

Adapted from: Identifying Your Best Earned-Income Opportunities by Andrew Horsnell

Andrew Horsnell developed a series of workbooks designed to assist organizations in discovering and assessing enterprise opportunities. This article presents ways to identify opportunities from four different perspectives:

1. **Customer Maximization** – opportunities to sell more of your current products and services to your current customers
2. **Customer Development** – opportunities to sell more of your current products and services to new customers
3. **Product Development** – opportunities to sell new products and services to your current customers
4. **Diversification** – opportunities to sell new products and services to new customers

IDENTIFYING CUSTOMER MAXIMIZATION OPPORTUNITIES

Background

All too often, when we start brainstorming new opportunities, we overlook what is often our best source of ideas – our current products and customers. We assume, often mistakenly, that we're selling everything we currently have to offer to our current customers, when in fact we're missing a number of opportunities. These missed opportunities are called "sales leakage". And sales leakage is costly, when you consider that selling a current, profitable product that you can literally pull off the shelf to a customer who already knows and trusts you is almost always going to be easier, quicker, and more profitable than the alternative. With a customer maximization approach, then, the idea is to "spot the leaks" – identify opportunities to sell more of your current products and services to your current customers.

For example...

The Diversity Institute provides cultural competency services to health care providers. In the example below, it can be seen that not every hospital client is making use of every service the Institute has to offer.

Current Sales	Hospital A	Hospital B	Hospital C
Resource materials	\$1,000	\$0	\$2,000
Consultation	\$5,000	\$1,500	\$500
Staff training	\$0	\$2,000	\$3,000
Totals	\$6,000	\$3,500	\$5,500
Grand total			\$15,000

This may be because each hospital has different needs, or it may be because of an inconsistent sales effort. If the latter is true, then three phone calls and a couple of presentations could result in...

Potential Sales	Hospital A	Hospital B	Hospital C
Resource materials	\$1,500	\$1,250	\$2,000
Consultation	\$5,000	\$1,500	\$1,500
Staff training	\$4,000	\$2,000	\$4,500
Totals	\$10,500	\$4,750	\$8,000
Grand total			\$23,250

By focusing on increasing their “customer share” instead of “market share”, the Institute could substantially increase their sales and earned income. Of course, this is not always the case. Here is a list of the pro’s and con’s of this approach to identifying new earned income opportunities.

Pro’s and Con’s of the Customer Maximization Approach

Pro’s	Con’s
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"> You have profitable products and services You suspect that there are missed sales opportunities with your current customers. Opportunities identified using this approach can generally be acted upon more quickly and easily than opportunities requiring product or customer development. 	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"> You do not currently have any profitable products that you can sell. You have already maximized your sales of your current products and services to your current customers. Involves “going over the same ground” which may not uncover anything new.

IDENTIFYING CUSTOMER DEVELOPMENT OPPORTUNITIES

Background

If you’ve exhausted all your new opportunities with your current customers, or if you just want to broaden your customer base, you may want to try a customer development approach to identifying opportunities. With this approach, you seek to identify new customers for your current most profitable products and services. This can be accomplished in two steps:

1. New customers who are the same as (or very similar to) your current customers. This is simply a matter of identifying all the other people or organizations that are like your current customers. For example, the Diversity Institute provides cultural competency services to three local hospitals. They could identify all the other hospitals and similar facilities that they are currently not servicing.
2. New customers who are different than your current customers, but who could benefit from your products or services. To continue the previous example, the Institute could identify other organizations that need to be culturally competent, like social service organizations, schools, government agencies, and corporations.

Pro's and Con's of The Customer Development Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none">• Regulations allow you to serve other customers• You suspect that your products and/or services might appeal to a broader market than your current customers.• Opportunities identified using this approach can generally be acted upon more quickly and easily than opportunities requiring new product development.	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none">• Regulations limit to whom you can sell.• You do not have any profitable products or services.• Your organization is at or near maximum capacity with its current products and services, and you are unable to secure necessary resources to expand.• Opportunities identified using this approach may require significant research, especially where the new opportunity involves a customer who is very different than your current customers.

IDENTIFYING PRODUCT DEVELOPMENT OPPORTUNITIES

Background

If you've exhausted all your new customer opportunities, or if you just want to expand your product and service offering, you may want to try a product development approach to identifying opportunities. With this approach, you seek to identify new, profitable products and services for your best customers. This can be accomplished in two steps:

1. New products and services that are related to your current products and services. This is simply a matter of expanding your current product and service lines. For that reason, it's often called "Line Extension." For example, the Diversity Institute sells cultural profiles of the Somali and Russian communities who have recently immigrated to local health care providers. They could explore producing cultural profiles on the other immigrant communities who have recently immigrated – Hmong and Croatian. Or, they could look into expanding into other resources relating to the communities they currently have profiled – guidebooks, videos, and training.
2. New products and services that are not related to your current products and services. To continue the previous example, the Diversity Institute could explore all the other kinds of products and services that the health care providers they serve might need, that the Institute could reasonably and profitably produce. For example, they could look into other information and training needs their clients might have, that the Institute could serve.

Pro's and Con's of the Product Development Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"> • Regulations allow you to provide new products and services. • Your organization is willing and able to expand its range of products and services. • You suspect that you might be able to offer something new to your current customers. • Opportunities identified using this approach can benefit from your organization's relationship with and involvement of your current customers. 	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"> • Regulations limit what you can sell. • You are otherwise limited in terms of what you can produce and sell. • Your current customers offer little hope of wanting to buy different products and services from you. • Opportunities identified using this approach may require significant development, especially where the new opportunity involves a product or service that is very different than what you're currently offering.

IDENTIFYING DIVERSIFICATION OPPORTUNITIES

Background

If you've exhausted all your customer maximization, market development, and product development opportunities, you may want to try a diversification approach to identifying opportunities. With this approach, you're looking to sell new products or services to new customers.

One easy and quick way to generate a large number of potential diversification opportunities is to simply try combining the new customers you identified in the customer development approach with the new product and services you identified in the product development approach. In the previous examples, the Diversity Institute identified the following:

New products↓	New customers→				
	Other hospitals	Government agencies	Corporations	Schools	Social Service Agencies
"Croatian" cultural profiles	?	?	?	?	?
"Somali" cultural competency training	?	?	?	?	?
"Russian" cultural guidebooks	?	?	?	?	?

The nice thing about this approach to identifying diversification opportunities is that it makes efficient use of the work you've already done with the previous opportunity identification approaches. Moreover, this approach frequently provokes entirely new and exciting ideas that have little to do with the customer-product combinations on the grid. For example, the Diversity Institute might be provoked to think about a whole new line of training for corporations.

Pro's and Con's of the Diversification Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none">• Regulations allow you to provide new products and services, and sell to other customers• Your organization is willing and able to expand its range of products and services.• Your organization is willing to expand into new markets.• Opportunities identified using this approach can help your organization move into entirely new, profitable areas of business.	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none">• Regulations limit what you can sell, and to whom you can sell.• You are otherwise limited in terms of what you can produce and sell, or to whom you can sell.• Diversification can lead to lack of focus and spreading resources too thin – be careful!• Opportunities identified using this approach may require significant development – especially where the new opportunity involves a very different product or service being sold to a very new customer – that may lead nowhere