

SMALL BUSINESS MATTERS



Business Expansion: Does the Shoe Fit?
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Business expansion into new products and services should in most instances be much easier than business startup. Presumably, when you consider embarking on expansion you have already overcome the business startup phase, and maybe in your particular instance, you have been in business for years or decades. You may also have sufficient resources from cash, fixed assets, and/or have access to credit lines or other business financing. Furthermore you may have experience - “been there, done that”.

Whether you already have a well established business or a fairly new venture, whether you have a little business experience or decades worth, there’s one common consideration that must be made. *Does the shoe fit?*

No, you don’t need new footwear to prepare for the journey ahead. Rather, does the business expansion fit with your existing activity, products and services, your business sector knowledge, and so on. There are sometimes good or even great ideas, but a great idea does not mean a good business opportunity for you and your business. For instance, if your current business is as an industrial supplier selling to wholesalers and you plan to sell a whole different line of consumer products directed toward teenagers 13 to 18 years of age, then make sure you know that you may essentially be starting a whole new business from the ground up.

Why? In the hypothetical situation outlined here, you will have to start from scratch as your customer base has shifted. In your current business you are targeting wholesale distributors of industrial products and now you plan on selling consumer products targeted toward teenagers. This does not mean that the expansion is not worth pursuing, it just means that you have to evaluate how you intend on serving both completely different markets.

Sometimes the business opportunities are not as obviously completely different as the previous example used for illustration purposes. There are many opportunities that at first glance seem a perfect fit but below the surface lies deeper concerns that if not evaluated thoroughly up-front, you could end up underestimating the differences in the market, distribution of your products, staffing, training, and so forth. There could even be major costs not budgeted for associated with a missing key component that does not exist in your existing business for the expansion you have undertaken. The best way to approach this type of assessment is look at the daily processes and activities of your existing business and do the same for what will be required for your proposed expansion. Look for differences or gaps and then address them, that is, if it can be made to fit.

So what is the message here? Knowing exactly how a proposed expansion will interact with your existing business will help you better prepare, or at least, determine if you need to adjust your approach. So, if you like to make sure you buy footwear that fits comfortably, make sure you apply the same tactic when investing into and/or approach business expansion opportunities. No one likes sore feet!

For more information on business financing and other services of CBDC South Coast call 1-800-303-2232 or 538-3846.