What does "close the Growth Gaps" mean? Every company has gaps between their actual performance and potential performance—where they are currently and where they'd like to be. These gaps can be anywhere from sales to quality control to customer service. Our focus is on the areas that affect a company's top-line growth—areas we call "Growth Gaps."

Focusing on the five "levers" (prospect, customer, loyalty, expansion, and margin) that make up the revenue formula removes the barriers that prevent the company from maximizing its top-line growth. "Closing the Growth Gaps" is all about examining those barriers to growth and developing actionable strategies to eliminate them.

Which area of sales are CEOs most concerned with?
Without a doubt, the CEO's first concern is centered on lead generation—attracting more qualified prospects. I think the reason for this is that when looking to increase revenue, the perception is that the very nature of increasing the number of prospects will automatically increase the number of customers.

While that may often be true, it highlights the importance of examining all the points of the revenue formula. Given the lack of unlimited resources available to "Close the Gaps," developing strategies is also about prioritizing and looking at which gaps to focus on first. I have found that more often than not, attracting prospects is not the biggest barrier to growth, although it may seem to be the most obvious.

Why do many firms struggle with these basic concepts?
I believe many firms struggle because the solutions to "closing the Growth Gaps" are often counter-intuitive. Each Gap has a matching misconception that prevents the organization from effectively closing that Gap. Let's take the Prospect Gap, attracting more qualified prospects as an example.

The first inclination one has is that if you want to attract more qualified prospects, then you should widen your "net." That couldn't be further from the truth—if you want to attract more qualified prospects, you should actually narrow your focus. With that comes the need to develop laser-focused messaging toward that narrow target market.

See what I mean? That's not real intuitive. The best way to sum that up is one of my favorite sayings: "Trying to be everything to everyone means you end up being nothing to no one." You have to focus to attract more qualified prospects.

Once a firm decides to grow the business by more than $10 million, what process do you recommend to identify actionable steps to reach their goal?
First, the company needs to recognize that it cannot grow its business by any amount without affecting at least one area of the revenue formula [Price x Volume]. Any strategy or tactic employed to increase revenue MUST increase a "lever" of the revenue formula.

With that understanding, it becomes a matter of examining a company's performance in each area. A company should then break down what it is currently doing in each area and analyze its effectiveness. Some Gaps are easier than others. For example, the Customer Gap is about closure rate. The Loyalty Gap is about repeat purchases and customer loyalty.

Conducting this deep analysis should almost immediately uncover areas for improvement. The beauty of the Growth Gap and its relationship to the revenue formula means you can calculate the impact of improvements. For example, it is very simple to see the impact of increasing your closure rate from 25 to 30%. If the average transaction goes from $5.00 to $5.25, you can see what that will do to your revenue.

Let's say your customer loyalty is 50%—half of your customers make a repeat purchase within 12 months. Through industry research and experience, you've determined that 60% is where you should be. A company can then examine what it needs to do to raise that number by 10%—and it can see what raising that number will do to its top-line.

Once a company understands the optimal areas to focus on, it becomes a matter of developing strategies and prioritizing how to implement them. This is where a company can begin to see the power of taking action to close Growth Gaps as the actions to close one Growth Gap will often create an impact on other Gaps as well.

Remember, we've only talked about increasing revenue—there is a cost of resources variable that must be considered when implementing solutions. Does it make more sense to invest $5 million to increase revenue $6 million (a net profit of $1 million) or invest $1 million to increase revenue $2.5 million (a net of $1.5 million).

What are the most common pitfalls companies experience when executing these strategies?
The biggest one is underestimating the impact increased revenue will have on the operations of the company. For a service-based business, if you increase your closure rate and get five new customers, do you have the internal capacity to serve those customers; and not just serve them, but serve them well?

Closing the Growth Gaps only focuses on those areas of increasing revenue. As stated previously, there is a cost that needs to be factored in. But also, there is an operational issue that must be addressed: closing additional business is great, but only if your internal operations can handle it.

One might say that figuring out how to handle additional work is a pleasant problem to have, but it is a problem nonetheless; one that can create ill will from customers if not treated properly. The absolute last thing a business wants is to frustrate existing customers because it cannot service them properly.

Another pitfall is assuming that once you've "closed" a Gap, it stays closed. Forces beyond a company's control—the economy, gas prices, competitors, new technologies—demand that a company continually look at the Gaps to make sure new opportunities or problems haven't created new Gaps.

Finally, many companies expect a "silver bullet." In this era of instant gratification, closing Growth Gaps is more about long-term, sustainable growth than it is about increasing quarterly numbers. Yes, you will see an immediate benefit, but the real ben-

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efit lies in the long-term growth a company can realize by closing its Growth Gaps. So discipline and the commitment to stay focused on a strategy are key.

Assuming you are brought into a company, which is falling significantly short of achieving its growth goals, how would you identify the root cause?
The first step is figuring out where the major issues are—which Gap(s) are the widest. Then we turn our attention to the overall business strategy. For example, often a root cause is the fact that a company is not positioned properly or cannot articulate what makes them different than its competitors. Such a root cause would cause an issue with all five Gaps.

An important part of looking at the business realizes the issue/s preventing them from their goals, what is the average time needed for them to recover? It really depends on what the underlying root cause is and what strategies and tactics are going to be used to close the Gaps. I would say the average time is probably 120-180 days. Often though, a company can begin to see benefits within 60 days.

Remember though, the advantage to closing the Growth Gaps is long-term sustainable growth, so the real benefit is continued growth beyond the 180-day period.

Is there anyway to expedite recovery? Are companies stuck in a long transition?
Again, it really depends on which Gaps have the biggest issues. When determining the priority of strategies to implement, closed. There are many tactical solutions a company can implement where the cost is basically zero.

However, if the underlying root cause is more systemic, then research needs to be undertaken and the company may need be to re-branded. That's the other extreme and then you could be looking at a $100K engagement.

As a general rule; however, I would say that a typical investment for a firm between $20 and $50 million would be in the neighborhood of $25 to $75K.

Are any of the Gaps more sensitive to the peaks and troughs of the economies life cycle? For example, which component would you recommend firms focus on in the current economic climate?

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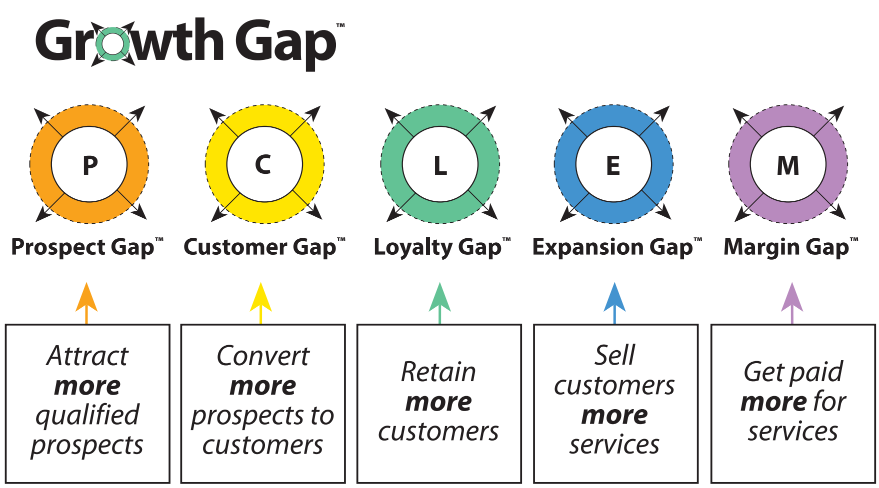
involves research. First, we look at competitors—how are they positioned, what are they saying about themselves, what are they doing in the marketplace? Second, we talk to customers, past customers and often, prospects. Here we want to find out how the company is being perceived and what issues may need fixing from their perspective. For example, they may tell us that when they call in to the office, the account manager is rude and, therefore, they only buy when a competitor is out of stock. A prospect may tell us that they've never heard of your company.

This information is invaluable in figuring out where the Gaps lie and how to go about fixing them. Armed with the knowledge of where the problems lie and an in-depth analysis of the business, we can then go about figuring out the root cause and how to fix it. Once a company a company can place a greater priority on those tactics that can bring about a quicker return. For example, looking at how to sell more products/services to current customers would achieve a quicker return than a new advertising campaign. It comes down to balancing the organization's long-term goals with its short-term needs.

How much does it cost to realign the firm and achieve the previously outlined expectations?
This is a hard question to answer because the costs are associated with the tactics necessary and which Gaps need to be



The economy obviously impacts and can actually create Gaps. Certainly the Margin Gap, getting paid a price premium, is one that is most difficult to close during down economies. Obviously, during those periods, people get more price conscious and that affects a company's ability to charge the price it desires. However, many of the strategies employed to close that Gap are the same ones used to close other Gaps.

Given the current economic climate, I would recommend firms focus on two of the Growth Gaps—the Loyalty Gap and the Expansion Gap. The reason for focusing on those two is simple: both are related to existing customers. In addition, they can often be two of the least expensive Gaps to close.

It is much easier and less expensive to focus on keeping an existing customer than it is to try to go find a new one. So firms should look at their cus-

"CLOSE THE GROWTH GAPS"

	Gap	Misconception	Truth (Mindset)	Goals	Optimal Strategy
P	Prospect	Casting a bigger target market "net" will attract more qualified prospects.	A narrower market focus is better than a broader market focus to attract more qualified prospects.	Maximize the number of qualified prospects in the pipeline.	Discover the most qualified, available, profitable segment of the market and target their pain.
C	Customer	Instituting better closing techniques is the key to closing more sales.	Building massive value into the pitch is more valuable than improving closing techniques.	Maximize conversion % of prospects to customers.	Demonstrate to your prospect why you are uniquely qualified to solve their problem.
L	Loyalty	Customer satisfaction is the key measure of customer loyalty, which will drive purchase frequency; how often and for how long.	Customer delight, not just satisfaction, is the key measure of loyalty.	Maximize purchase frequency.	Maximize product and service quality standards and innovation to exceed customer expectations.
E	Expansion	Targeting more prospects with more products is a great way to grow sustainable revenue.	Solving your customer's problem completely is better than targeting more prospects.	Maximize purchase of additional products.	Introduce ancillary and relevant products and services to further solve your customer's problem.
M	Margin	The best way to increase revenue is through promotions and lowering prices to sell more product—buying business.	Building higher perceived value, not lowering prices, is the way to increase purchases.	Maximize price paid per product.	Develop a value-based pricing model. Stop competing on price alone.

tomer loyalty rate and determine if there are tactics they can employ to increase repeat purchases.

Secondarily, they should look at their product or service line. Are there services they can add that further solve a customer's pain? They already know and trust you, so adding new products and selling them to that client is much easier than demonstrating to a brand new prospect why they should buy from you.

A great example is a sales training company we worked with. Their service offering was a nine-week course that concluded with "graduation." The problem was, when the nine weeks were up, there was no follow-up product or service the customer could buy from my client. They had great loyalty and customers would often come back for additional training for new employees, but that could take awhile. So, my client was constantly turning over customers and needed to continually find new ones. We determined that they needed to add a new service that would allow them to stay connected with their customers over time, which allowed them to increase the revenue generated from each customer.

They were able to implement this new service for relatively low cost—making it a win-win for all parties. My client was able to increase revenue and their customers were able to increase sales effectively because of the follow-up training now being offered.

Assuming you are most concerned with taking the firm public in the next 12-24 months, which area do you devote the most time to?
I would certainly look at the Margin Gap because being able to charge a premium means you are not considered a commodity. But I would devote the most time to the Loyalty and Expansion Gaps. The reason for this is simple: those two Gaps are what create the Lifetime Value of a Customer.

From an investment standpoint, customer churn would be a number in which I would be interested. If your business model is predicated on continually finding new customers, then your customer churn is going to be high. High customer churn is often going to mean the lifetime value of a customer is lower. Knowing that a business has loyal customers that will buy new products and services is a huge benefit to investors.

As part of ensuring you have excellent customer loyalty, a firm must also focus on the Expansion Gap. This could involve R&D to make sure they're constantly bringing out related products or services that their target market finds compelling.

Apple has always had fiercely loyal customers, but that didn't do much for its stock price because it didn't have enough of them. By developing new products and closing its Expansion Gap, Apple was able to attract many new customers. I would devote my time to be able to demonstrate to the investor community a high level of loyalty and ability to develop additional and compelling products to drive long-term growth.

Any closing remarks for our readers?
I'm not going to sugarcoat it; undergoing this type of analysis is difficult. If it was easy, everyone would do it. It requires an open mind, patience, a great deal of introspection, and most importantly, a strong desire to want to succeed.

With that said, I can promise the readers this: if they go through this type of analysis, develop an actionable strategy to close the "Growth Gaps" in their business and then implement those tactics correctly, they will see their revenue increase. They can begin to look at their business in a new light by taking the self assessment at **http://www.tpstrategies.com/growthgap**.

Oh, and don't wait any longer. Every day they WAIT TO BEGIN, is another day they're LOSING BUSINESS TO COMPETITORS. ■