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What are the stages of business development?

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Question:

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Answer:

Generally, businesses experience four stages: start-up, growth, maturity, and decline.

Start-ups are businesses that have recently come into existence. Before revenues are generated, businesses in the start-up stage generally require a large investment of time, effort, energy, and money to create a stable customer base, buy inventory, and engage in other business activities. The start-up stage is generally characterized by innovation, high risk, and low profit margins.

Businesses in the growth phase can often function using their own limited resources. Ideally, during this stage, consumer demand is established and increases. Additional help is often needed in production, manufacturing, general operations, or sales in order to continue growing. The company typically experiences increasing sales and profit margins as a market is established.

Mature firms have achieved a certain amount of name recognition. Contacts are well established, sales require less effort, the business produces a reliable stream of cash, and borrowing becomes easier. At this point, intensive marketing may be needed to increase or maintain market position, and little product innovation occurs. Profit margins tend to stabilize.

Businesses in the declining phase tend to experience a shrinking market. There is usually no product innovation, costs are cut to preserve profits, and the profits that remain are usually thin.

The time it takes to reach or to pass through each stage varies by business. It is important that you properly identify the life-cycle stage of your business so that you can plan appropriately and establish realistic goals for the future.

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