

6 Tried and True Startup Growth Strategies



Growth isn't just a goal for startups—it's a necessity. Your survival often hinges on your ability to scale and scale quickly. But how do you quickly become a growth-stage startup?

In this article, we'll explore the basics of startup growth, how to establish a viable growth strategy, and how to embed regular reviews and adjustments into business operations. This will prepare you to avoid chasing risky growth hacks and build your business into a high-growth startup.

The benefits of having a growth strategy

Having a growth strategy, or growth plan, is like having a roadmap for your startup. It guides your decisions, helps you navigate challenges, and keeps you focused on your goals. A well-crafted growth strategy can help you:

- Identify opportunities for growth
- Allocate resources effectively
- Stay competitive in a rapidly evolving market
- Attract investors and secure funding
- Measure and track your progress

Without a growth strategy, your startup may struggle to scale, miss out on opportunities, or run into cash flow problems. It's like sailing a ship without a compass—you may end up going in circles or, worse, hitting an iceberg.

Types of startup growth

Before you start planning for growth, you should understand the different growth options available to you. There are several paths you can and should take, each with its own set of advantages and challenges.

Organic growth

Organic growth is the most natural and common form of growth. It involves regularly investing profits back into your business to expand it from within. This could mean increasing sales, improving operational efficiency, or launching new products or services, using your resources.

Strategic growth

Strategic growth involves deliberate actions to increase your startup's market share. This could involve strategic partnerships, mergers, or acquisitions. For instance, Facebook's acquisition of Instagram is a prime example of strategic growth.

Internal growth

Internal growth focuses on investing in internal operations to boost productivity and efficiency. This could involve hiring more staff, investing in training, or upgrading technology. It's similar to organic growth but with a focus on improving systems and processes without being limited to only using current resources.

Inorganic growth

Inorganic growth is achieved through mergers or acquisitions. It's a quick way to scale, but it comes with its own set of challenges, such as integration issues and cultural clashes. It can also lead to you or members of your team being ousted or if there's strategic misalignment, a heightened risk of both businesses failing.

Viral growth

Viral growth occurs when your product or service is shared widely among users, often through word-of-mouth or social sharing. For example, think of how quickly apps like TikTok or Clubhouse grew through word of mouth and social sharing.

Partnership growth

Partnership growth involves forming strategic alliances with other businesses to leverage their resources and capabilities. This could involve co-marketing initiatives, product collaborations, or distribution agreements.

You'll likely engage in one or multiple growth strategies throughout your startup's lifetime. For the sake of helping you develop a sustainable and actionable growth strategy—we'll be focusing on a mix of organic, strategic, and internal growth initiatives throughout the rest of this article.

Growth strategy vs growth hacks

Growth strategies and growth hacks are often used interchangeably, but they're not the same thing. A growth strategy is a long-term plan for sustainable growth, while a growth hack is a short-term tactic designed to boost growth quickly.

Both have their place in a startup's toolkit. But you shouldn't rely solely on growth hacks without a solid growth strategy. If you do, you may see moments of hyper-growth for your startup, but it will likely be short-lived and difficult to replicate.

How to develop a sustainable growth strategy for your startup

Developing a growth strategy isn't as complicated as it may seem. It actually replicates much of the traditional business planning process but keeps the purpose of growing your business front and center. And this planning framework can be fine-tuned to target any of the startup growth strategies we listed. Here are the steps you should take:

1. Determine your value proposition

What unique value does your startup offer? Why should customers choose you over your competitors? Your value proposition is the foundation of your growth strategy.

2. Justify the market need

Validate that there's a demand for your product or service. This could involve market research, customer interviews, or competitor analysis.

3. State your solution

Clearly articulate how your product or service solves a problem or meets a need.

4. Identify your target market

Who are your ideal customers? What are their needs, preferences, and behaviors? The more you know about your target market, the better you can tailor your growth strategy to them.

5. Note your competition

Who are your main competitors? What are their strengths and weaknesses? Understanding your competition can help you identify opportunities for differentiation and growth.

6. Determine your funding needs

How much capital do you need to execute your growth strategy? How do you intend to use this funding? This could involve hiring more staff, investing in marketing, or developing new products.

7. List your sales channels

How will you reach your customers? This could involve online sales, retail distribution, direct sales, or partnerships.

8. Determine your marketing activities

How will you promote your product or service? This could involve social media marketing, content marketing, SEO, or paid advertising.

9. State your budget and sales goals

How much are you willing to spend to achieve your growth objectives? What are your sales targets?

10. Identify your milestones

What key milestones will indicate that you're on track to achieve your growth objectives? This could involve reaching a certain number of customers, hitting a revenue target, or launching a new product.

11. Determine your team

Who will execute your growth strategy? This could involve hiring new staff, outsourcing certain tasks, or forming strategic partnerships.

Keep long-term growth strategies in mind

The process we just walked through is excellent for early-stage startups. Following these steps will position your business to successfully launch and aggressively pursue growth. However, it's wise to revisit your strategy and begin executing long-term initiatives that will improve your growth rate or push your startup into another growth stage.

Here are a few long-term strategies to keep in mind:

Product diversification: Launching new products or services can help you reach new customers and increase your revenue.

Market expansion: Expanding into new markets—geographic markets, demographic markets, or product markets—can help you reach more customers.

Acquisitions: Acquiring other companies can help you grow quickly, gain new capabilities, and eliminate competition.

Build a strong brand: A strong brand can help you attract and retain customers, command higher prices, and differentiate yourself from competitors.

Investing in technology: Technology can help you improve efficiency, deliver better customer experiences, and stay competitive in a rapidly evolving market.

Customer retention: It's often cheaper and more profitable to retain existing customers than to acquire new ones. Strategies for customer retention include loyalty programs, excellent customer service, and regular communication.

Measuring and adjusting your growth strategy

A growth strategy is not a set-it-and-forget-it tool. It's a living document that should be regularly reviewed and adjusted based on your startup's performance and market conditions. This involves tracking key metrics, comparing actual results to your forecasts, exploring potential scenarios, and making necessary adjustments.

For example, if your customer acquisition cost is higher than expected, you might need to adjust your marketing strategy. Or if a new competitor enters the market, you might need to revise your competitive analysis and differentiation strategy.

Regularly reviewing and adjusting your growth strategy can help you stay on track toward your goals, make informed decisions, and adapt to changes quickly and effectively.

Do growth strategies work?

Yes, growth strategies do work, and there are plenty of real-world examples to prove it. Let's look at a few:

Airbnb: Airbnb's growth has been driven by a focus on authentic, local travel experiences and expansion into emerging markets, particularly in the Asia Pacific region. You can read more about Airbnb's growth strategy in this report.

Uber: Uber's global market strategy has involved adapting its service to meet local needs and regulations in each city they expand into. More about Uber's growth strategy can be found in this Harvard Business Review podcast.

Dropbox: Dropbox used a viral affiliate-based growth strategy, offering free storage space to users who referred others, leading to a rapid increase in sign-ups. Dropbox's recent 'Virtual First' strategy has also led to significant revenue growth, as detailed in this ZDNet article.

These examples show that with the right growth strategy, startups can achieve rapid, sustainable growth. The key is to select a growth strategy that fits your business goals, market, and customer expectations.

Remember growth is a process

Startups are always growth-focused, but that doesn't mean every startup founder knows how to grow successfully. By creating a growth strategy that you revisit regularly, you can avoid the pitfalls of aimless growth. We even have the right tool to help you do it.