

Smart Company: Growth Article

1. Growth is all about transaction velocity

In its crudest form, growth is simply growing revenue. Providing you maintain your gross margin, the more transactions you do, the more profit you make. But the smart companies work on several dimensions of growth at the same time. They want to increase their gross margin either by increasing their price and/or by decreasing costs. Increasing productivity of their sales effort by increasing prospect conversion rates and decreasing sales lead times also impacts the profitability. But the most effective strategy comes from focusing on a characteristic which incorporates many of these elements: transaction velocity.

Given a finite resource to devote to the sales effort, the high growth business directs its efforts to decreasing the time taken to close the sale. Every sale has a number of steps which the customer goes through before they actually hand over the cash. These stages of sale conversion each consume resources, but more especially consume time. If you decrease the resources used throughout the process, you can support more transactions. If you then reduce the overall time taken for a transaction to convert from interest to sale, you bring in revenue quicker, accumulate profit faster and thus grow quicker. So by focusing on the resources and time taken for each step in the sale process and optimizing each one in a systematic way is a systematic way in which growth can be proactively driven.

Many transactions require the customer to undertake many steps to get to the point of purchase. For example they might search for a product or service, gain an appreciation of competitive product and service offerings, evaluate the differences, identify points of supply, get references, perhaps try the product out, go through the purchase and take delivery. Thus, there are many steps in this process which can be improved. Your objective should be to make this as easy as possible but to move them as quickly as you can to purchase decision point. For example, an information dissemination system which enables potential buyers to decide not to buy, might allow greater resources to be devoted to the better qualified leads. You need to work out where to put resources into each step of the process that gains you the highest productivity of conversion.

Comparative marketing research has shown that high growth firms have higher referral levels, higher account penetration and lower marketing costs per unit of sale. They put more effort into satisfying their existing customers in order to cross-sell more products, increase the rate of usage of products and provide a solid base for referrals. They know that prospect fear about making the wrong decision is the biggest impediment to closing a sale. By having their existing customer willingly refer them to others, take part in case studies and conference articles, they can substantially reduce this obstacle in the purchase decision. They thus spend much less on getting a sale and reduce the time from interest to purchase.

Break your own customer purchase decision down into the many steps the customer goes through to make a decision and then put the effort in to improve the productivity and

reduce the time of each step. The end result will be to increase transaction velocity – the key to growth.

Tom McKaskill

www.tommckaskill.com

©Copyright 2008 Tom McKaskill