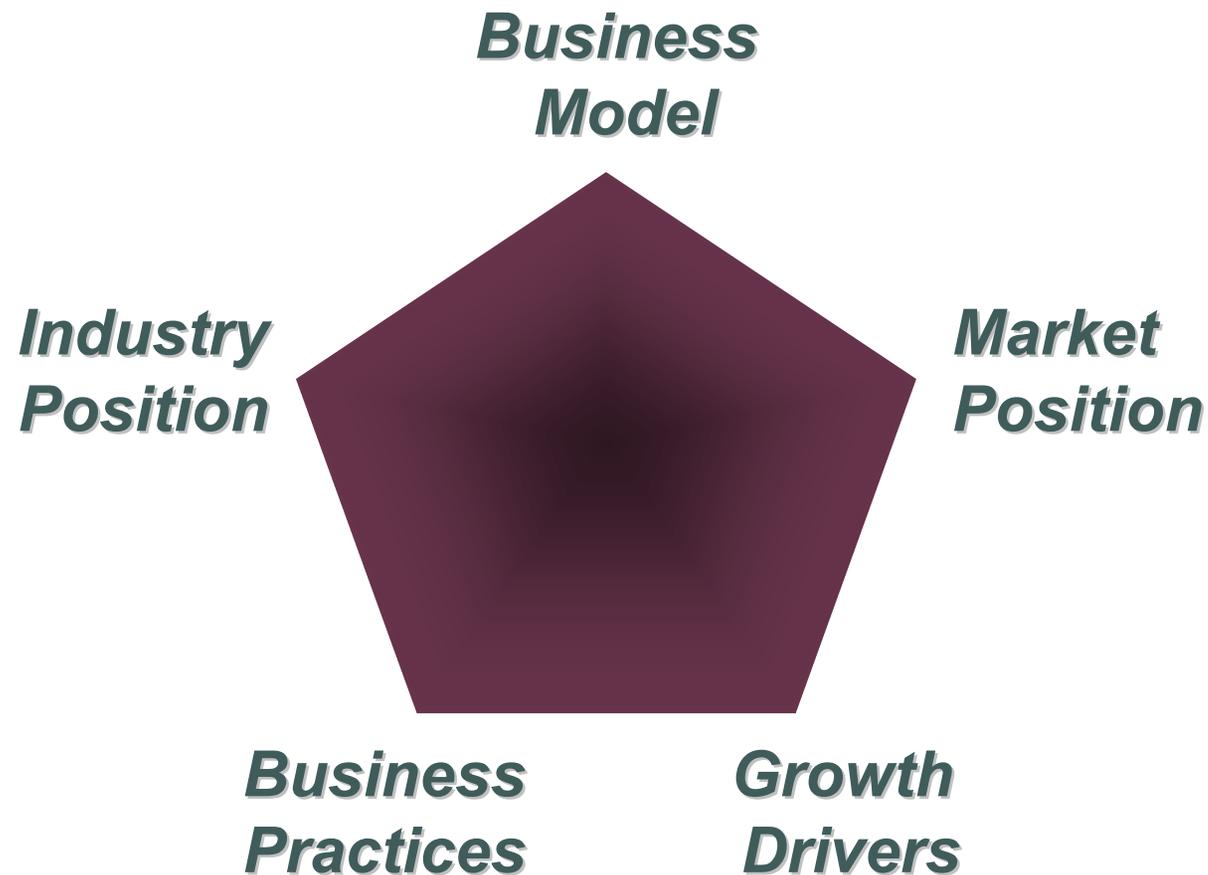
Best Practices Vertical Markets

- Know who your current verticals are
- Pick low hanging fruit – expand to adjacent markets
- “Gut feel” works - if you get the facts
- Enter new markets before you need them

Best Practices International Markets

- Minimize the risk
 - In a new geography, target the markets you already know best
 - Target internationalized markets (financial services, telcos) rather than localized (retail, travel)
 - And “easy” countries before hard ones
- Do market research
 - Don’t just reproduce your US marketing and PR
 - One customer does not a market make
- Bridge the culture gap
 - Hire local experts
 - Use written communication
 - Make your US execs travel
 - Embed immigrants from target countries in the US team
- Plan to make mistakes
 - Set your budget so you can fail and recover

Strategic Skills for Growth



Fran Grigsby

Founder and Managing Principal

Next Level International

- Fran Grigsby founded Next Level International in 1998 to provide expert consultation to technology companies entering new markets. Previously, she was Senior Vice President and Chief Operating Officer of GigaNet, a successful startup acquired by Emulex. She joined GigaNet as its fourth employee and played a leadership role in venture financing, corporate alliances and company launch.
- Earlier, as Vice President of Enterprise Networks for Motorola, Fran managed its switching and networking businesses. She held senior positions at Digital Equipment Corporation, doubling revenue from its communications server business, creating wireless and cable modem product lines and leading storage systems operations.
- Fran holds MBA and BA degrees from Vanderbilt University and received an Executive Certificate at INSEAD Graduate School of Management in France. She serves on several Boards of Directors, including the Massachusetts Network Communications Council, Lowell Telecommunications Corporation and United Cerebral Palsy. She speaks and writes frequently on market entry, M&A, and international issues.



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Backup

Notes

Drafts

Why Grow?

- Capital for future ventures
- Position for exit
- Return on investments
- Maintain earnings as prices fall
- Close the door to competition
- Use cash profitably (avoid being acquired)
- Respond to stakeholder expectations

Why Not Grow?

- Preserve entrepreneurial spirit
- Ensure quality of products and services
- Maintain personal touch with customers and suppliers
- Tailor pay and policies to individual employees
- Keep work teams together
- Maintain a lifestyle business

Acquisition for Growth Is Risky, Especially for Younger Companies

- Financial requirements increase risk and diminish control.
- There is no such thing as a true merger or partnership.
- Most deals don't yield planned results.
- Participants lose six months of forward momentum.
- Getting synergy is very difficult.
- Customers and distributors are at risk.

Growth Goals and Life Cycle

	Revenue	Employees	Key indicators	Growth Goals
Raw Startup	None	0-50	High risk high flux, innovation priority, product looking for market	Survival
Early Revenue	\$100 to \$10M	5-100	Product delivered, useful to some but no sustained value prop or bus model	Sustainability Profitability
Established	\$500K to \$50M	20-500	Profitable or clear path to profit, proven market and value	Scale Cash Flow
Expansion	\$2M to \$1B	50-1,000	Market opportunity is many times larger than company, desire & ability to grow	Steep Growth, Assets
Mature	\$10M to \$100B+	100->	Slow growth or stagnation, harvesting, commoditization, consolidation	Regained Momentum

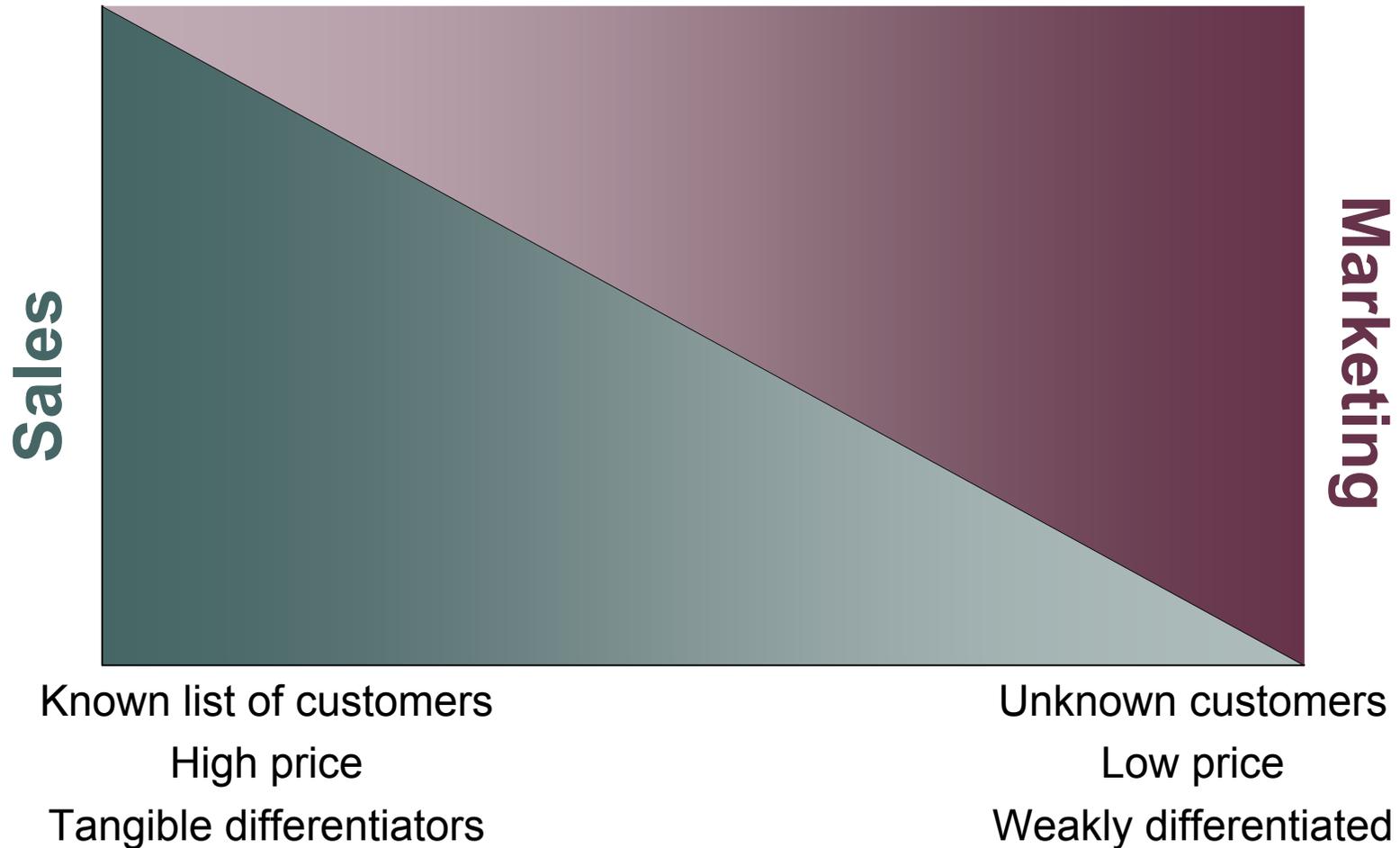
Growing in Spite of the Market

- Characteristics of slow growth industries:
 - Flat market. Competitors are not growing either.
 - Commodity business, little differentiation.
 - Buyers' market, competition on price
 - Imports/outsourcing.
 - Complaining – Taxes, regulation and analysts
- Operational discipline
 - Cut costs to grow profit when revenue is flat
- Competitive aggressiveness
 - Make the field smaller
 - Take market share from stagnant competitors
- Diversified solutions
 - Multiple connected niches
 - Major shift to new market
 - Vertical integration into services
- Speed is a life or death issue

Positioning and Repositioning

- Placement within a market segment – In which segments does the product/service play?
- Placement of the product relative to other products/services categories and application – What are upstream and downstream in the supply chain with respect to the product/service? Is the product/service high value or low value with respect to other product/services used by the customers?
- Placement versus competitors' products/services – How well does the product/service satisfy the customers' needs versus the competition?
- Placement of the product/services in terms of features and benefits - Is the product/service high performance or basic in features and benefits? What is the value proposition for the product/service versus the competitors?
- Placement in the sales channel – How is the product sold by whom to whom?
- Placement in the minds of decision makers and influencers – For those who make the “buy” decision, is the product/service critical or a commodity? Does it represent a major determiner for success and therefore involved in a major part of their daily activities for buyers and influencers?

Convert Sales Spending to Marketing



Effective Differentiation

WEAK Differentiation

- Quality
- Customer Orientation
- Creativity
- Price
- Breadth of Line

STRONG Differentiation

- Being First
- Being Latest
- Being Hot
- Attribute Ownership
- Leadership
- Heritage
- Market Specialty
- Customer Intimacy
- Preference
- How Product is Made

Why Market Research?

Why Not Just Do It?

- Most companies enter new markets on gut feel or anecdotal evidence.
- A new market will have a different perception of your solution, their need and your ROI.
- You will have different competitors in new markets.
- Marketing, products, sales and distribution designed for your current customers will not automatically work in a new market.
- Even markets that are adjacent to your current markets will insist that you understand their business.

Learning from Market Research

- Where is the customer's "pain"? Price sensitivity of your customers
- Value of the product/service to the customer – your ROI
- Differentiation/competitive strengths/growth drivers
- How your customer buys
- Competitive products/services
- Competitive intelligence on those companies
- Customer segmentation (exactly who do you sell to)
- Benchmarks of industry costs

Why Not Just Ask Your Customers?

- Your current customer will tell you he needs mustard instead of mayonnaise on his fast-food hamburger.
- He won't tell you that he really needs a t-bone steak and a private dining room.
- Your current customer is limited by what he already knows.