



The Possibility of Expansion



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Central to any good business plan is the possibility of expansion. I am working with a distributor who asked me to advise him on adding a new branch store. When I was part of a distributorship's executive team, we often met to discuss adding more locations. We found that careful research and good timing are critical to taking such a big step.

Considerations

Each business presents its own distinctive challenges when looking to expand. Here are some important factors to consider before opening a new branch.

- **New market potential** – A new location is often proposed by an existing customer or a new potential client. They indicate a willingness to do business if you have a store nearby. For example, a company running a large long-term construction site or a new manufacturer may be interested in your goods and services if they are readily at hand. In many cases, distributor vendors and other local businesses will request and encourage penetration

into the new market as well. Consider these collaborators when doing your market research for the potential site. A new branch is a large investment. **It is advisable to hire a consulting company that does data development for your industry to define all potential customers in the new area.**

- **Identify competition** – Strong distributors do regular strength, weakness, opportunity, and threat (SWOT) analysis of their competitors. Does a weakness in product availability, service levels, and/or other customer marketing analysis indicate a significant opportunity for your business? An important part of a business expansion strategy is identifying your competition in a new target market. Continuously monitor your competitors' activities. **Adapt your marketing strategies in ways that will differentiate you in this new market.**
- **An ideal location** – I've seen cases where a distributor's decision to expand to a new geographic location was based on the availability of prime property. This should not be your main consideration.



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Look for sites that attract customers with easy access and sufficient parking. A site that accommodates foot traffic can make a big difference. Your market analysis should also include an evaluation of customers currently coming to one of your existing stores that may be better served by the potential location.

- **Employment growth** – Do you have employees who are ready and looking for the next opportunity? Before opening another location, think about your current team and how they fit into your business expansion strategy. **Is your core support talent (administration, operations, and finance) encouraging you to expand?**

Some of my clients have opened a new location because a competitor has a number of qualified but disgruntled key employees ready to jump ship. Are you getting job applications that are attracting you to open at a new location?

- **Expanding your best business practices-** I have clients that have invested in the digitalization of their business with progressive ERP, eCommerce, product identification, sophisticated websites, and other software advancements. Since these practices are transferable, they can be employed in new locations. The distributorship I worked for realized its information technology development was considerably better than our competition's. **Our digital efficiency with best business practices allowed us to successfully expand**

our locations and market reach.

Financial opportunity – Do you have the revenue, profits, cash flow, and financing to support your business expansion strategy? A business that isn't consistently growing will potentially fail. Are you deploying your profit-producing assets by making acquisitions or adding more facilities? Your financial capacity should drive your investments and be a key part of your long-term growth plan.

- **Investigate local regulations** – There's a lot of paperwork associated with a new branch. **Don't forget to do your due diligence to secure permits, licenses, and registrations from local authorities.** Investigate area zoning laws and building codes. I have had clients who did not engage with local authorities early in the branch expansion process. They were frustrated by substantial construction-start setbacks while they waited for permitting and approvals.

Ready to grow

Business expansion should be an item that is always on the table for discussion. Adding new branch locations is a continuous consideration for a successful business. It requires disciplined planning and timing for maximum growth. If your business sees potential in the above indicators, you are ready to grow.

5 KEY TAKEAWAYS

1. Central to any good business plan is the possibility of expansion.
2. A new branch is a large investment. Hire a consulting company to help with research.
3. Adapt your marketing strategies in ways that will differentiate you in a new market.
4. Choose your location carefully and be sure you have the employment resources to support it.
5. Your financial capacity should drive your investments and be a key part of your long-term growth plan.