From Startup to Scale Up

Russell Streeter

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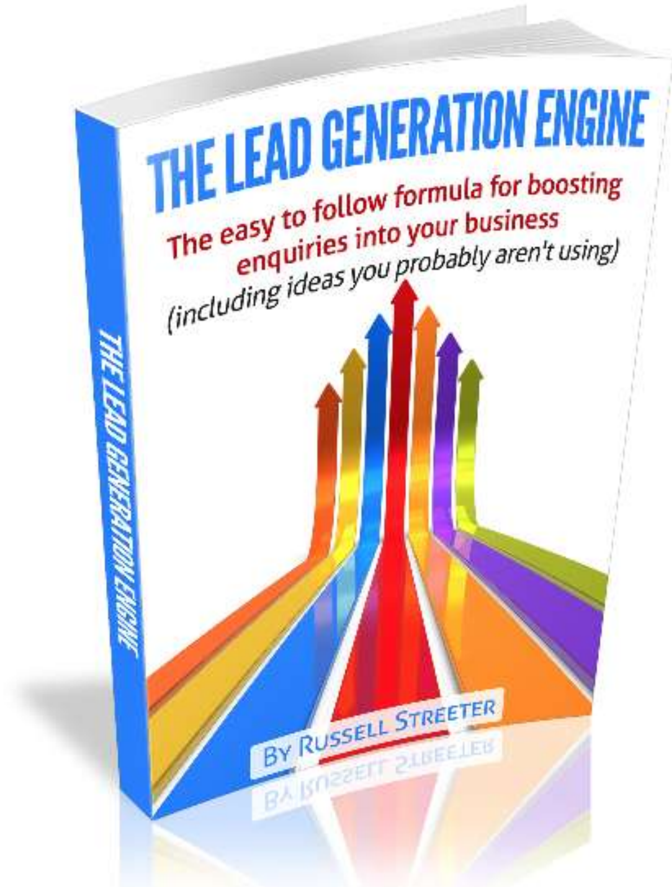

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- A simple 5-step system for creating an unforgettable USP that will attract the attention of your niche;
- How to develop an effective Lead Generation strategy that maximises your advertising and marketing investment;
- How to multiply the results of your lead generation and significantly increase the number of enquires you get.

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ABOUT THE AUTHOR

Russell is an entrepreneur, award-winning speaker and bestselling author. During his career he has worked with global brands such as PwC, IBM and Prudential, as well as owner-managed SMEs just like yours. He's seen what works (and what doesn't) in businesses of all shapes and sizes.

In 2012 he founded Excelsior Business Development and since then has been working with entrepreneurs and business owners across a range of industries, helping them to increase sales, boost profits and build successful organisations.

As a speaker and business coach, Russell inspires audiences and clients to achieve greater success with his workshops and programmes built upon his Seven Keys Formula.

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WHAT IS SCALING UP?

While writing this book, I surveyed over 2,000 people to find out the top challenges business owners face as they seek to grow their business. The results were not that surprising. Yes, we all want more customers, and more profits.

But high on the list of pains are things such as time management, cash flow problems, recruiting the right staff for the business, finding the right customers for the business, funding, and so on.

These are the challenges of ***scaling up*** a business and they are different to the challenges that startups face.

A **Scale Up** is an enterprise with annual growth in turnover of more than 20 per cent over a three-year period.

In practical terms, scaling up means rapidly growing your company toward some future target. Maybe your target is £1m in sales — or £10m, or £100m. Perhaps your goal is to sell or float your business in the future, or maybe you want to expand into new markets or countries.

What’s certain is that you're not satisfied with simply managing your business day-to-day and settling for incremental growth.

Whether you are working toward an exit, or are in it for the long-term, you’ve probably already discovered that there’s more to growing a successful business than a great idea and a passion to succeed!

You need to develop an organisation that delivers reliable revenues, excellent customer service and consistent profits, month after month, after month.

This book is for you if:

- Your business is through the startup phase with a product or service – maybe more than one – has satisfied customers and at least a few members of staff.
- You need new ideas and strategies for developing sales, improving profit margins and growing your business.
- You are overwhelmed with the task of running the business that you have poured your heart and soul into.
- You recognise that you have taken your business as far as is possible on your own, and now need some outside input.

Over the next sixty pages or so I will show you:

- The exact formula you can use to scale up your business.
- How to win new customers and expand your business into new markets.
- How to leverage your existing customer base in order to develop consistent sales and profits and build long-term business value.
- How to prepare your business for scaling up and avoid the challenges and traps that ensnare many other businesses.

Happy reading!

Russell Streeter
Founder & CEO
Excelsior Business Development

FREE ONLINE TRAINING

I hope that this book will give you new insights and ideas for scaling up and that you find the time and energy to implement them within your business.

To complement the lessons and content in this book, I have developed an online training course that explores these concepts in more depth and gives you tried and tested strategies for growing your business, plus additional tools and templates to make implementation a lot easier.

The first module of this course is free, so don't miss out on this opportunity to get the tools you need to scale up your business.

Please visit www.ScaleUpSuccess.com/free-member-signup to join.

SECTION ONE

PREPARING FOR SUCCESS

Chapter 1

REDEFINING SUCCESS

Before you can apply the Seven Keys Formula to your business, you need to get into the right mind set.

You must be able to see your business as you want it to be in five or ten years and believe that it's possible to achieve ambitious targets. You need to view success as no more than the inevitable result of having the right plan, the right systems and the right people, bound together with a good dose of hard work and persistence.

The story of how the British Cycling team went from being an under-funded, minor player in the sport, to near-total world domination, is an excellent case study in study in success, and the principles can be applied to task of scaling up your business.

In 1996, when a young Chris Hoy travelled to Moscow to compete in the European under-23 Championships, the British Cycling Federation couldn't afford to send officials with the team. Chris and his teammates used their own bikes and they had to borrow their team tracksuits from the Federation – and give them back after the event.

And yet, when Peter Keen was appointed as Performance Director the very next year, his aim was to make Britain the world's top Olympic cycling nation.

(Do you see what I mean about having ambitious goals?)

Keen recognised that in order to achieve his aims, the first thing they needed to do was to create the systems and culture that would support success. You see, although the Federation had some talented cyclists, they weren't leaving a legacy for newer athletes to build on. Results were sporadic and each success was a one-off.

So Keen set up what he called the World Class Performance Programme. Funded by the National Lottery, this team of elite cyclists would focus almost exclusively on track racing, where there were many more medals and prizes to be won. The first rider to sign up was a 17-year old Bradley Wiggins.

This strategy started to bear fruit in 2000 at the Sydney Games, where the Team won a gold, a silver, and two bronze medals.

In three short years Keen had managed to lay the foundations for future success. In 2001 he took it a step further, streamlining the team by, in his words, “clearing out riders and coaches who weren't obsessed with winning.”

Can you imagine doing that in your business? It sounds brutal, but what it really means is that everyone needs to be signed up to your growth targets and committed to playing their part in achieving success.

But it’s Peter Keen’s successor, Sir David Brailsford, whom I want to focus on. Or, more specifically, I’ll focus on the philosophy that he implemented.

Brailsford took over in 2003 and the following year the British won two gold medals in Athens. Four years later in Beijing that became eight gold medals. In 2012, at their home Olympics in London, they repeated this feat with another eight gold medals in the Olympic Games, and 17 gold in the Paralympics.

Their impressive performance in 2012, for the second Games in a row, lead to accusations of cheating. A headline in a French paper even suggested that the British had magic wheels!

Nonsense, of course, but you can see why other nations were frustrated. The British had excellent facilities, strong training programmes and very talented athletes, to be sure. But so did the other top nations. So what made the difference?

Well, what the British had that no one else did was a top-secret programme to eke out small improvements in performance wherever possible.

It was based on the philosophy of "Marginal Gains". The idea was that if they took all the things that made their cyclists go fast and improved each one, even by a tiny amount, the overall impact would be significant.

Some of the measures the team implemented were simple, such as avoiding the courtesy buses to protect against infection, or taking their favourite pillow to competitions to ensure a good night's sleep.

Other strategies had a more direct impact on performance. For example, tyres were sprayed with alcohol to remove dust and thus increase friction for the start of the race.

Then there was Project Golden Hour, a scheme to maximise athletes' recovery during the hour between the semi-final and the final, which lead to the development of heated shorts to keep their muscles warm in between heats. As a result, several members of the team went faster in the final than they'd gone in the semi-final just an hour earlier.

And the young man who took his own bike to Moscow all those years ago – now Sir Chris Hoy – became one of the most successful Olympic cyclists in history.

The British took a seemingly impossible goal – to take Britain from an "also-ran" nation to top dog – and made it a reality. And they did this by having a clear vision of success and by breaking this mammoth task down into a series of small steps.

And from this we can learn an important lesson.

Do you think you could climb Mount Everest?

Hundreds of people do it every year, so it's definitely within the realms of possibility. Yet hundreds more try but don't make it to the top. I find it difficult to picture myself at the summit, knowing what a massive undertaking is required to get there.

Perhaps running a marathon is a bit more your speed. Yes, it's a long way, but thousands of people do it every year, many dressed in a variety of wild and wacky costumes.

Personally, I enjoy the physical and mental challenges of Triathlons. I like the fact that it's multi-disciplinary and completing each discipline takes me a stage closer to the finish. But I look in awe at those athletes who compete in Ironman triathlons – the running section alone is an entire marathon.

You see, as human beings, we view success as the destination – the summit of Mount Everest, the finishing line in the marathon, or tripling the size of your business. And from where we are sitting that destination can look quite far away…and difficult to picture.

But what if we viewed success not as a destination, but as a journey? A journey consisting of many goals — some simple, others ambitious — but all within the limits of our own capabilities.

A journey in which each goal we achieve, each "marginal gain", is a success. And each small success motivates us to continue on our journey. Because each minor victory makes the end goal seem a little bit more inevitable. All we have to do is continue along the journey.

The British Cycling Federation had the right plan, the right systems and the right people. If your goal is to scale up your business, then the Seven Keys Formula will help you to develop the plan you need to achieve this.

I am confident that if you apply the principles and strategies that I discuss in this book, along with a good dose of hard work and persistence, you can achieve whatever business goals you set.

Success is a journey, not a destination. And just like the proverbial journey of 1,000 miles, your journey to business success begins with a single step — reading this book. Let's get started.

Chapter 2

THE SEVEN KEYS FORMULA

What's your business growth goal for the next 12 months? Is it 5%, 10% or even 15%?

The British Track Cycling team managed to achieve an ambitious goal by making lots of small improvements. This strategy can also be applied to the task of growing a business. Here's how.

Your business cycle can be broken down into 7 Key elements:

1. Lead Generation

Lead generation refers to the number of new enquiries your business generates from advertising and other marketing activities. You cannot create a customer or client without first attracting the attention of someone who is interested in your product or service (we call them prospects), so all of your marketing must be focused on getting new enquiries.

The bad news is that lead generation is (often) the most difficult and most expensive of the 7 Keys — it's generally cheaper to sell more to existing customers — however any serious scale up strategy must include customer acquisition. Note that lead generation does not include enquires from customer referrals, which are dealt with separately in Key #6.

2. Conversion Rate

This is the percentage of leads that you convert into paying customers. Lead generation and conversion are like two peas in a pod, because if you succeed in generating enquiries but fail to convert a reasonable percentage of them into customers, then your marketing investment is being wasted.

Big gains can be made in terms of revenue growth by improving the conversion rate, and the cost is usually quite small, because you've already invested the money to attract prospects who are interested in your product or service.

3. Transaction Value

The average value of each sale or invoice is the third Key. The bigger this figure is, the higher your sales revenue, plain and simple. There are lots of creative ways to increase this metric, and retailers such as supermarkets and fast food restaurants, are masters at this, and you can borrow some of their strategies and use them to good effect in nearly any business.

4. Transaction Frequency

The fourth Key is the frequency with which your customers do business with you. It's easier and cheaper to get existing customers to buy from you again, because you already know who they are and that they're interested in your product or service. That's why businesses of all types employ a range of techniques to lure you back to them, such as vouchers and coupons, special offers, new releases or new lines, and so on.

5. Profit Margin

The amount your business earns, after deducting the costs of selling and operations, is its profit margin. With this fifth key we move from focusing only on revenue, to looking at the bottom line — or what's left in your business after paying your suppliers, staff and other providers.

It's often said that revenue is vanity, profit is sanity: while you can compromise on profitability for a short period of time — and you may need to do so during a period of high growth — a business that consistently fails to make a profit has a very uncertain future.

6. Referrals

Referrals are new customers that do business with you as a result of a recommendation from your existing customer base. This is a subset of lead generation, but it's a separate Key because of the different strategies and techniques that you will use. I mentioned that lead generation can be difficult and expensive: not so with customer referrals. They come to you without necessarily having seen any of your advertising and they are already primed from the best marketing that money can't buy: an endorsement from and independent source whom they trust!

7. Client Retention

Finally, the seventh Key is Client Retention, and it's here that you take all of the good work that you've done by improving the other six keys — more customers, higher revenue, increased profits — and turn that into long-term business value.

Let's suppose that you have an ambition to sell your business in the future. Well, there are many factors that will determine the valuation, or the price the buyer is willing to pay, including fixed assets, brand loyalty, business systems, etc. But, at the end of the day, the value of a business is determined by its ability to generate future profits. I'll say that again, the amount the buyer is willing to pay for your business is based solely on the income they expect it to generate in the future.

All of the assets on your balance sheet, whether tangible or intangible, have value only because they enable the business to generate profits.

The most valuable asset in your business might be your customer list, but only if you can succeed in getting them to keep buying from you year after year.

In summary, these are the **Seven Keys,** and each of these is explained in more detail in the following chapters. Substantial growth can be achieved by making improvements to the ***average*** of each of these Keys.

Of course, there are other processes and operations that are important to the success of your business, such as research and development, procurement, recruitment and financing, and we'll touch on some of these throughout this course. But these are the key factors that can influence the growth of your business and its long-term value.

The final element of the Seven Keys Formula is **Systemisation**, which is a broad term that covers a range of supporting systems, processes and structures that are necessary to ensure that your business maintains quality and makes a profit.

Chances are that over the short life of your business you've been so focused on winning new business, keeping your customers happy and clearing the overdraft that you have not worried too much about efficiency. But if your business depends on you in order to function, this can be a massive barrier to the kind of growth that you desire.

Systemisation means automating what can be automated, outsourcing what can be outsourced and ensuring that the remaining tasks are performed as efficiently and effectively as possible. We'll talk more about this in Chapter 5.

Chapter 3

AN ILLUSTRATION

Let’s move on and talk about how you can use the Seven Keys Formula to scale up your business. In the previous chapter I told you the story of British Cycling Team and how they achieved near total dominance in the sport: not through big, ground-breaking improvements, but by targeting incremental gains in many areas.

Applying this to business, the areas you need to focus on are the Seven Keys. Let’s illustrate how making modest, manageable increases to each of these metrics can have a dramatic impact on the revenue, profits and overall value of your business.

Suppose that in the last year, a business received 2,000 leads per year from all of its marketing and advertising activities, and the Conversion Rate was 30% so they won 600 new customers. And suppose further that the average transaction value was £300 and the transaction frequency was 2, giving sales of £360,000.

If the overall profit margin was 50%, this resulted in a profit of £180,000. But the business also got 200 referrals and another £60,000 profit. So, total profit for the year from these new customers was £240,000.

The business expects to keep those customers for an average of three years each, so the lifetime value of those customers is £720,000. If the value of a business is determined by its ability to generate future profits then Customer Lifetime Value is a key indicator of the value of your business.

Because we don’t know anything else about this fictional company, we are going to use Customer Lifetime Value as a proxy for underlying business value.

These figures are illustrated in the box on the next page.