

Know your customer and grow organically

Transcript

SPEAKERS:

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Chris Smith, Chief Strategy Officer

WADE KRUSE: Hello, I'm Wade Kruse, National Managing Partner of Advisory Services for Grant Thornton. And today we're continuing our Growth Series and talking about organic growth. Joining me today is Chris Smith, our Chief Strategy Officer. Chris, let's talk a little bit about organic growth. I know we've kicked off this series talking about growth at a higher level. Let's put aside M&A and inorganic and let's talk about organic. So I'll ask the same question I did last time. What are the top considerations, top things you think about advising your clients on in organic growth?

CHRIS SMITH: Similar to the last conversation, I think about the dimensions of organic growth, the conversations I'm having with clients across all industries and all size companies, and again it comes down to three conversations. One has a heavy overlap on the broader growth conversation, which is knowing your customer. And for those of you who watched one of the first sessions on growth strategy in general, you heard me talk about reintroducing yourself to your customer. The pandemic has hit. It has changed the way we attract customers, retain customers, reach customers, and as we come out of this pandemic there's a huge opportunity to, again, reintroduce yourself, re-learn about your customer, so that you can actually be serving the right customers at the right price point with the right expected margins. That's the first one.

The second one, and this is really a re-emergence of a trend that was going on 20 years ago in a different method, but this concept of co-opetition. For a long time we've had companies building out adjacent sources of growth either vertically or horizontally, and they're doing this so they can become a one-stop shop for their customer set. Some companies have actually mastered that quite well, but most companies end up getting to a point of, they're just average at many things, and they've lost their secret sauce. They lost their competitive differentiation on the one thing they were really good at, and now they're average at many things, and that makes you susceptible to competition.

Co-opetition is the concept of saying, hey, if I really focus on the customer and delivering at the quality and speed that my customer expects, sometimes I actually have to go into business with a competitor to complete the job to be done. In the last couple weeks I had a box delivered to me by Amazon but it was a Wal Mart box. So clearly the product that I wanted, that I purchased on Amazon, could get to me faster through a local Wal Mart than Amazon itself, and that is co-opetition in practice, where they prioritized getting the product to me on time, fast, over necessarily doing it the way they wanted to me to experience.

WADE KRUSE: So they prioritize the customer. It goes back to the customer.

CHRIS SMITH: It did. And when I have this conversation, many times when I'm working with B2B companies, the reaction is "Some of that is more consumer-focused, B2C-focused." I push back. Because we've worked with many parts manufacturers, where if there's a lag time going on and you can't get a part to a customer for two or three weeks and you have a competitor that has a very similar part that's actually applicable for the tool or system it needs to be used for, being able to reroute them to a competitor's part so they get the part in 24 hours and it gets them off the down time, that is prioritizing the customer. And really what co-opetition does, is it drives loyalty to the brand instead of loyalty to specifically the product. Even though I personally got the Wal Mart box, I view Amazon as, "Wow, that really built my trust." They prioritized me over where the product was coming from.

WADE KRUSE: So really, when it comes down to the customer, do you care about your customers enough to route them through your competitor?

CHRIS SMITH: And over time, co-opetition is a little misleading. Over time you start building partnerships. You start building different models of referral fees, that kind of stuff. So co-opetition is just the reinvention of a partnership alliance type model, and I think that's where some of the more mature companies have gone. It becomes a strong ecosystem to deliver on that end-to-end customer experience instead of viewing each other as competitors.