

Five Secrets to Explosive Top-Line Growth



A CEO's Guide To Sustainable Success
by Closing The Growth Gap™

*An eBook by Ed King
President, Turning Point Strategies*



Turning Point
STRATEGIES

Today's Business Climate

Today's overburdened CEOs have the opportunity to sustain profitable growth, and maximize the value of their organization by making one basic strategic decision to become a *Growth Driven Organization*.

Increasingly demanding customers, relentless competition, thinning margins and a more temperamental workforce have put unprecedented pressure on today's business leaders to continue to "*up the ante*" just to keep pace with the market.

According to the *CEO Challenge 2006 Survey*, a majority of 658 CEOs ranked "sustained and steady top-line growth" and "profitable growth" as their two biggest challenges.

The Missed Opportunities

The ability to *explosively* grow the top line has eluded even the most savvy business leaders.

Most companies under-execute one crucial strategy and harbor five common misconceptions regarding top-line growth.

These organizational breakdowns lead to missed opportunities for these companies...

...missed opportunities to grow the top line...

...missed opportunities to rally their workforce...and

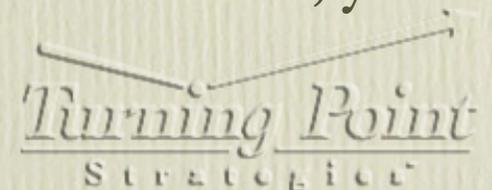
...missed opportunities to sustainably lead their market.

The Commitment

In our study of, and engagements with, hundreds of companies, we've learned that the world's most successful organizations have made one significant commitment. In addition, these companies systematically addressed five areas of their business with an open mind, earning them sustainable success, quarter after quarter, year after year.

The strategic commitment these companies made enabled them to *explode* their top-line growth opportunities and become indispensable to their customers by *viewing their business from the perspective of the customer*.

We also discovered that a company adopting the customer's perspective in everything it does is the *easiest decision to make*, yet the most *difficult to consistently execute*.



The Customer's Perspective

To truly make your company indispensable to your customer you must consistently take the perspective of the customer. Your company should adopt the 3 Ps:

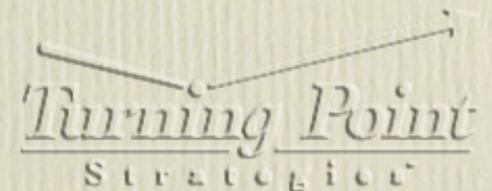
- 1. Perspective** - The ability to look at the entire business from the perspective of the customer.
- 2. Periphery** - The ability to look beyond your company's abilities and even beyond the customer's basic needs, to spot trends and innovations from outside your industry.
- 3. Persistence** - The ability to systematically learn from your customers, your industry and society, and *apply your learnings* to all aspects of your business.

It's About *More*

The second part of the formula for successful companies addresses five distinct areas of business that *explode* and *sustain* top-line growth. By open-mindedly addressing these five areas, you'll attract *more* qualified prospects, convert *more* of them to customers, retain *more* of them for a longer period of time, and sell *more* products to them for a premium.

We've developed a model which illustrates these five areas. It defines the difference between a company's *actual* growth performance and the company's *potential* growth performance. We call it the Growth Gap™.

Let's start with a basic business formula.



Business 101

If...

$$\text{Profit} = \text{Volume} \times (\text{Price} - \text{Cost})$$

...then...

$$\text{Profit} = (\# \text{ of Customers} \times \# \text{ of Transactions}) \times (\text{Price} - \text{Cost})$$

...then...

$$\text{Maximized Profit} = (\# \text{ of Prospects} \times \text{Conversion \%}) \times (\text{Purchase Frequency} \times \text{Avg. Items Purchased} \times \text{Avg. Price Paid}) - (\text{Acquisition Costs} + \text{Operating Costs})$$

...agreed?

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The *Real* Opportunity

$$\text{Maximized Profit} = (\# \text{ of Prospects} \times \text{Conversion \%}) \times (\text{Purchase Frequency} \times \text{Avg. Items Purchased} \times \text{Avg. Price Paid}) - (\text{Acquisition Costs} + \text{Operating Costs})$$

As you can see in the formula, there are 7 data points which translate into maximizing profit. Two of them are **bottom-line** based and 5 of them are **top-line** based.

Many companies have blinders on when it comes to maximizing profitable growth. They focus diligently on squeezing out as much cost savings as possible (*beat up suppliers, layoffs, slash marketing and training budgets, etc.*) by concentrating on improving the 2 **bottom-line** metrics.

The *real* opportunity for *explosive* growth lies in addressing **top-line** metrics.



5 Missed Growth Opportunities

**Maximized Profit = (# of Prospects x Conversion %) x
(Purchase Frequency x Avg. Items Purchased x Avg. Price Paid)
- (Acquisition Costs + Operating Costs)**

of Prospects = The Prospect Gap™

Conversion % = The Customer Gap™

Purchase Frequency = The Loyalty Gap™

Average Items Purchased = The Expansion Gap™

Average Price Paid = The Margin Gap™

The 5 Growth Gaps

The Prospect Gap™ - The opportunity to attract more qualified prospects.

The Customer Gap™ - The opportunity to convert more prospects to customers.

The Loyalty Gap™ - The opportunity to maximize the number of purchasing occasions.

The Expansion Gap™ - The opportunity to sell additional ancillary products to customers.

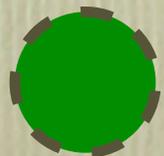
The Margin Gap™ - The opportunity to maximize the price per purchase.

Most Companies Fall Short in
Maximizing At Least 2 or More
Growth Gaps™

The Growth Gap Model



The white area represents your company's *current* growth rate. The colored area represents your company's *potential* growth rate. Your goal is to expand the white area, "close the gap" and maximize your company's top line in each of the 5 growth areas.



= Potential Growth



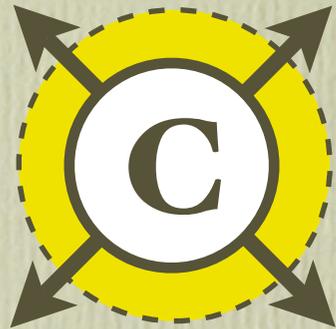
= Actual Growth

Mission: Close the Gaps



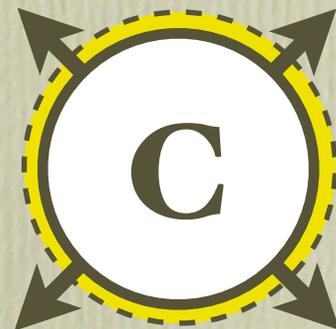
Close The Prospect Gap

↓
Maximize the # of qualified prospects in the pipeline



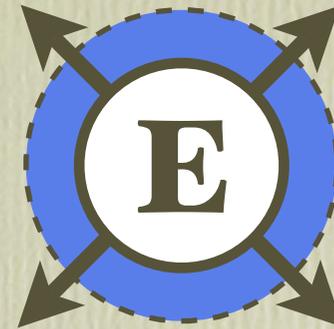
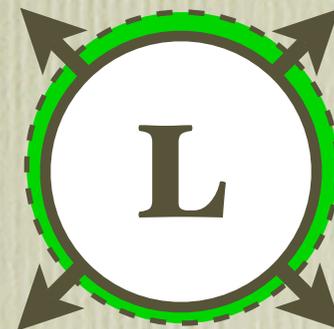
Close The Customer Gap

↓
Maximize conversion % of prospects to customers



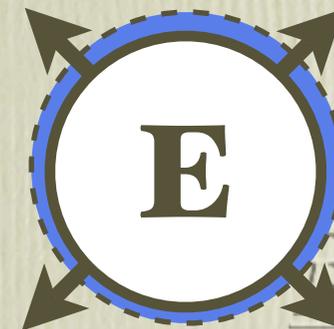
Close The Loyalty Gap

↓
Maximize purchase frequency



Close The Expansion Gap

↓
Maximize purchase of additional products



Close The Margin Gap

↓
Maximize price per product or service



The Prospect Gap



Close The Prospect Gap



Maximize the # of qualified prospects in the pipeline



Misconception #1 - *Casting a bigger target market “net” will attract more qualified prospects.*

Truth - *A narrower market focus is better than a broader market focus to attract more qualified prospects.*

Optimal Strategy - *Discover the most qualified, available, profitable segment of the market and target their pain.*

The Prospect Gap

Imagine having so many prospects at your doorstep that you can pick and choose your best prospect and sell only to them. Companies who successfully close The Prospect Gap have this luxury.

By targeting the pain of a specific market segment, you appear as an expert to them. They will, in turn, be attracted to your solution like a magnet.

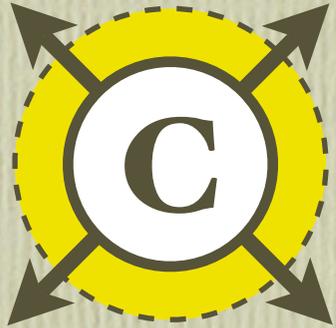
This target market segment should be profitable for you to serve, and you should have the internal capacity to consistently solve their pain and satisfy their needs.

The Prospect Gap

Subaru automobiles sold 104,000 cars in the U.S. in 1993. At that time, they were following the lead of other car manufacturers, and having a difficult time penetrating the American car market.

The CEO made the decision to focus on a specific target market segment - drivers who wanted 4-wheel drive vehicles. Based on that decision, Subaru stopped producing 2-wheel drive vehicles, and continued to produce only 4-wheel drive vehicles. By 1998, they had sold 148,000 cars in the U.S. at a premium price. To their target market, Subaru was perceived as the expert in producing 4-wheel drive vehicles.

The Customer Gap



Close The
Customer Gap



*Maximize
conversion % of
prospects to
customers*



Misconception #2 - *Instituting better closing techniques is the key to closing more sales.*

Truth - Building *massive value* into the pitch is more valuable than improving closing techniques.

Optimal Strategy - Demonstrate to your prospect why you're uniquely qualified to solve their problem.

The Customer Gap

The best type of sale is made in the mind of the prospect before a “close” is ever approached. Imagine having built such overwhelming value into your communications to prospects, that your sales people become *consultative order-takers*, rather than *pitching machines*.

Conversion rates skyrocket simply by being in front of the right prospect, and presenting the right solution to their problem. The key lies in crafting your product or service attributes and messages around uniquely solving the prospect’s problem. In short, you become the *default choice* for your chosen target market.

The Customer Gap

One company who converts a large % of their prospects to customers - and does so with virtually no advertising or “selling” - is Starbucks.

Starbucks saw an opportunity in America to fill a specific need for a specific market - young, urban professionals. They were successful in creating a “third place” - not home, not work, but a third option where like-minded individuals could congregate.

Starbucks’ ability to consistently get \$4 for a cup of coffee is a perfect testimonial to their success.

The Loyalty Gap



**Close The
Loyalty Gap**



*Maximize
purchase
frequency*



Misconception #3 - *Customer satisfaction is the key measure of customer loyalty.*

Truth - *Customer delight, not just satisfaction, is the key measure of loyalty.*

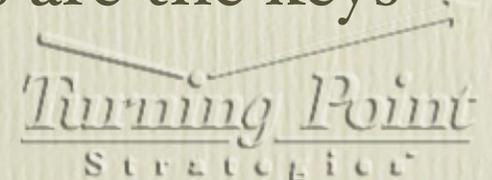
Optimal Strategy - *Maximize product and service quality standards to exceed customer expectations.*

The Loyalty Gap

Customer loyalty can be measured in two ways. The first is purchase frequency - how often a customer makes a purchase. The second is how many purchase occasions occur over the lifetime of the customer.

What would happen to your top line if you were able to get a significant % of customers to increase their number of purchase occasions from once a year to once a quarter? And, what if you were able to retain that customer for *10 years* instead of *2 years*?

Building proprietary value into your offering and consistently exceeding customer expectations are the keys to retaining your best customers.



The Loyalty Gap

Apple has built a voraciously loyal following in the music-buying market. Their innovative iPod and proprietary iTunes software have revolutionized the music industry.

Other MP3 players and download options are available to the market, but Apple's tireless focus on simple, elegant design and their easy-to-use interface has allowed them to capture a 76% of the music player market, and a nearly 70% share of the music download market.

Their closest competitor in each category owns less than 11% of the market.

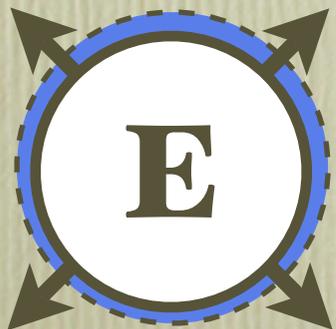
The Expansion Gap



Close The
Expansion Gap



*Maximize
purchase of
additional
products*



Misconception #4 - Targeting more prospects and increasing purchase frequency are the only ways to sustainably grow the top line.

Truth - Solving your customer's problem *completely* is better than targeting more prospects.

Optimal Strategy - Introduce ancillary and *relevant* products and services to further solve your customer's problem.

The Expansion Gap

Increasing the number of products and services purchased at each occasion is possibly the biggest missed opportunity for companies looking to grow the top line.

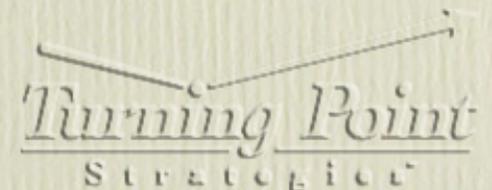
By truly understanding your customer and their peripheral needs, you are able to sell additional offerings to further solve their problem.

Be sure to expand from your core. Your additional offerings must be perceived by your customer as relating to your company's core strength.

The Expansion Gap

Cardinal Healthcare was in the healthcare supplier business, where their margins were as thin as 1%. Wanting to break out of the commodity mold, they instituted a program to immerse themselves into the lives of their customer - the overworked, understaffed healthcare provider.

They discovered a broken system, uncovering an inefficient process of getting the product from the supply room to the patient. Cardinal then became a logistics expert in creating systems to deliver the right product to the right patient at the right time. They also created new, conveniently packaged products which resulted in growing their marketshare from 4% to 29%, and doubled their margins.



The Margin Gap



Close The
Margin Gap



Maximize
price per
product or
service



Misconception #5 - The best way to sell more product is through promotions and lowering prices.

Truth - Building higher perceived value, *not lowering prices*, is the way to increase purchases at a higher price.

Optimal Strategy - Develop and introduce a value-based pricing model.

The Margin Gap

The world's most successful growth-focused companies command a price premium in their category.

There exists a combination of factors which allow you to demand higher prices. The most significant of these factors is a proprietary differentiator.

A proprietary differentiator virtually allows you to be a monopoly in a specific market. This differentiator may be a unique production process, a new or unique business model, or a certain cache that only your brand possesses.

The Margin Gap

Harley Davidson demonstrates this concept well. Through a purposeful and consistent strategy, Harley Davidson has carved out a position in the market which enables them to charge a significant premium in the motorcycle category.

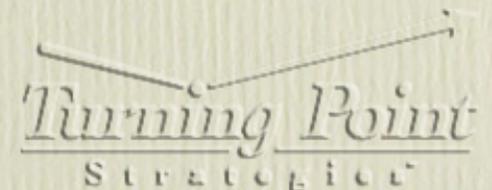
When it comes down to it, a motorcycle is a collection of parts which, when assembled, provides transportation for its user. However, through savvy marketing, Harley Davidson raised their profile to more of a religion than a motorcycle company. They've successfully positioned themselves as the preeminent *“source of freedom and independence for the 45-year-old accountant.”*

The Power of Multiple Improvements

The real value in focusing on the 5 top-line growth areas comes from multiple improvements.

While you certainly can close each of the gaps somewhat by putting certain emphasis on specific areas of the company (*for example, focusing on improving customer service to increase customer loyalty*), the real payoff comes from making the commitment to become a *Growth Driven Organization*...which results in *explosive* top-line growth.

A *Growth Driven Organization* is the ultimate destination for business. It possesses the discipline to build and sustain growth in *all areas* of the company.



The Power of Multiple Improvements

For instance, if a \$10,000,000 company could close each of the 5 **top-line** Growth Gaps™ by only 3%, they would grow their top-line by an *explosive* \$1,592,740 (or an *additional* 16%).

A 5% increase in each of the 5 areas would grow their top-line by \$2,762,815 (or an *additional* 27%).

A 10% increase in each of the 5 areas would grow their top-line by a *staggering* \$6,105,100 (or an *additional* 61%).

Growth Gap Styles

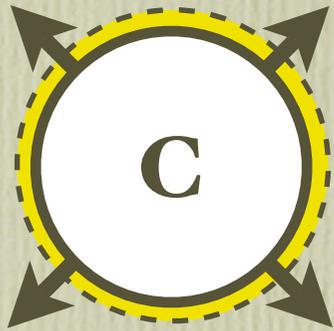
We've discovered that most companies fall into one of six style categories.

1. The Growth Driven Organization
2. The Marketing and Sales Driven Organization
3. The Innovation Driven Organization
4. The Commodity Driven Organization
5. The Specialty Driven Organization
6. The Turnaround Organization

I. The Growth Driven Organization



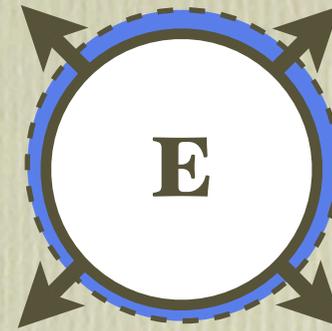
**The
Prospect Gap**



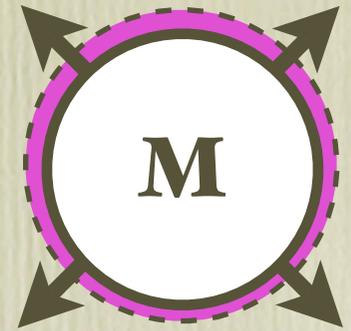
**The
Customer Gap**



**The
Loyalty Gap**



**The
Expansion Gap**



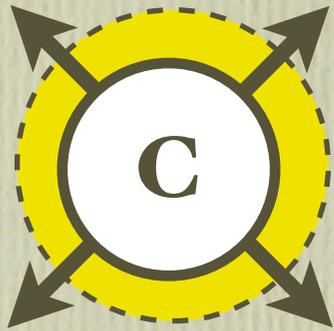
**The
Margin Gap**

This is the best type of company that exists. This organization attracts the best prospects, converts more of them to customers, wins their loyalty, sells additional products to them, and does so at a premium price. It's the ultimate destination for businesses who make the decision to focus on growth in all areas of the organization.

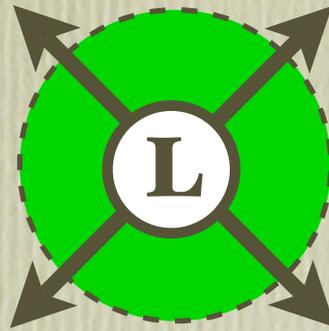
2. The Marketing & Sales Driven Organization



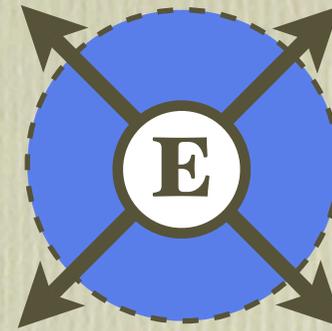
The Prospect Gap



The Customer Gap



The Loyalty Gap



The Expansion Gap



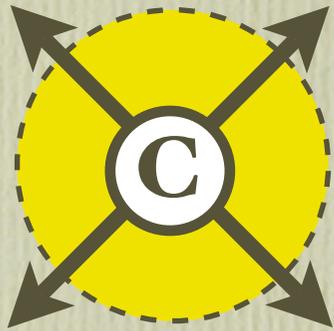
The Margin Gap

This company has a solid marketing and lead generation system and a strong sales force. But after the prospect becomes a customer, it's only a matter of time before they migrate to a competitor. This is a typical “sales focused” organization, which fuels business with new clients, but fails to retain them. Customer service, R&D and operations are not top priorities in this type of company.

3. The Innovation Driven Organization



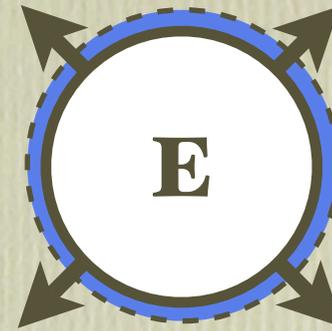
The Prospect Gap



The Customer Gap



The Loyalty Gap



The Expansion Gap



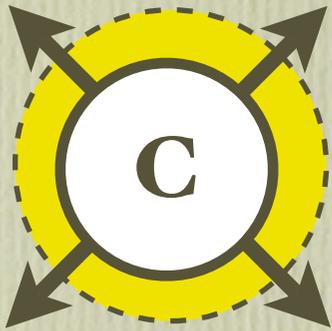
The Margin Gap

This company is built on R&D. They continuously strive to create new and innovative offerings, and typically demand large margins. The drawback is they often create for the sake of creating, and *then* try to find a market to fit into, rather than focusing on solving an existing problem in their specific market. This type of company often creates line extensions that either fail to further solve the problem of a specific market, or they create something outside of their perceived realm of expertise.

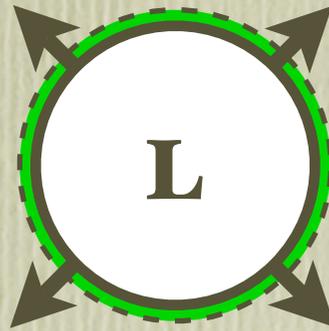
4. The Commodity Driven Organization



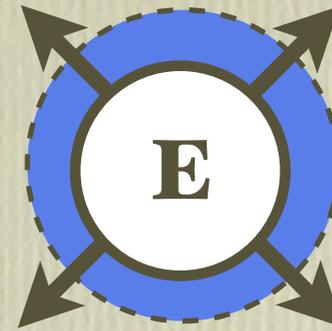
**The
Prospect Gap**



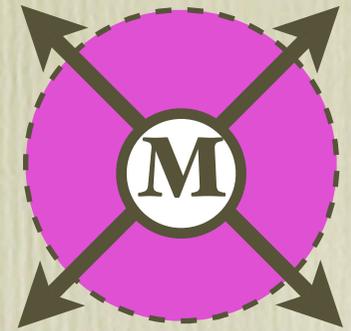
**The
Customer Gap**



**The
Loyalty Gap**



**The
Expansion Gap**



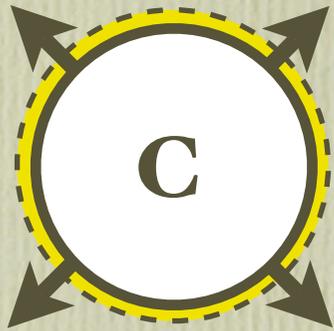
**The
Margin Gap**

This company believes their customers focus solely on price, and will do anything in their power to satisfy the customer - even if it means lowering their price by ridiculous amounts. They attempt to offer any and all additional services to milk the most pure revenue from the customer. We call this the “everything-for-everybody-lowest-price-wins” syndrome.

5. The Specialty Driven Organization



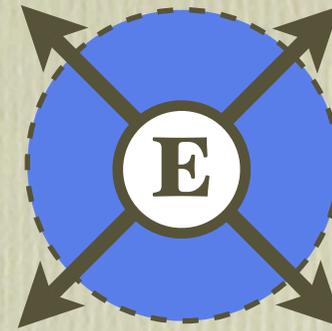
**The
Prospect Gap**



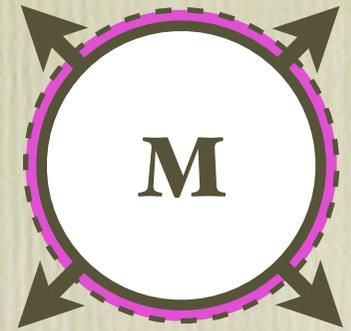
**The
Customer Gap**



**The
Loyalty Gap**



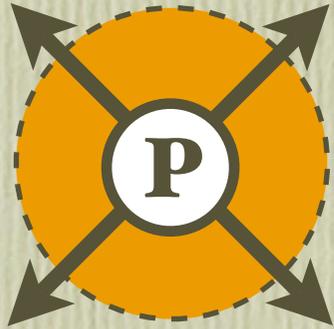
**The
Expansion Gap**



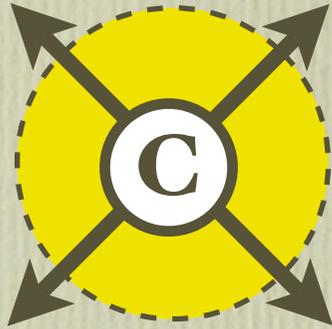
**The
Margin Gap**

This company has a truly great product, a great reputation for living up to their brand promise, and a tireless focus on steady growth. This company is primed to grow loyalty and top-line growth through expansion by uncovering additional ways to solve their customer's problems.

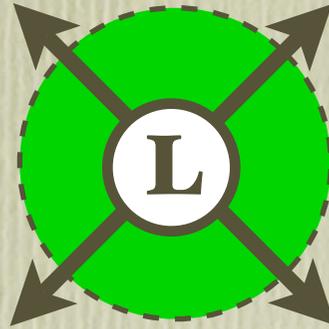
6. The Turnaround Organization



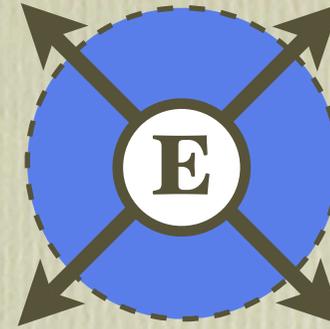
The Prospect Gap



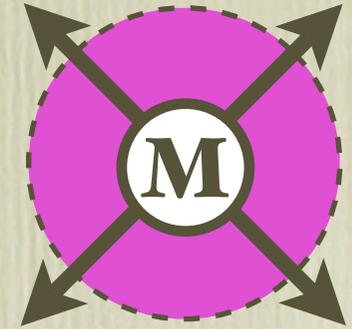
The Customer Gap



The Loyalty Gap



The Expansion Gap



The Margin Gap

This company is often headed for Chapter 11 or is emerging from Chapter 11. This organization has few customers, and the business model itself may need to be changed. Nothing is off-limits when reviving it. A complete overhaul and reinvention of the company may be in order. There are typically some key business components worth keeping to rebuild upon, but the new business will look drastically different than the previous iteration.

Next Steps

Each company is different, and has its own issues which prevent them from maximizing their growth opportunities.

You should not rely on *where you think* your company's Growth Gaps lie, or whether you are truly looking at your company through your prospect's eyes. Talk to front-line employees, customers, and prospects. Research competitor's strengths and weaknesses to objectively determine where you have the best opportunity to close the gaps, *explosively* grow your top-line, and become a *Growth Driven Organization*.

Final Words

Armed with this information, you have the unique opportunity for *explosive* top-line growth. By closing your Growth Gaps, you will drive your business forward, lead your market and become the ultimate destination in business...a *Growth Driven Organization*.

Make the decision today. Every day lost is a gift to your competitors.

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