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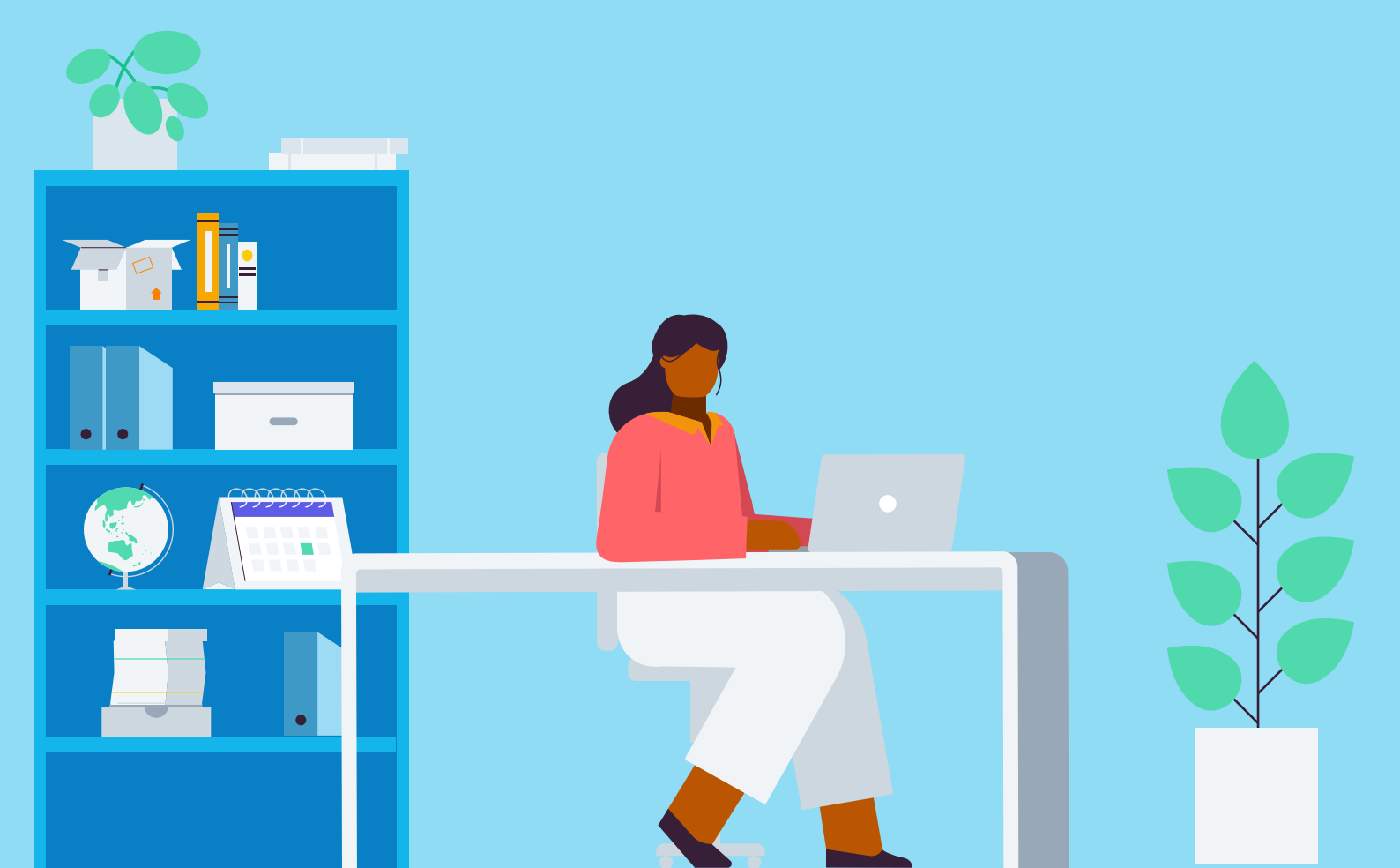
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xero

Your guide to growing your business





Your guide to growing your business

Business running smoothly and ready for a new challenge? Learn what goes into growing a business and get ideas to help you take the next step.

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1

Pages 1-2

Stages of business growth

2

Pages 3-5

**Write a business
development plan**

3

Pages 6-8

Examples of business KPIs

4

Pages 9-10

How to increase sales revenue

5

Pages 11-13

**Expand your business
into new markets**

6

Pages 14-15

**Where to next? Tools and
guides for your business**

1

Stages of business growth

Stages of business growth

Before you leap into growth, it's a good idea to think about where you've come from. Find what stage of business growth you're at to learn what challenges you'll face (and get tips to overcome them).



Startup



Growth



Expansion

Launch and learn: the startup stage

This is a tricky stage even when things start slow. But some businesses need to grow straight away.

Challenges you faced

Most startups are trying to get established in the market, work out supply chain wrinkles, and stay within their budget.

Strategies that helped

- Keep a close eye on your cash flow
- Focus on your immediate goals
- Adapt to feedback from your customers

Check out our guide on [how to start a business](#) to learn more about the startup stage.

Sure and steady: the early growth stage

Established businesses ideally start to see consistent customer and revenue growth.

Challenges you'll face

Now is when you need to meet the demands of increasing sales and customer numbers. Dividing your time between day-to-day jobs and big-picture growth can be a tough challenge.

Strategies to help

- Formulate a business growth plan
- Nail down your processes and make them more efficient
- Set up effective management and reporting systems
- [Hire people](#) who can free you up to lead the business strategy

Bigger and better: the expansion stage

Once your business is humming along – with solid cash flow and good processes – you can pursue more opportunities. The trick is in choosing the right ones.

Challenges you'll face

Getting more customers, expanding into new markets, and developing new revenue streams will be the main challenges at this stage of business growth. Plus you'll probably have people to manage.

Strategies to help

- Plan carefully so you identify a strategy that gives good return on investment
- Be realistic about what you can achieve with the resources you have
- Focus on areas that complement your existing strengths rather than areas with increased risk

Navigating the stages of business growth

Every business is different. You may be content with the stability of steady growth and choose not to expand in a big way, or you may skip the gradual growth stage altogether and go straight to more rapid expansion. Whatever stage your business is currently in or whichever you choose next, understanding each stage can help you anticipate the challenges and increase your chances of success.

2

**Write a business
development plan**

Now that you're in the growth stage of your business, it's time to get to work. Set things in motion with a business development plan.

What is a business development plan?

A business development plan sets goals for growth and explains how you will achieve them. It can have a short-term or long-term focus. Review and revise your plan as often as you can. And keep building on it as your business evolves.

How to write a business development plan

Your business development plan is your roadmap to growth, so make it clear, specific and realistic.

What to include in a business development plan

1. Opportunities for growth

Identify where growth will come from – whether it's in creating new products, adding more services, breaking into new markets, or a combination of these.

2. Funding plan

Determine how you'll fund your business growth. How much capital do you already have? How much more do you need and how will you get it?

[Check out our guide on financing your business.](#)

3. Financial goals

Work out what revenue, costs and profits you'll have if things stay the same. Use those numbers as a basis for setting new, more ambitious financial goals.

4. Operational needs

Identify what things about your business will need to change in order to achieve growth. Will you need extra people, more equipment, or new suppliers?

5. Sales and marketing activities

Figure out what sales and marketing efforts will effectively promote growth and how these efforts will change as the business gets bigger and better. Make sure your sales and marketing plan is sturdy enough to support your growing business.

6. Team needs

You may need people to take on some of the tasks you've been doing. Think about what parts of running the business you enjoy most – and you're good at – and what parts you might want to delegate to others. And give some thought to the culture you want to develop in your business as it grows.

[Check out our guide to hiring staff](#)

Avoid these common business development mistakes

- Thinking short-term instead of long-term
- Underestimating how much money it will take to grow
- Not budgeting enough money to cover the costs of growth
- Focusing on too many growth opportunities: think quality, not quantity

Micro-planning can keep you focused

You may want to create some micro-plans for specific growth projects so their details don't get overlooked. And you can build in some [KPIs](#) to measure your progress and successes. As your business grows, take note of your progress and make periodic adjustments to your business development plan to make sure it's still relevant.

Support is out there

Remember you're not the first to go through this. Seek out mentors, advisors or other business owners who can help you with your planning. [Your accountant or bookkeeper](#) may also be able to help or point you in the direction of the right people.

See sample business development plan on next page.



A sample business development plan



Usual Suspects Clothing Company

We create beautiful, ethical clothing at affordable prices, for essential wardrobe basics.

Growth opportunities

- Extend the range of clothing sizes for adults
- Offer kids and baby clothes
- Partner with other ethical and sustainable businesses for bulk orders
- Local bricks-and-mortar sales channels

Funding

Current capital: £70k

Funds needed: £120k

Funding source: Sales, debt financing, investors

Financial projections



Operations

- New sewing machines for extra staff
- Improved payroll system
- New suppliers for kids clothing fabrics and hardware
- Upgraded packing area

Sales channels

- Website
- Pop-up shops
- Markets
- Retail outlets as distribution channels

Marketing activities

- SEO (content and blogging)
- Paid search (Google Adwords, Facebook ads)
- Social media marketing campaigns (contests, giveaways, exclusive offers, community building and engagement)
- Get in touch with digital and print magazines to promote our story, values, and ethically produced clothing

The team



Founder



Manager



Designers



Operations Manager



Sales & Marketing Manager

- Need to improve designers' skills in creating designs for kids and babies and grading patterns to accommodate a wider range of sizes
- Need to train the operations manager and sales & marketing manager in how to manage growth



Designer:

Experience designing for a wider range of sizes and kids and baby clothes



Customer Care Specialists:

Respond to customer inquiries, resolve customer issues, guide customers through the buying process



Social Media Manager:

Manage social media marketing and growth



Finance Manager:

Manage invoicing, payroll and procurement

Opportunities for growth (new products or services, new markets, and other opportunities)

Funding needed for growth

Financial goals and projections

Operational needs

Sales and marketing activities

Your current team and their needs

People you need to hire and their skills

3

**Examples of
business KPIs**

Understanding your business performance will help you take the right steps towards growth. Business KPIs show where you are, and where you can go. Check out common examples of KPIs used by small businesses like yours.

Why use business KPIs

Key performance indicators (KPIs) allow you to measure important aspects of your business. They show how it's performing, and can be used to track progress towards goals. KPIs can be related to:

- efficiency – to ensure you're not wasting effort
- customer satisfaction – to ensure they keep coming back
- sustainability – to manage impact on people and planet
- finances – to grow the business

As this guide is focused on growth, the following KPI examples deal with finances.

Common financial KPIs

KPI examples for financial growth:

- **Revenue growth**
Lots of businesses want to get more money in the door, either from making more sales or making higher-priced sales. Ideally this revenue growth will filter through to increased profits.
- **Profit growth**
Why wouldn't you want more money in your pocket, after costs and taxes are deducted? Bigger profits means bigger rewards for your efforts. This is money you can use to finance further growth, or money you can keep as an owner.
- **Profit margins**
This is the portion of sales income that stays in the business after costs have been paid. This number indicates how effective your business is at generating profit from revenue and can help ensure your pricing is right.
- **Cash flow**
Improved cash flow lets you pay bills on time, reduces your stress levels over meeting payroll (or being able to pay yourself), and allows you to set aside money for growth.

- **Accounts receivable turnover**

This shows how many invoices are paid in a given period and indicates how good you are at getting paid. Faster accounts receivable turnover improves other indicators like cash flow.

While these financial KPI examples are often used in any type of businesses, certain industries have additional measurements.

Retail KPIs

Common retail KPI examples:

- **Average transaction value**
Shows how much customers spend when they make a purchase with you.
- **Stock turnover**
Tells you how much stock is reordered in a given time period. A low turnover means you might be over-ordering. A high turnover means you run the risk of running out of stock.
- **Foot traffic**
This is the number of people who walk into your shop and can measure the attractiveness of your location, shopfront, and the success of your advertising.

Manufacturing KPIs

Common manufacturing KPI examples:

- **On-time delivery**
Shows the percentage of orders delivered on time. The aim is to have 100% delivered on time in order to maintain customer satisfaction and trust.
- **Production volume**
Indicates how much you're able to produce over a certain period. It shows how much demand you can meet.
- **Production costs**
Measures all the contributing costs of delivering your goods or services. It can reveal where money might be saved, for example, by finding an alternative supplier.

Examples of business KPIs

Consulting/professional service KPIs

Common professional services KPI examples:

- **Project overrun**
This shows how your actual costs (or hours) compared to what you budgeted. Overruns are red flags for estimating or project management problems.
- **Utilisation**
Tells you what percentage of your total available hours you're spending on billable projects. Too low a percentage could indicate your admin needs streamlining.
- **Revenue per billable consultant**
This is a measurement of productivity. Decreases in revenue per consultant can point to resourcing problems.

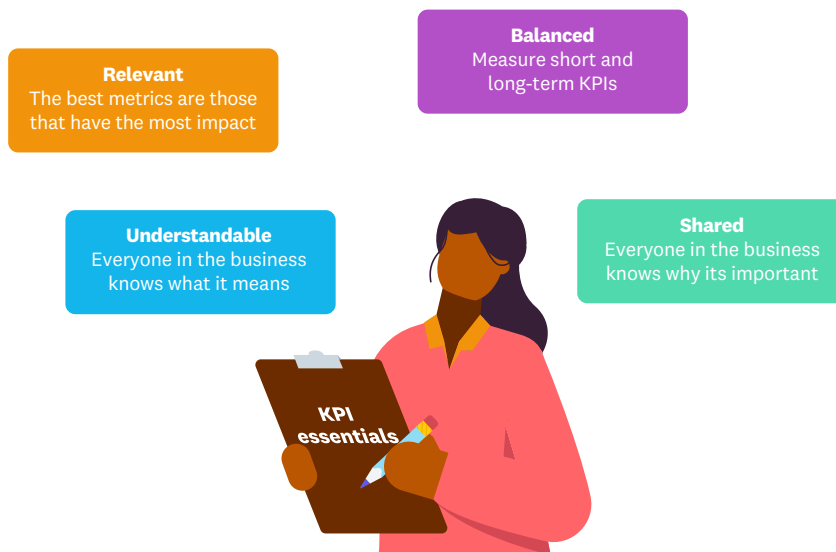
Construction industry KPIs

Common construction KPI examples:

- **Number of defects**
This shows how many faults need fixing. Defects cut into your profitability and can diminish customer satisfaction.
- **Planned hours versus actual hours**
Higher actual hours will mean labour costs are eating into your profit margin.
- **Cost variance**
Tells you your actual costs compared to what you budgeted. Keeping track will help you better budget for your next project.

Choosing the right KPI

Whether you use some of these business KPI examples or choose others, make sure your KPIs are understandable, relevant, shared and balanced.



Start by measuring your current level of performance as a benchmark. Set a goal to improve. Measure and report on your progress as you go. If progress is slow, dig around to find out why.

Get help with business KPIs

An expert can take you through dozens of business KPI examples and help choose the right ones for your business. [Find an accountant or bookkeeper](#) to help. Ask questions and make the most of their expertise.

4

**How to increase
sales revenue**

Increasing sales revenue is one obvious way to help grow your business. But how do you sell more? Will you need to find more customers? And what if you have to raise prices?

6 ways to increase sales revenue

1. Learn from your customers

Check in to see how your customers are getting on. Do they have new problems that you can solve? There may be fresh opportunities right in front of you. Also ask what they like about your product or service, and what could be better. Do more of the good things and fix the shortcomings to broaden your appeal.

2. Introduce a loyalty or rewards programme

It may require extra admin to offer loyalty rewards, but it can help increase repeat purchases from existing customers, while spreading the word about your brand.

Loyalty:

- Sign up for our loyalty programme and get 10% off on each purchase over £150.
- Get 20% off on your birthday.

Rewards:

- Sign up for our rewards programme and get 100 points.
- Get a £20 voucher for every 200 points earned.
- Refer a friend and get 150 points.
- Get one point for every £1 spent.

3. Bundling and sales promotions

Bundling related products or services is a popular way to increase sales revenue. The idea is to encourage a bigger sale by giving customers a deal. For example you might offer a half-priced bucket to anyone who buys a mop. Your profit from bucket sales will go down, but the overall transaction value will go up.

4. Host events

Invite your customers or clients to events like launch parties, new season previews, demonstrations, or information evenings. There are lots of options. You just need to know what will appeal to your target customers. Events like these often come with built-in sales opportunities.

5. Get involved in your community

Ever wondered how to increase sales to the potential customers that walk past your door every day? Try going out into your community. Sponsoring or taking part in a local event can raise your profile. Make sure it's something that aligns well with your product or services and your target market.

6. Increase your prices

Raising prices can increase sales revenue so long as people keep buying. Of course, a price hike can also bother your customers so do it right.

Provide enough notice, and give your customers a chance to buy (or renew contracts) before the price increases. Let your customers know of any additional value you'll be offering in return for the extra cost. For example, you might offer extra services or support, more availability, or a shorter turnaround time. Demonstrating improved value will help your customers accept a price increase.

Increasing sales revenue is half the job

Boosting sales will generally bring more money in the door, but you always need to balance that against costs. If costs go up just as fast, then your profitability will suffer and you may end up working harder without being much better off.

Accountants and bookkeepers can run the numbers and help you figure out how to increase sales without giving up profit.

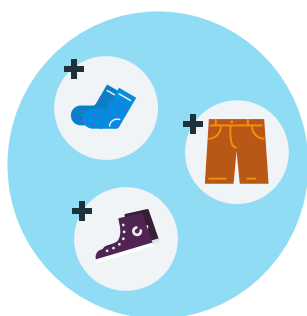
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**Expand your business
into new markets**

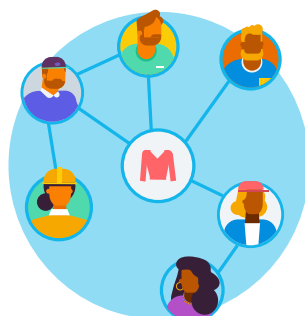
Expand your business into new markets

You can grow your business by selling more things to more people, or fewer things to fewer people. Let's look at how.

Three ways to expand business



Offering more products or services



Reaching more people



Developing a niche

But first, are you ready?

Think about the overall impact of expanding your business. Can you do it comfortably? Will it cause you financial strife? Will it fit with the culture you've created? Answer these questions honestly before diving in.

Offering more products or services

You could expand your business by selling a wider range of goods or services. Of course that only works if people buy those extra things, so think through your decision.

- **Listen to your customers**

Ask what customers want. They may suggest new things to sell. Or they may use your existing products and services in novel ways – which will give you marketing ideas.

- **Build on market trends**

Read trade magazines and trend reports to learn what others are doing. Or look to comparable industries for inspiration. How are they better serving customers?

Reaching more people

You could expand your business by broadening your target market to give you a larger group of potential customers.

- **Go into new places**

Expanding your geographic focus can introduce you to lots of new customers. You can keep selling the same types of things to the same kinds of people – you just have a bigger audience. But of course this will increase your marketing costs and may require you to open new shops.

- **Target new customer segments**

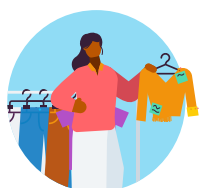
Do some research to see who else would use the products and services you sell. You may be able to sell to a whole new set of customers without opening a new store or offering extra products.

It can cost a lot to expand business in these ways, so check that the returns will be worth it. Professional market researchers can help forecast the increased sales you could expect from your investment.

Expand your business into new markets

Choose your mode of entry

There are a few ways to expand your business into a new market.



Build

You can do everything yourself – whether it's testing new products and services, developing new market segments, opening new locations, or setting up an online store.



Buy

You can expand faster by acquiring other businesses that already do the things you want to do. You will see quicker results but of course the initial costs are generally high.



Partner

You might work with a distributor or another business to try new things. This allows you to share some of the risk. But these arrangements can get complex and you'll need a legal agreement.

Develop a niche market

Rather than going broader, you may want to go narrower and develop a niche market. This approach can make your business the go-to for a specific category of products or services. You're likely to face less competition, and you'll become really efficient at what you do.

It's worth forecasting the size of your target niche market before committing too heavily. It needs to be able to support your long-term growth goals. You may need to gear up to trade online as that allows you to service a niche customer base across a wider area.

Do you have the resources to expand business?

Expanding generally involves doing more. More sales, more customer service, more marketing, and more paperwork. Your processes, systems, and people will come under pressure. This is what it means to 'scale up'. Invest in your business and develop the resources you need to grow.

Build and educate your team

Growing your business may mean growing your team. You may need to develop a new layer of management and consider ongoing professional development for them. Having your team fully onboard with your plans will make growing your business go much more smoothly.



6

**Where to next?
Tools and guides
for your business**

You're all set to grow your business. But with so much to keep track of, it can get overwhelming. Xero's got resources and solutions to help.

Free resources for small businesses

Guides

Handy tips and tricks to help you in your life as a business owner.

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