



# THE ROYAL BANK OF CANADA

## MONTHLY LETTER

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### BUSINESS DEVELOPMENT

**E**VERY business, even the smallest, needs business development enterprise. It may be a full time effort by a skilled staff, or it may be merely a ten minute period set aside every day by the proprietor to think up ways of improving and extending trade.

Before plunging into increased production of goods, one needs to consider the sources of supply, the financial reserve and resources, the nature and extent of demand, the channels of distribution, the course of price trends, and the general economic environment assumed for the next several years.

In the disposal of goods the human element is predominant, and no one has yet devised a sure plan to harness human nature and make it act with as great predictability and controllability as machinery.

That is why the wise executive who has an urge to develop his business will try to get inside the heads of potential customers to learn what they want, what appeal they will respond to, and what quantities they will buy. Only thus can he avoid the futility of endless stockpiling of goods without a market.

Perhaps the key-note of successful business development is sales intelligence. Unless he has it, the most energetic man will fritter away his effort, not knowing the areas where his ingenuity and sweat can most profitably be expended.

#### *Is There a Market?*

He would be foolish who spent \$500,000 in developing a machine, only to discover that if he made all possible sales to all possible buyers he would not recover even his development costs. Foolish, indeed, yet Dr. Paul H. Nystrom records such a happening in his *Marketing Handbook* (a very nearly complete textbook for business development people).

The job of business development is to ascertain the characteristics of the merchandise for which there is a potentially profitable demand, to produce such goods, to find the market, to develop plans for promoting sales; it includes the determination of what to make, in what quantity, at what time, at what price, and where to dispose of it through what channels. Sales pressure alone does not create a market.

This is not to say that manufacturers should accept complacently a narrow market, but rather that they should dig into the problem of finding new areas of probable consumption. Where is the customer? What, precisely, does he want? How can we reach him? It is the customer who determines the kind and extent of our business.

It is the customer, also, who determines profit. Profit results from producing commodities and services people want, at prices they are willing to pay, and from exercising foresight, judgment, initiative and courage. By knowing, as well as research and experience and judgment can inform us, the wishes and capacity of customers, we can keep down overhead by avoiding over-production and over-stocking; we can hold customers in the face of competition by catering intelligently to their needs; we can develop business by detecting and satisfying new demands before the market has reached its peak.

To explore and develop the new territory thus opened up demands enterprise, planning and attention. Unless a business is run by guesswork, the solution of business problems requires accurate information which is carefully and systematically analysed. Every manufacturer and dealer — in fact everyone to whom development of business is vital — should be a close student of business conditions. The sale of practically all commodities is influenced by conditions of general business prosperity.

#### *Sources of Information*

There are many opportunities, in these days, to keep in touch with the trends of business and the desires of people. To use them efficiently means that the business development man is studying his markets, reducing waste in manufacturing and merchandising, developing new sources of profit through discovery of new products, new uses, and new outlets, and insuring his firm against unanticipated changes in the market. While keeping the ship on an even keel he is preserving the sense of direction and applying the thrust necessary to progress.

Most business development departments will have—or should have—active plans for tapping the information that can be given by buyers, consumers and dealers. More use might be made by many firms of internal records, which can be drawn upon to show the trends in individual lines, the fluctuations in demand, and the changes in distribution which yield, to the alert executive, data that will aid him in planning operations.

Production scheduling and marketing planning must lean heavily upon statistical data. The genius of the business development executive shows itself in the success he has in analysing, assaying, adapting and applying this information to the situation of his own firm. He should be rigorous in his examination of statistical data, to see that it is based upon adequate surveys, unbiased by accident or design, and fully applicable to the purpose he has in mind.

Among the sources of information for the person surveying Canada for business development are: the Department of Trade and Commerce, Ottawa; provincial government departments of development; industrial commissions of municipalities; business publications; financial newspapers; trade associations; the publications of advertising agencies; the services of specialized research organizations, and of the business development departments of banks, railroads, insurance companies, and other private corporations. The *Statistical Summary* of the Bank of Canada, published monthly, has much authoritative statistical data. The *D.B.S. Weekly Bulletin*, published by the Department of Trade and Commerce, at a price of only \$2 a year, gives the latest statistical information relating to production, transportation, merchandising and finance.

#### *Analysing Skill Needed*

In reading these and other reports the business development man should guard against confusing evidence with proof. Proof is arrived at after the evidential facts given in the reports have been weighed and the unmeasurable factors taken into account. Nothing in business can be more foolhardy than basing one's projects for business development on the bare facts given in statistical tables and summary articles. The keen analysis of his alert mind is a prime reason for the employment of a business development manager.

Information about his own business and the particular appeal its product makes to customers is vital to the man who hopes to expand trade. He needs to know the results of technical research, to appraise the value of the goods; he needs product research to bring out the most forceful appeal of the goods; he needs consumer research touching upon size, shape, colour, packaging, and the other features which influence buying; he needs to know the limits, if any, imposed upon market exploitation by such internal matters as productive capacity, financing and management policy.

There is a happy medium between catching "research fever" and working in the dark. The information flow cannot be effective if it is swollen at times by a splurge of research and then dried to a trickle by a wave of economy or the constriction of inertia.

Information gathering must be a continuous activity carried on as a regular part of the organization's business.

In addition to printed reports, the company's records, and the information gleaned by the business development department, there are other sources to be drawn upon as need arises. Advertising agencies, market analysis firms, and others, offer two basic services: their field organizations provide the physical means of conducting investigations, and their trained staffs are prepared to give advice in interpreting the analyses and then planning on the strength of what is shown.

It is essential to business development that the man responsible for it within any company should be able to answer, from his own analysis or one in which he has complete confidence, these questions: "What does it mean to my company? How can this information be translated into our day-to-day operations?"

#### *Timing and Technique*

Developing new business is a managerial function which demands the best in the art of timing. He owes more to good luck than to good management who starts out to develop or expand business without knowing what time it is on the economic clock.

Wise advice is given by Melvin T. Copeland, Director of Research and Professor of Administration at the Graduate School of Business Administration, Harvard University, in his book *The Executive at Work*. He says: "Part of the art of timing lies in an executive's ability to read the handwriting on the wall or otherwise to sense an impending change well in advance of the point where it mounts to full force. The executive who has such a knack usually enjoys a relatively long time span within which to prepare for dealing with a new situation. Competitors who awaken belatedly to the problem obviously have shorter time spans within which to act and therefore must hurry and press in their preparations."

Whether big corporation or small individual business, the concern which survives through difficult days and prospers for any extended period of time usually is one whose management foresightedly adapts its policies and practices to the meeting of new situations. Ours is a dynamic, changing environment, and our survival demands that we look upon it as a challenge to our thinking, our enterprise, and our ability.

A dramatic illustration is given by Professor Copeland. Between 1901 and 1919, Cluett, Peabody and Company built up a substantial business in the production and sale of starched collars, its sales amounting to more than \$30 million in the latter year. About that time men decided in increasing numbers to wear collar-attached shirts, and the collar business began to skid. The company switched into the shirt business on a large scale, modified drastically its production and marketing operations, and responded successfully to the shift in demand.

#### *Surveying and Planning*

When seized by the impulse to develop business, it is necessary for the enterpriser to make an up-to-date

survey so as to ascertain the most promising areas in which to seek customers. Defining and locating the buyers, with due attention to what are the buying influences, is the basis of sales.

What exactly is the information sought? The consuming possibilities of the market; the total sales of all competing products; the possibilities for additional sales particularly in areas now covered largely by imports of goods; the opening for new or modified or repatterned products.

These questions need to be answered thoroughly, but imaginatively. There must be objective fact finding, then analysis, experimentation and testing, before the business development executive can make intelligent, forward-looking decisions.

The approach must be creative. Many business people operate in a limited field because they do not see the extent of their possible market. They allow some arbitrary geographical line, or some feeling of timidity, or ignorance of their capability, to fence them in. The insular, fenced-in, attitude has no productive place in business development thinking.

The business development man must have a broad outlook, and if his vision takes in more than he can accomplish, that is not to his discredit.

### *New Business*

Expansion is not something to be undertaken lightly. It puts executive judgment to a severe test. It must justify itself on the right side of the ledger.

Among the methods of expansion may be: production of new sizes and models, production of the same articles in different quality and price ranges, production of a commodity usually thought of by consumers as being connected in some way with the commodity already distributed, production of goods which have something in common with the old line in the way of raw materials, manufacturing process, or distribution outlets.

Should the firm contemplating expansion have the opportunity, it would be well to compare the profit possibilities of several new products rather than to add the first one that is suggested, or the most obvious one. *A Check-list for the Introduction of New Consumer Products* is published by the United States Department of Commerce. This list, with 64 questions going to the heart of demand, distribution, competition, price, sales and legal problems, is reprinted in Nystrom's *Marketing Handbook*.

It is not always necessary to have new commodities in order to develop new business. Sales may be expanded by improving the product, or by finding and advertising new uses for it, or by arousing desire in the minds of people. Innovation runs through all phases of business, and is one of the most gratifying experiences of the business developing executive.

Sometimes it is difficult to draw a fine line between what is a new product and what is a new use. For example, says an article in *Dun's Review and Modern Industry* (March 1954), to sell the Eskimos a refriger-

ator to keep food from getting too cold is actually creating a new product. Technologically there is, of course, only the same old product, but economically there is innovation.

Comparatively slight adaptations in design have greatly expanded the market for many commodities, as is illustrated by the modification of certain articles originally made for men's use so that they appeal to women, and vice versa. Similar ingenuity may make a piece of equipment that was designed for industrial use acceptable for home use.

### *Planning is Needed*

All this demands planning of a high order. Business development effort is intelligently directed only when it is founded on a well ordered plan; not the static blueprint sort of planning that goes into a building, but the dynamic, adaptable kind that recognizes it is dealing with ever-changing human beings.

Efficient planning depends on skilful use of information. Business development is not a matter of blasting away at random in the hope of bringing down whatever gets in the way.

It might be helpful to the executive seeking business expansion if he were to go over the following questions with a pencil, ticking those in which his firm's record is satisfactory, and putting a zero at those to which he needs to draw his managers' attention. What new goods or services have we in the development stage? Based on our estimate of business conditions, should we be expanding our sales efforts? Among what prospects? Can we find new ways of stimulating the purchases of customers from whom we expect to obtain the bulk of our new business? What new goods or new uses for goods have we to offer them? Do we know our customers' plans and prospects for the next twelve months? Are we prepared to take full advantage of the opportunities these plans give us to serve our customers in bigger ways? Are we effectively anticipating their needs and supplying them with information that will be of value to them? Are our own information sources complete, so as to keep us up to the minute about trade, credit, tariffs, government policy, and other things which affect our buying, manufacturing and selling? What are we doing to bring in the ideas of our managers, staff and distributors? Do we get any constructive suggestions, or only complaints? What are we doing about giving our branch managers, sales staff and distributors information and leads about possible new business? Are we organized in this department, or just haphazard?

### *Business Development Department*

Not everyone is endowed with an aptitude for business development. Even a top-notch executive, expert in production or accounting or some other special field, may lack what is needed in this exacting and exciting arena.

The man charged with business development needs to be a thinker and a planner, one who studies the future source of sales and can shoulder the heavy responsibility of examining and recommending on all avenues of expansion.

Above all, no one can be a business development leader who is a complacent person, satisfied to drift without aim, avoiding whatever hints at risk, smugly self-satisfied. This, strangely enough, is a state of affairs likely to be born of the very success which enterprise and adventure have brought into being.

The business development man will be adept in the art of doing and saying the things that make people think favourably of the first class goods and services his firm supplies. He will direct the staff toward making friends of customers and making friends who may become customers. He will teach employees who deal with the public that courtesy is not only good manners but a part of good business development; that service should be not only prompt and efficient but friendly and cheerful. Of such little things is business development built.

When advertising his firm's product, the business getter will see that present customers are kept well informed about all the services his firm can give them, and of the lengths to which it is prepared to go in developing new services to meet their needs.

Published advertising is handled today by a well-integrated and far-reaching organization, but its key and tone are set by the firm's representatives. "What do we do for people?" is the question to be answered in advertisements. There is no business or commodity but will yield to the business development man of imagination and courage and energy something new and fresh, a real point of distinction or superiority, to serve as a selling point for his firm's goods.

### *Personal Effort*

The best goods and the best display and the best advertising need personal attention to develop them into cash register business.

Selling is as essential as production. You have to display your goods. In self-service stores customers seldom ask for what they can't see, and this same trait can be found in other areas of merchandising. In fact, people frequently do not know that they want a commodity until a salesman draws it to their attention.

The business development of a company cannot be confined within any single department. There should be a co-ordinating and planning department, because a tangled harness reduces team-work, but business development only reaches its full effect when there is intelligent, informed salesmanship by every member of the staff. Getting business is part of everyone's job. There can be no allowances for mistakes, inefficiencies, delays or time wasting. These nullify the best promotion that business development departments and advertising departments can produce.

### *The Executive's Part*

Directing business development there should be men of expert knowledge, technical skill and trained industrial vision. When a business needs reviving, or when its growth does not appear to be consistent with its age and possibilities, it is not a vote by the directors

or a sporadic effort by the sales department that will administer the cure, but the vitalizing and directive effort of the mentally alert executive.

Their executives' foresight and resourcefulness and their ability to master perplexing situations and to build ahead of others have been major factors in the growth and prosperity of corporations. Behind the effective face-to-face selling, behind the vigorous advertisements, and behind the policy that guides business development in all its phases there is a world of study, thought and planning, without which the attempt to develop and expand business could not even start.

These business development executives put their fingers unerringly upon the critical point in their firms' programme. There may be nothing wrong with the advertising — it may be that the advertisements are not followed up strongly by personal solicitation. The salesmen may be doing all right, but may be foiled by confusion in the order department, or by faulty factory superintendence resulting in short supply and non-delivery. The comprehensive view of the good executive enables him to avoid tinkering with the wrong gadget, and to find the gear that isn't meshing in his drive for business development.

He knows that his job is decision-making, with all the risk that involves. Here, again, the answers to some questions will be of use. Is this the time to try to expand business? Is there a need for the commodity we are prepared to offer? Have we the plant and equipment necessary to produce the quantity for which we estimate there will be a demand? Have we the selling organization to do a quick and thorough job of bringing in cash returns? Have we weighed all the factors so as to decide without doubt whether to sell more intensively in the market already served, to open up a new area in Canada, or to get into the export market; to introduce a new product or to modify the product we already sell?

### *Here is Opportunity*

In the healthy society we have in Canada there are opportunities for leaders to display their ability and initiative. We have freedom to make new things, to start new enterprises, and to sell to consumers who, in their turn, are free to bestow their patronage where they choose.

The test of business development in such an environment is its success. The results of changes and improvements and extensions and new ventures must show up favourably in the cash register or in customers' ledger accounts, or our efforts have failed.

There is no easy prescription for success. Attractive new business seldom offers itself voluntarily, and there is, as has been shown, more to winning it than the launching of an advertising campaign. The business development minded man needs to search out facts, pay attention to circumstances surrounding his business today and likely to affect it tomorrow, and plan constructively. Through it all he must retain his sense of direction and his confidence.