GROWTH VS. SCALING: WHAT'S THE DIFFERENCE?

Why growing sales isn't always the same as building a stronger business, and how to grow in a way that adds profit.

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AT A GLANCE

- **Growth** means more sales. **Scaling** means sales grow **faster than costs**, so profit grows faster too.
- A business can grow and still struggle if every new dollar of sales brings almost a dollar of new costs.
- Scaling usually comes from **systems, technology, better pricing and spreading fixed costs** over more sales.

Why it matters

Founders often chase sales growth and end up working harder for little extra profit. Investors and buyers pay most for businesses that scale, because each new customer adds more profit than the last.

Example: two businesses double their sales

	Business A (growing)	Business B (scaling)
Sales, year 1	$500,000	$500,000
Costs, year 1	$450,000	$450,000
Profit, year 1	**$50,000**	**$50,000**
Sales, year 2	$1,000,000	$1,000,000
Costs, year 2	$900,000	$700,000
Profit, year 2	**$100,000**	**$300,000**

EXAMPLE

Both businesses doubled sales. Business A also doubled its costs, so profit only doubled, to 10% of sales. Business B kept costs from rising as fast, using online booking, better routes and higher prices on premium services. Its profit grew six times, to 30% of sales.

Ways to scale

- **Systems and checklists** so new staff are productive quickly. See **O-06 Systems and Checklists: Running the Business Without Doing Everything Yourself**.
- **Technology** that handles booking, payments, reminders and reports automatically. See **O-07 Choosing Tools and Software**.
- **Better pricing** as your reputation grows. See **M-07 Pricing Your Product or Service**.
- **Spread fixed costs**: more sales from the same space, equipment and managers.
- **Recurring revenue**: memberships, subscriptions and contracts.
- **Buying better**: volume discounts and better terms. See **O-08 Working With Suppliers and Vendors**.
- **Focus**: drop low-margin products and customers.

Signs you're growing but not scaling

- Profit margin stays flat or shrinks as sales rise.
- You add staff in direct proportion to customers.
- You're working more hours every year.
- Quality slips as you grow.

Common mistakes

- **Chasing sales at any cost**, like discounts that destroy margin.
- **Growing before systems are in place.**
- **Adding locations or products** before the first one is profitable.
- **Ignoring margins** as you grow.

Your checklist

- ☐ Compare your profit margin this year with last year
- ☐ List costs that rise with every sale
- ☐ Find one cost you can stop growing in step with sales
- ☐ Identify your most and least profitable products or customers

Key words, explained

Word	What it means
Growth	Increasing sales.
Scaling	Growing sales faster than costs.
Profit margin	Profit as a percentage of sales.
Recurring revenue	Sales that repeat on a schedule, like subscriptions.

Where to go next

- **G-02 Knowing When You're Ready to Grow**
- **G-03 Growth Numbers Investors Watch**
- **O-06 Systems and Checklists: Running the Business Without Doing Everything Yourself**

IMPORTANT

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