

Replacing Revenue @ Risk



A Hands-On Workbook

Completed by: _____

Date: _____

A Hands-On Workbook

Adapted by Lisa Lowthers 2014

Developed by Andy Horsnell

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GENERAL OVERVIEW

In this workshop, you will...

1. Learn the top reasons why revenues are @ risk
 - Market matures
 - Competitive intrusion
 - New business in the market
 - Customer service problems
 - Marketplace change
 - Sales marketing challenges
 - Change in government rules and regulations
 - Challenges in finding and keeping skilled staff
 - Inadequate business planning or skill development of the entrepreneur

2. Identify trends that are causing sales to shift
 - presumers & custowners
 - emerging
 - mobile moments
 - new life inside
 - appscriptions
 - celebration nation
 - data myning
 - again Made here
 - Full Frontal
 - Demanding Brands
 - More-ism

3. Discuss four approaches to develop opportunities through case study¹:
 - Customer Maximization – opportunities to sell more of your current products and services to your current customers
 - Customer Development – opportunities to sell more of your current products and services to new customers
 - Product Development – opportunities to sell new products and services to your current customers, and
 - Diversification – opportunities to sell new products and services to new customers.

At the end of the workbook, you are given a feasibility assessment to help rate and rank all your opportunities using four criteria:

1. Strategic – How much do you want to do it?
2. Operational – How well can you do it?
3. Market impact – How likely is it that there are sufficient customers who will choose to buy from you
4. Financial impact – The opportunities' potential to meet or exceed your financial goals

With this analysis complete, you will be in a position to select those opportunities that you want to explore further, with additional research and/or immediate business development action.


If you have any questions or suggestions, please email me at Lisa.Lowthers@acadiau.ca and I'll be happy to do what I can.

~ Lisa Lowthers

OPPORTUNITY IDENTIFICATION SELF-ASSESSMENT

Purpose – The purpose of this self-assessment is to help you gain a more specific understanding of how well you do the key opportunity identification practices of: (1) understanding your business; (2) seeking ways to do more with your current products and customers; (3) exploring opportunities to offer new products and services to your current customers; (4) trying to find new customers for your current products and services; and (5) exploring opportunities to offer new products and services to new customers.

Instructions – Check the one response that best describes if and how you actually do each numbered planning practice.

KEY OPPORTUNITY IDENTIFICATION PRACTICES				
Values Identification				
Use this space to identify your business's top 5 core values				
1. _____				
2. _____				
3. _____				
4. _____				
5. _____				
Assessing your Values		No/Don't Know	Yes, But Needs Improvement	Yes
Do you consistently apply these values at your business?				
Do believe the values listed above are consistent with those of the community in which your business operates?				
If your customers were asked to describe your values, would their list be consistent with the list you provided?				
Understanding Your Business – Do you have a clear sense of...				
1. What your business goals and priorities are?				
2. What you are really good at doing?				
3. Who your best customers are?				
4. How profitable each of your products and services are?				
Seeking Ways to do More with Your Current Products and Customers – Do you actively seek to...				
5. Maximize your profit margin for <u>each</u> product and service? <i>(This could include exploring if you could increase your price and reduce your costs for each of your products and services.)</i>				
6. Maximize your profit margin for your <u>overall mix</u> of products and services? <i>(This could include reviewing the profitability of all of your products and services, and eliminating those that chronically lose money.)</i>				
7. Get your current customers to buy more of what they're <u>already buying</u> ? <i>(For example, you could explore ways to get your customers to get <u>all</u> of their regular</i>				

KEY OPPORTUNITY IDENTIFICATION PRACTICES			
<i>maintenance done at your garage, instead of just the odd repair.)</i>			
8. Get your current customers to buy <u>other current products</u> ? <i>(For example, you could provide regular maintenance customers a discount on the purchase of tires.)</i>			
Exploring Opportunities to Offer New Products and Services to Your Current Customers – Do you actively explore opportunities to...			
9. Provide your current customers with <u>new but related products</u> and services? <i>(For example, if you create and sell pottery, you could also sell other people's pottery, or books about pottery.)</i>			
10. Provide your current customers with <u>entirely new, unrelated products</u> and services, which they might be willing to pay for? <i>(For example, you could sell coffee and snacks at your pottery studio.)</i>			
Trying to Find New Customers for Your Current Products and Services – Do you actively try to...			
11. Find <u>new but related customers</u> for your current products and services? <i>(For example, if you do bookkeeping & tax for local small businesses, you could approach similar small businesses in neighbouring towns.)</i>			
12. Find <u>new, unrelated customers</u> for your current products and services? <i>(For example, you could offer a tax preparation service to individuals.)</i>			

KEY OPPORTUNITY IDENTIFICATION PRACTICES	YOUR RATING	No/Don't Know	Yes, But Needs Improvement	Yes
Exploring Opportunities to Offer New Products and Services to New Customers – Do you actively explore opportunities to...				
13. Provide <u>new but related products</u> and services to <u>new but related customers</u> ? <i>(For example, your local bookkeeping service could offer tax preparation workshops to businesses in neighbouring towns.)</i>				
14. Provide <u>new, unrelated products</u> and services to <u>new but related customers</u> ? <i>(For example, your local bookkeeping service could provide a document destruction service to businesses in neighbouring towns.)</i>				
15. Provide <u>new but related products</u> and services to <u>new, unrelated customers</u> ? <i>(For example, your local bookkeeping service could offer tax preparation workshops to individuals.)</i>				
16. Provide <u>new, unrelated products</u> and services to <u>new, unrelated customers</u> ? <i>(For example, your local bookkeeping service could offer a document destruction service to individual households.)</i>				

OPPORTUNITY IDENTIFICATION RESOURCE GUIDE

The New Products Workshop: Hands-On Tools for Developing Winners, by Barry Feig. In *The New Products Workshop*, Barry Feig shares his years of experience in guiding large and small companies successfully through all the stages of product development. Through his unique workshop method, managers learn how to match their products with consumers' needs. Packed with scores of new product-launch histories, check-lists and charts, *The New Products Workshop* explains each essential step, from generating workable product ideas to assessing market success potential, from testing the waters before committing a major investment to giving products winning names and introducing them into a receptive marketplace. Available for \$39.95 from www.amazon.ca

Opportunities for Sales & Profit: A Hands-On Workbook, by Andrew Horsnell. Available for free from your trainer.

Market Research Made Easy by Don Dorman. This practical, easy-to-read book has recently been expanded and updated. It will lead you through the process of planning, implementing, and analyzing market research for your company. It answers questions such as: When should I do market research? Where can I find the data I need? Who are my best survey subjects? How do I design a market research questionnaire? Why should I use brainstorming sessions and focus groups in my research? Where can I rent a mailing list? When do I need to hire a professional? How do I analyze the data I find? How can I use the Internet for research? Available for \$14.94 from www.chapters.ca

Financial Management 101: Get A Grip On Your Business Numbers by Angie Mohr. A thoroughly "reader friendly" guidebook designed specifically for small business owners and managers, and which methodically teaches the reader all of the basics about balance sheets, income statements, monthly budget reports, ratio analysis, dealing with inventory problems, dealing with debt, and more. Financial Management 101 is an absolute "must-read" for any business owner new to the complexities of finance and needing to competently analyze financial data, measure business success, and have an accurate and on-going comprehension of their fiscal bottom line. Available for \$19.95 from www.chapters.indigo.ca

Should this process lead you to a new opportunity that involves an unfamiliar customer, then you can learn about market research on Authenticity Consulting's Free Management LibrarySM at:

www.managementhelp.org/mrktng/mk_rsrch/mk_rsrch.htm

If you do identify new opportunities to sell current products to your current customers, then visit Authenticity Consulting's Free Management LibrarySM at **www.managementhelp.org/sales/sales.htm** for free sales advice and resources.

If you want to consult with your current customers, then visit Authenticity Consulting's Free Management LibrarySM at **www.managementhelp.org/grp_skill/focusgrp/focusgrp.htm** for free sales advice and resources.

To help maximize your current customer relationships, see ***The One to One Fieldbook: The Complete Toolkit for Implementing a 1 To 1 Marketing Program***, by Don Peppers, Martha Rogers, and Bob Dorf. One-to-one marketing, write the authors, is "based on the simple idea of treating different customers differently." The book begins by outlining four steps for implementing a one-to-one marketing program, and then delves into a variety of subjects, from building the infrastructure necessary to supporting a one-to-one enterprise to evaluating and managing channel partners. This is a useful and practical how-to guide, full of checklists and ideas for getting any company on track with one-to-one marketing. Available for \$22.37 from www.amazon.ca

THE OPPORTUNITY MATRIXSM

		C U S T O M E R S					
		CURRENT		NEW BUT RELATED		NEW, UNRELATED	
P R O D U C T S	C U R R E N T	“CUSTOMER MAXIMIZATION”		“CUSTOMER DEVELOPMENT”			
	R E L A T E D	“PRODUCT DEVELOPMENT”		“DIVERSIFICATION”			
	U N R E L A T E D						

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Customer Maximization – opportunities to sell more of your current products and services to your current customers

Customer Development – opportunities to sell more of your current products and services to new customers

Product Development – opportunities to sell new products and services to your current customers, and

Diversification – opportunities to sell new products and services to new customers.

¹ Please refer to the Opportunity MatrixSM on the following page for a graphic depiction of these four different approaches to identifying opportunities.

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...

Diversity Inc. 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.

How it is now...	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

...How it could be –
an \$8,250 increase!

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. On the following pages is a list of the pros and cons of this approach to identifying new earned income opportunities.

Pros and Cons of the Customer Maximization Approach

Pros	Cons
<p>This Approach May Have Potential for Your Business if...</p> <ul style="list-style-type: none"> ① You have profitable products and services ① You suspect that there are missed sales opportunities with your current customers. <p>Opportunities identified using this approach can generally be acted upon more quickly and easily than opportunities requiring product or customer development.</p>	<p>This Approach May Have Limited Benefit for Your Business if...</p> <ul style="list-style-type: none"> ① You do not currently have any profitable products that you can sell. ① You have already maximized your sales of your current products and services to your current customers. <p>Involves “going over the same ground” which may not uncover anything new.</p>

Helpful Resources:

- ① If you do identify new opportunities to sell current products to your current customers, then visit Authenticity Consulting’s Free Management LibrarySM at www.managementhelp.org/sales/sales.htm for **free** sales advice and resources.
- ① To help maximize your current customer relationships, see The One to One Fieldbook: The Complete Toolkit for Implementing a 1 To 1 Marketing Program, by Don Peppers, Martha Rogers, and Bob Dorf, Bantam Books. ISBN 038549369X

CUSTOMER MAXIMIZATION OPPORTUNITIES WORKSHEET

Purpose: To help you identify opportunities to sell more of your current products and services to your current customers.

Instructions (instructions 1, 2, & 3 correspond to worksheet sections 1, 2, & 3 below):

1. List your most profitable products and services in the worksheet below³. You should only list profitable products and services, given that this is workbook's ultimate purpose is to help you increase your earned income.
2. List your best individual customers in the worksheet below. Again, because the purpose of this workbook is to help you increase your earned income, you should only list your best customers (see definitions).
3. Where each product row intersects with each customer column, indicate with an "☐" **where** you feel there could be potential for increased sales, as in the example below.
4. When you're done identifying potential opportunities, see if you can spot any themes or groupings. For example, do one or two products (or one or two customers) seem to account for the most opportunities? Use your judgement to select the best opportunities or group of opportunities, and transfer these to the "Master Opportunities List" on page 15.

1 Our Current, Profitable ⁴ Products and Services	Customer A	2	Our Current, Best Customers									
Product A	☐											3

³ If you're not sure of your products' and services' profitability, then consult with your accountant.

⁴ A product or service is profitable if its sales exceed its direct costs (see Definitions).

MAXIMIZATION CASE: HERO'S PUB & EATERY

THE CHALLENGE:

Abdul Rafih, former owner and operator of Hero's Pub in Truro, Nova Scotia relied heavily on revenue generated by Video Lottery Terminals (VLT's). Known as an aggressively addicting venue for gamblers, Rafih realized that his business was negatively impacting the community's general health, and further that this easy revenue source was influencing his establishment's market.

One of Rafih's frequent customers had committed suicide, which he attributed to debt accumulated from a gambling addiction. According to Rafih, several suicides in the area can be attributed to the same cause. This pushed Rafih to reevaluate his business's impact on the community in which he operates.

Mr. Rafih made the tough decision to voluntarily rid his establishment of VLT's and the easy revenue associated with them. A 15% decrease in revenue following this decision required Rafih to adapt his business in some way to recover lost profits.

THE BACKGROUND:

Mr. Rafih is one of the first people to acknowledge what he recognizes to be a strong link between gambling addictions and suicides in Truro.

"What bothers me is that human life is worth nothing. It's not even worth a dollar to the government. We've got a premier here who won't allow Sunday shopping because of family and moral values and everything else. But on the other hand, they don't mind seeing lives destroyed." (quote from 2003).

Rafih recalled a few other deaths in the area related to problem gambling, one story being that of a family friend who racked up credit card debt and gambled away her children's college tuition funds before hanging herself. Another account was that of a man who hung himself at a local hotel, having left a note saying he had acquired nearly \$35,000 in debt at the Halifax Casino.

It was clear to Rafih, that his business and VLT's had been exploiting loyal customers and community members through the use of addictive VLT gambling machines.

THE SOLUTION:

After VLTs were removed, Rafih immediately noticed a 15% drop in his Pub's revenue. His strategy to retain the lost income was twofold: stay with what you know, while recognizing that a changed atmosphere in his pub might attract slightly different customers, and to focus on the customer experience to draw people in, rather than gambling machines.

Rafih quickly recognized that by ridding himself of these machines, which historically gave his pub a somber and gloomy atmosphere for non-gambling customers, the crowd who attended the pub evolved with his improved atmosphere. He hadn't changed his target market, which remained in the 35 years and older demographic, nor did he engage in a marketing campaign to showcase his improved atmosphere.

By focusing on food quality, maintaining a safe and clean establishment and stellar customer service, he attempted to chip away at improving his business's image through customer word of mouth.

He always made an extra effort to maintain a great rapport with customers by remembering their names, always putting the customer first and attempting to "make their day".

By focusing on stellar service and providing a unmatched customer experience, he aimed to and successfully made his dining experience one that customers shared with their friends.

THE RESULT:

By creating a place where customers felt cared for, respected, "at home", and safe, accompanied with high quality and age-appropriate entertainment and food choices, he was able to recuperate the missing revenue in less than a year. He effectively developed a new platform of repeat customers who were quick to recommend his establishment to friends, also saving advertising expenses.

Mr. Rafih had effectively improved his social impact on the community in which he operated, evolved his patronage while also maintaining a sustainable business for many years thereafter.

Source – personal story as told to Bruce Dines and written by Tom Dalmazzi.

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 businesses 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 businesses that need to be culturally competent, like social service businesses, schools, government agencies, and corporations.

Pros and Cons of the Customer Development Approach

Pros	Cons
<p>This Approach May Have Potential for Your Business if...</p> <ul style="list-style-type: none"> ① You suspect that your products and/or services might appeal to a broader market than your current customers. ① 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 Business if...</p> <ul style="list-style-type: none"> ① You do not have any profitable products or services. ① Your business is at or near maximum capacity with its current products and services, and you are unable to secure necessary resources to expand. ① 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.

Helpful Resources

Should this approach lead you to a new opportunity that involves an unfamiliar customer, then you can learn about market research on Authenticity Consulting's Free Management LibrarySM at: www.managementhelp.org/mrktng/mk_rsrch/mk_rsrch.htm

CUSTOMER DEVELOPMENT OPPORTUNITIES WORKSHEET

Purpose: To help you identify opportunities to sell more of your current products and services to new customers.

Step 1: Identify new customers who are the same as (or very similar to) your current best customers:

a. List your current best customers	b. List any new customers (or groups of customers) who are the same as (or very similar to) your current best customers

Step 2: Identify new customers who are different than your current best customers, but who could benefit from our most profitable products and services

a. List your most profitable products and services	b. List the benefits these products and services provide	c. List any other people or businesses who might be willing & able to pay for these benefits

Step 3: Select your best opportunities and transfer them to the “Master Opportunities List

Customer Development case: AJ Bombers

Taken from: hubspot.com on March 31, 2014

<http://cdn1.hubspot.com/hub/53/archive/docs/small-business-social-media-ebook-hubspot.pdf>

AJ Bombers

The Challenge:

AJ Bombers is a burger joint in Wisconsin. When they first opened things looked pretty positive but then the numbers started dwindling. How does a higher end burger joint compete with all the other burger joints?

The Background:

AJ Bombers promotes itself as casual and comfortable. The 50 seat restaurant, located on the corner of a busy intersection was doing ok, but struggled to differentiate itself from the other options in the city. The owner, Joe Sorge, was looking for a way to promote a new burger on his menu in hopes to attract a larger market share. He believed that he had made the best burger in town and saw social media as a way to promote his new burger joint to help his establishment stand out from other restaurants in the area. A veteran of the hospitality industry, Sorge eliminated all traditional advertising mediums that he had used for his previous restaurants when he read the book *Permission Marketing* by Seth Godin. Before using social media, he relied solely on email as a method of marketing. AJ Bombers, his newest restaurant, opened as Sorge began to learn and understand social media marketing.

The Solution:



For the folks at AJ Bombers, their first experiment with social media marketing started with Twitter. Sorge learned about Twitter around the same time AJ Bombers was opening, and began using it by conducting searches using Twitter's search function, to see what people were saying about his restaurant. After a few days of reading comments about his restaurant on Twitter, Sorge decided he wanted to respond to customers; therefore, he signed up AJ Bombers for a Twitter account.

Sorge said that through engaging with customers on Twitter, he learned how to use the tool while also beginning to build solid relationships. As he started to see positive reactions from customers talking with him on Twitter, he began to allocate more of his time to this activity.

For Sorge, the power of social media became evident to him when he realized that, unlike email, which only reaches a maximum audience of a small group of people, Twitter updates have the potential to reach a much greater audience – potentially in the thousands.

The Results:

Today, Twitter is so important to AJ Bombers, that customers write their Twitter usernames on the walls of the restaurant.

Harnessing Creativity Using Social Media



Sorge and AJ Bombers both have a distinct personality and brand. Because of this, they each use social media in different ways. AJ Bombers is a case study in how to use social media events to drive business results. Events have long been an important part of retail and hospitality marketing, but Sorge has scaled them to a new level using social media.

A burger joint with two oversized deck chairs seems like a solid place to have events, but how do you do it, and how do you make sure the time invested is rewarded with revenue? Sorge has used social media platforms like Twitter, Facebook and, most recently, Foursquare to drive record sales for AJ Bombers.

On “Foursquare Day”, Sorge set out to top his previous efforts, this time using Foursquare and a boat. He held an event at his restaurant that allowed customers to earn Foursquare's "I'm On A Boat!" Badge, which requires users to check-in to a location that has been tagged "boat." Sorge partnered with a local outdoor retailer to have boats available at AJ Bombers so customers could earn the badge.

Once he decided what badge he was going to help his customers earn, it took a couple of days of work to organize the most successful single-day Foursquare-based restaurant event. During the event, more than 231 people had checked-in to AJ Bombers' "I'm on a Boat!" Badge party. The event resulted in the single best day of sales ever for the restaurant, and Sorge said he even had to turn away customers because he didn't have the room to accommodate everyone.

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 customers might have, that the Institute could serve.

Pros and Cons of the Product Development Approach

Pros	Cons
<p>This Approach May Have Potential for Your Business if...</p> <ul style="list-style-type: none"> ① Your business is willing and able to expand its range of products and services. ① You suspect that you might be able to offer something new to your current customers. <p>Opportunities identified using this approach can benefit from your business's relationship with and involvement of your current customers.</p>	<p>This Approach May Have Limited Benefit for Your Business if...</p> <ul style="list-style-type: none"> ① You are otherwise limited in terms of what you can produce and sell. ① Your current customers offer little hope of wanting to buy different products and services from you. <p>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.</p>

Helpful Resources

Introduction to product and service management:

www.managementhelp.org/prod_mng/prod_mng.htm

available on Authenticity Consulting's Free Management LibrarySM

For ideas about developing new product ideas, see The New Products Workshop, by Barry Feig, McGraw-Hill, Inc. ISBN 0-07-020351-2

PRODUCT DEVELOPMENT WORKSHEET

Purpose: To help you identify opportunities to sell new products and services to your current customers.

Step 1 (Line Extensions): Identify new products that are the same as (or very similar to) your current best products:

a. List your current best products and services	b. List any new products or services that are the same as (or very similar to) your current best products and services

Step 2 (New Product Development): Identify new products and/or services that are different than your current best products and services, but that still make use of your earned income assets (see glossary), and that your current customers would be willing and able to buy. (You should consider engaging a number of your best customers in this exercise, either through a personal interview or a focus group.)

a. List your best customers and think about their needs ⁵	b. List your key earned income assets (see glossary for details)	c. List any new ways you can use your earned income assets to meet the needs of your best customers (i.e. new products and services).

Of course, the best people to be identifying these kinds of opportunities are your current best customers. And, while personal interviews⁶ and focus groups⁷ can be productive one-time opportunity-identification efforts, the best long-term approach is to engage each of your best customers in an ongoing dialogue about their needs, and how you might serve them.

Step 3: Select your best opportunities and transfer them to the “Master Opportunities List” on page 15.

⁵ What else might they want or need? What have they asked for in the past? What are they asking for now? What challenges are they facing that you might be able to assist them with?

⁶ For free information on interviewing, go to Authenticity Consulting's Free Management LibrarySM at www.managementhelp.org/evaluatn/intvriw.htm on the web.

⁷ For free information on conducting focus groups, go to Authenticity Consulting's Free Management LibrarySM at www.managementhelp.org/grp_skill/focusgrp/focusgrp.htm on the web.

PRODUCT DEVELOPMENT CASE: BACKROAD MAPBOOKS

THE CHALLENGE

Between 2008 and 2009, sales fell to \$1.2-million from \$1.3-million. During, 2010, they declined a further 20 per cent to about \$1-million.

At that point, Mr. Mussio realized that he needed to meet customer demands to go digital, or the business was in serious jeopardy.

THE BACKGROUND

The company has been a leading publisher of outdoor recreation books and maps since 1993, when Mr. Mussio started it from his spare bedroom in Burnaby, B.C.

It began as a university project while he was studying business at the University of British Columbia. “My profs helped me develop a really concrete business plan for my thesis. When I crunched the numbers, it seemed too good an opportunity to pass up,” he says.

With his family lending the initial finances, Mr. Mussio produced his first book, *Southwestern BC*, in 1993, and, over the next few years, the company became an industry-leading provider of topographic maps that display more roads, trails and recreational opportunities than most other other map sources in Canada.

“I wasn’t a mapper by trade when I started this company, but just wanted to read back-country maps more easily. I wanted to quickly spot a trailhead, recreational site or point of interest, such as waterfalls,” Mr. Mussio says. He and his team carefully researched the areas they mapped and added such details in the form of labels and symbols.

Beginning in 2009, Mr. Mussio found that, whenever he connected with customers at trade shows or via e-mail, they persistently asked him when his products would be coming out on GPS or online. “With the advent of smartphones, this demand was just growing,” Mr. Mussio says. “We knew it was time to change and adapt.”

THE SOLUTION

In 2010, Mr. Mussio took a big risk by putting the brakes on his traditional source of revenue growth: He pulled away all of his research and production resources, including his full-time mapping staff of three cartographers, from product development of new titles, and instead instructed them to begin the long process of converting all of Backroad Mapbooks’ data into digital formats.

It was a formidable challenge: That meant converting more than 1,250 different topographic maps that included more than two million kilometres of roads, 200,000 kilometres of trails and 30,000 unique recreational points of interest into digital formats compatible with devices such as GPS units, computers, PDF readers and smartphones.

“ Each delivery method for various digital platforms required us to adapt the data to ensure it displayed properly, and this was no easy task,” Mr. Mussio says. “Although most of the work was done manually by our staff, we also tried using specialized mapping software and hired a couple of GIS [geographical information systems] specialists to help with this. But outsourcing to other companies to expedite the process did not always work out favourably. Automation would not scale to the level we wanted or include details, such as that rainbow trout can be found in one specific lake.”

It’s the customized details that set Backroad Mapbooks apart from competitors. To maintain this key differentiator, its team had to manually review, pinpoint and reclassify the location of all the trails, logging roads and recreational points of interest.

“Virtually all of the previous 20 years of work on our mapbooks had to be redone from scratch in a digital format,” Mr. Mussio says.

The first few attempts at the Backroad GPS Map and Backroad Mapbook Navigator were met enthusiastically but not without criticism by customers. Fortunately, digital maps can be updated more quickly than a printed map, so modifications were made.

“By 2012, we had digital versions of all of our mapbooks and individual topographic maps, and we began selling the seamless website maps as each product was finished,” Mr. Mussio says.

THE RESULT

Backroad Mapbook has seen favourable results from its digital redirection. Digital products accounted for about 43 per cent of total revenues of \$1.8-million in 2012. Mr. Mussio expects digital products to grow to 75 per cent of all annual revenue by next spring.

This success has enabled the company to double in size to 12 full-time employees from six, as well as employ the services of half a dozen contract writers and researchers.

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

These "customer-product" combinations might yield some very interesting opportunities...

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.

Pros and Cons of the Diversification Approach

Pros	Cons
<p>This Approach May Have Potential for Your Business if...</p> <ul style="list-style-type: none"> ① Your business is willing and able to expand its range of products and services. ① Your business is willing to expand into new markets. <p>Opportunities identified using this approach can help your business move into entirely new, profitable areas of business.</p>	<p>This Approach May Have Limited Benefit for Your Business if...</p> <ul style="list-style-type: none"> ① You are otherwise limited in terms of what you can produce and sell, or to whom you can sell. ① Diversification <i>can</i> lead to lack of focus and spreading resources too thin – be careful! <p>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.</p>

DIVERSIFICATION **WORKSHEET**

Instructions (instructions 1 to 4 correspond to worksheet sections 1 to 4 below):

1. List your new product and service ideas from the “Product Development” worksheet in section 1 below.
2. List your new customer ideas in section 2.
3. Where each product row intersects with each customer column, indicate with an “☐” where you feel there could be potential for sales and profit.
4. List any other ideas you get in the space at the bottom of the page.
5. When you’re done identifying potential opportunities, see if you can spot any themes or groupings. For example, do one or two products (or one or two customers) seem to account for the most opportunities? Use your judgement to select the best opportunities or group of opportunities, and transfer these to the “Master Opportunities List” on page 15.

<div data-bbox="344 892 420 970" style="border: 1px solid black; width: 47px; height: 37px; display: flex; align-items: center; justify-content: center; margin: 10px auto;">1</div> <div data-bbox="196 1029 535 1087" style="margin-top: 10px;">New, Potentially Profitable Products and Services</div>	2	New Customers															

4

DIVERSIFICATION CASE: KJM COUNTRY GARDENS

THE CHALLENGE:

As with most gardening operations, KJM's business is seasonal and the bulk of its plants are sold in April, May and June. However, during the last three years, certain elements have combined to threaten its high season.

"We've suffered three very inclement springs," Ms. Wotherspoon says. "This meant far fewer people bought plants. Last year, the weather didn't really turn good until July, so a lot of people didn't bother to buy or plant anything at all that season."

At the same time, KJM Country Gardens found its business undercut by big-box stores in Vancouver that started to sell mass-produced plants earlier in the year than KJM did, and at lower prices.

"This makes it difficult when we have late springs, as the big-box stores effectively take our business by selling plants in February, and their prices are difficult to compete with," Ms. Wotherspoon says.

KJM Country Gardens needed to find a way to generate revenue outside of its short high season. In a time of global recession, borrowing funds to expand the business was tricky.

"We entered the gardening industry in 2007, at a time when the economy took a nosedive and the banks tightened up their lending," she says.

THE BACKGROUND:

KJM Country Gardens is a family business, with "KJM" representing the initials of Ms. Wotherspoon's three children: Kenny, Jordan and Melanie. After working as a registered nurse for 20 years, Ms. Wotherspoon's entrepreneurial spirit was triggered when she saw an opportunity to open a garden nursery on her existing property in Southlands, a semi-rural area of Vancouver.

"I was at a point in my career where I needed a change, and was looking for a business opportunity somewhere," she says. "I loved gardening and my son Jordan was studying horticulture. Together we decided to dive into a whole new industry."

Ms. Wotherspoon and her son and now business partner, Jordan McDonald, started out in 2007 selling just plants at KJM, including trees, shrubs, perennials, annuals, and vegetable starter kits, before adding garden accessories and organic soil fertilizers.

THE SOLUTION:

Although KJM was already functioning as a full-service garden centre, with the threats its main source of revenue – the three-month growing season – faced, it needed to find a way to generate business during the off season.

The solution was to turn KJM Country Gardens into more of a destination shopping experience, with a particular focus on educating customers about growing and consuming environmentally friendly products.

Ms. Wotherspoon already owned a miniature horse, and she created an urban farm experience for children by adding a couple of goats, several bee hives and 50 chickens. At KJM, children can now learn where eggs and honey come from, while adults can purchase these products and also enjoy a latte at the onsite coffee bar.

In addition, the KJM team started to host a series of workshops and events in the low season. “We teach all kinds of gardening techniques, from growing vegetables to pruning fruit trees, worm composting and making a kitchen herb container,” Ms. Wotherspoon says.

She also holds a lavender festival, hosts farmers markets, creates a pumpkin patch in October and sells Christmas trees in December.

Customer appreciation is an important part of her community-building ambitions. “More recently, we’ve started to host exclusive shopping events, like an oysters and champagne evening for customers on our e-mail list,” Ms. Wotherspoon says.

Since bank loans were hard to come by during the recession era, Ms. Wotherspoon took out a personal line of credit against her own property to raise funds for these business expansions.

THE RESULT:

Thanks to diversifying her business, Ms. Wotherspoon succeeded in establishing KJM Country Gardens as an educational and fun family shopping experience that is profitable year-round.

In 2009, 78 per cent of KJM's gross sales were made in the high-season months of April, May and June, and just 12 per cent was generated during the low season. By 2011, that split had turned to 59 per cent of revenue generated in the high season and 41 per cent in the low season.

“Overall, during the last two years, our company has shown a 25-per-cent increase in growth each year,” Ms. Wotherspoon says.

The educational experiences offered, have resulted in more return customers, who come back to buy plants and pots.

“This year we’ve seen an increase in young families coming in to buy vegetables who are interested in organic gardening,” she says.

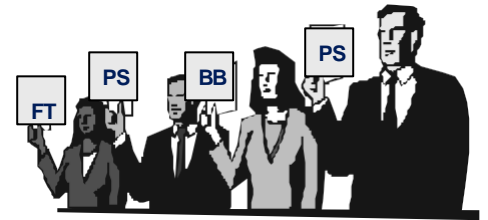
KJM Country Gardens is also getting more brand recognition, with Mr. McDonald offering expert advice at the annual Vancouver Home and Garden Show.

Jeff Kroeker is a lecturer in the accounting division at the [Sauder School of Business](#) at the University of British Columbia. Cases every Friday on the [Report on Small Business](#) on the Globe & Mail website.

QUICK FEASIBILITY SCREEN

Using your judgment, select a short list of opportunities to run through the screening process below. Using the scoring key, assign a 1-4 score for each of the 10 questions for each venture idea. Then, add up your individual scores for each idea to calculate its total score.

Then, using the total scores as a guide, assign a bottom line rating for each venture idea.



<p>Scoring Key:</p> <p>1 = no / don't know</p> <p>2 = only somewhat</p> <p>3 = mostly</p> <p>4 = yes, very much so</p> <p>Feasibility Criteria</p>	Opportunity					
Strategic Feasibility – Do you want to do it?						
1. Is this opportunity aligned with your business goals and priorities?						
2. Is there someone who will take personal responsibility for seeing that this opportunity succeeds?						
Operational Feasibility – Can you do it?						
3. Can you clearly describe the proposed service?						
4. Will you be able to produce and deliver it?						
Market Feasibility – Will your customers want to buy it from you?						
5. Can you clearly describe your target customers?						
6. Is there evidence these customers are willing to pay for this product or service?						
7. Is there evidence they will prefer it to the alternatives they have?						
Financial Feasibility - Will it meet your financial goals?						
8. Do you have clear financial goals and/or success criteria for this venture?						
9. Is there evidence that this opportunity will meet or exceed your goals?						
10. Do you know what the costs for developing this opportunity will be and where the financing will come from?						
Total Score						
The “Bottom Line” Rating						

The Bottom Line Ratings:

- “Fast Track”** Let's do a quick business plan and move on this idea immediately – we know enough already, the risk is low, and the time is right!
- “Potential Star”** This idea looks good, but we need to do some feasibility testing before we go ahead.
- “Back Burner”** This idea either isn't very strong but still holds some promise, or the timing just isn't right – let's put it “on the back burner” for now.
- “Throw Away”** This idea isn't worth pursuing at all – let's not spend any more time on it.

OPPORTUNITY DEVELOPMENT ACTION PLAN

Which Approach?

Diversification, Customer development, Product development, or Maximization.

Description	Action Steps	Responsibility	Necessary Resources	Deadline	Status
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[illegible]