Does Your Range Match Your Reach? *(IW Growing Companies, June 1998 issue, page 24)*

Two growth signals — marketing range and marketing reach — are tools that enable manufacturers to project growth scenarios. Marketing range and marketing reach are crucial indicators that can pinpoint the source of future growth, and how it will most likely occur.

Marketing range describes the breadth of your sales across the various segments that comprise the market. For example, an industry may have seven segments that range from small specialty wholesalers, to mid-sized distributors, to large national retailers. Twenty-five percent of industry sales may be concentrated among the 10 nationally ranked volume buyers at one end of the spectrum, while the remaining 75% is divided among the dozens of customers spread across the other six segments of the industry continuum.

Marketing reach measures how far your products have penetrated each individual segment within the range. For instance, the seven segments just described each contain a pool of potential buyers. Some are long-established; others up-and-coming, and a few might be new entrants. Your reach describes the percentage of buyers in each segment that orders your products. You might have sales from just 15% of the available customers in a given segment, or you may get orders from more than 90% of the available companies.

Here's how to use range and reach as accurate signals of future growth potential in your small manufacturing firm — and subsequently as a signal for the type and amount of capital you'll need to meet such growth. Periodically, determine how widely dispersed your revenues are across the

range of buyer segments in the market, and then measure the concentration of your sales reach in each segment.
A simple way to do this: On a series of drawing boards, delineate all the potential buyer ranges from your industry into several segments, using certain characteristics that profile typical buyers in each unique market segment. Next, list all the potential customers within each segment — from the smallest volume buyers down to the largest volume buyers — along with their expected annual sales. You may end up with five or six segments, and each of these will have a rank order (low sales to high sales) of dozens or more customer possibilities.

Now, take a yellow marker and highlight all of the customers that purchased your products at least once in the last two years, and write in the overall percentage that each contributed to your annual revenue. Step back from the wall and you will get an initial overview of your "prospective" range (across the entire market), and reach (in each segment of customers). You may find that your company's products are represented in some segments, while absent from others.

Next, using a green marker, circle all the highlighted firms that buy from you on a regular basis throughout the year. These core customers may represent a considerably smaller portion of the highlighted prospective buyers. Step back again. You will now see your core range (widely dispersed among the segments or isolated to one or two) and your core reach (shallow to deep in the individual segments, if represented at all).

The best possible growth signal is when sales (yellow highlights) are present in a wide range of segments with only a few core buyers (green circles) in each. Ideally, 20% or less customer reach in a given segment offers strong growth potential for further penetration. Another positive finding is to have thorough penetration in one segment (more than 60% reach), but limited or

no range in other segments. This offers growth potential to move into entirely new segments from a strong initial foothold you've established in your primary market segment.
A poor signal is when sales come from just one segment (no range) and only a few, small noncore buyers in that segment (no reach). With a red marker, target potential buyers in other segments (to widen your range) or untapped buyers within segments that your company has already penetrated, albeit superficially, (to deepen your reach).

Performing this color-coded exercise every quarter will provide some insights into growth potential, and force you to plan a growth strategy and capital requirements to secure new customers.