

Growing your business UP, not OUT

Mastery of the fundamentals (your primary service) produces some of the greatest accomplishments.

by Ed Wandtke

■ Many green industry companies were founded on the principle of delivering one prime service to customers. But when the company's rapid growth slowed down, the owner often looked at additional services his or her company could effectively provide to customers.

In 1992, I saw many companies re-evaluate their service diversification because their profitability was diminishing.

Why should your company look at "growing up, not out?" Are there real opportunities in diversification, or are there catastrophes waiting to befall the unsuspecting? Let's look at some of the issues you need to consider to determine what direction is right for your company in 1993.

So often, people expand their service base and have not considered some of the critical issues of expansion like credibility and marketing. Does your company really have any expertise or special skills that would allow it to enter this market if this service were your primary business? Who will you target this new service to, and what do you hope to accomplish? How does this affect your overall marketing plan for future growth?

Pool problems—Recently, I met an owner of a lawn care company who primarily services the very high end of the market. His lawn care program is six applications with aeration in the fall. He is priced extremely high, but his customers are thoroughly satisfied with his service.

As growth slowed down last year, he noticed many—approximately 40 percent—of his customers had swimming pools. As a result, he decided to offer pool maintenance services. His customers quickly responded and the business was rolling.

However, in mid-summer he realized that most of his customers' pools were

greener than their lawns. He needlessly lost valuable customers and the new growth quickly turned around. Today, he is back to strictly lawn care, even though his customer base hasn't completely recovered.

Iffy below 50!—I have a rule of thumb for businesses looking to expand. If the new service cannot bring in at least \$50,000 worth of new business, it is not a good area for expansion. I have found that until a company hits the \$50,000 mark, there are no efficiencies that make the new service an attractive add-on.

As lines of business expand, problems expand geometrically. For example, if you have a paperwork problem with one service offering, then with four service offerings you will have 16 times the problems.

After 15 years in the green industry, I've found that the true reason businesses expand into new services are typically the following:

1) Market problems: Companies that cannot attract new customers very effectively decide to service the same customer more often. Putting too many eggs in one basket can become very risky to a small business.

2) Service deficiency: Unfortunately, few owners realize that they are not quality service providers. Customer cancellation patterns and employee turnover should tell an owner how bad his service really is.

3) Competition: The company has underestimated the level of competition in

the market for the services they provide. As a result, they find it easier to offer what others don't. (How long do you think it will take before your competition realizes this too?)

4) Soft market: The area in which the business operates is economically soft. Perhaps opening a second location in a more viable economic area could be an alternative.

Offering a new service is not the wrong thing to do, as long as you have considered its marketing implications.

I believe that too many firms try to provide everything to everybody instead of targeting a particular market niche and working at it. Throughout history, mastery of the fundamentals (your primary service offering) has produced some of the greatest accomplishments.

In sports, teams with the winning traditions are always teams that master the fundamentals. In the green industry, ChemLawn of the late '70s and early '80s was the fundamental master of the lawn care industry. Today, Barefoot Grass seems to understand the importance of mastery of the fundamentals, as evidenced by its service offerings and successful growth.

If you are a full service company or considering offering a new service, make sure you have mastered the fundamentals of your service offerings. Constantly re-evaluating how you operate, what can be improved and what competition has arisen will be the keys to success.

As you begin the new year, you should make a commitment to "mastering the fundamentals."

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Before adding services, make sure you've mastered the fundamentals.