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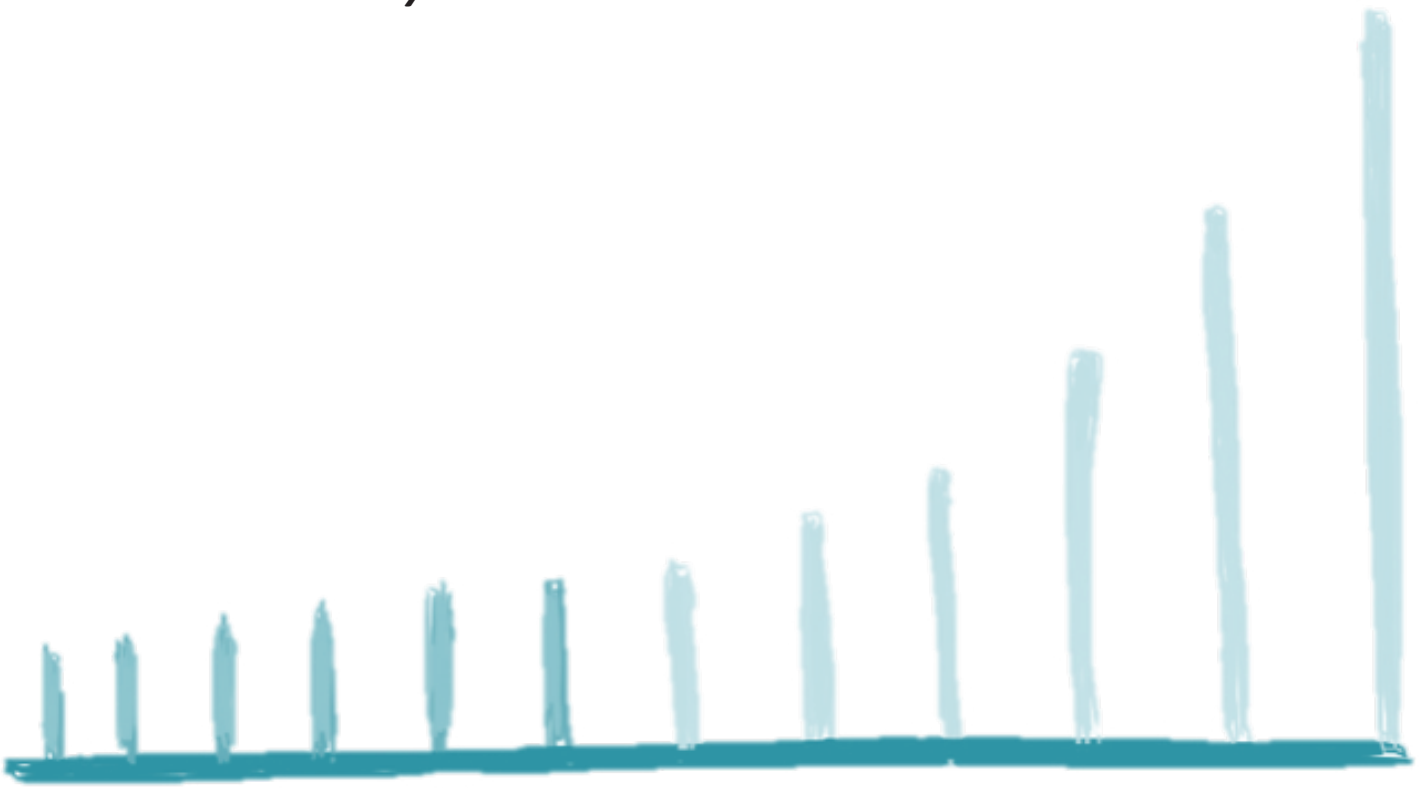
Growth & Innovation Practice

Growing revenue with near-zero investment

In a tough business environment when demand in the core market gets challenged, businesses should look at tapping adjacencies which leverage the organizations' foundational assets. Not only are these moves less risky, but they also do not call for much upfront investments.

By Subash Franklin



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The conventional thumb rule for businesses in a crisis is to focus on current customers and markets while simply saying 'no' to acquiring new customers and segments. But sometimes demand in the core market dries up to such extent that enterprises are forced to look out for greener pastures.

Foundational assets, adjacencies, and customer value

The search for revenue outside your core markets starts with your customer and market adjacencies. Be laser-focused on what value your product creates for the customers and ensure it is not too risky for the business. As long as the search for new revenue is around the leveraging of your organizations' foundational assets, it will be less risky and demanding in terms of capital requirement.In a challenging economic environment, value consciousness of the customers goes up. If you are not genuinely solving a problem for your customers, they may not necessarily consider your brand. This problem solving could be in the form of time and money savings, affordability, revenue increase or achievement of goals.

Core market opportunities

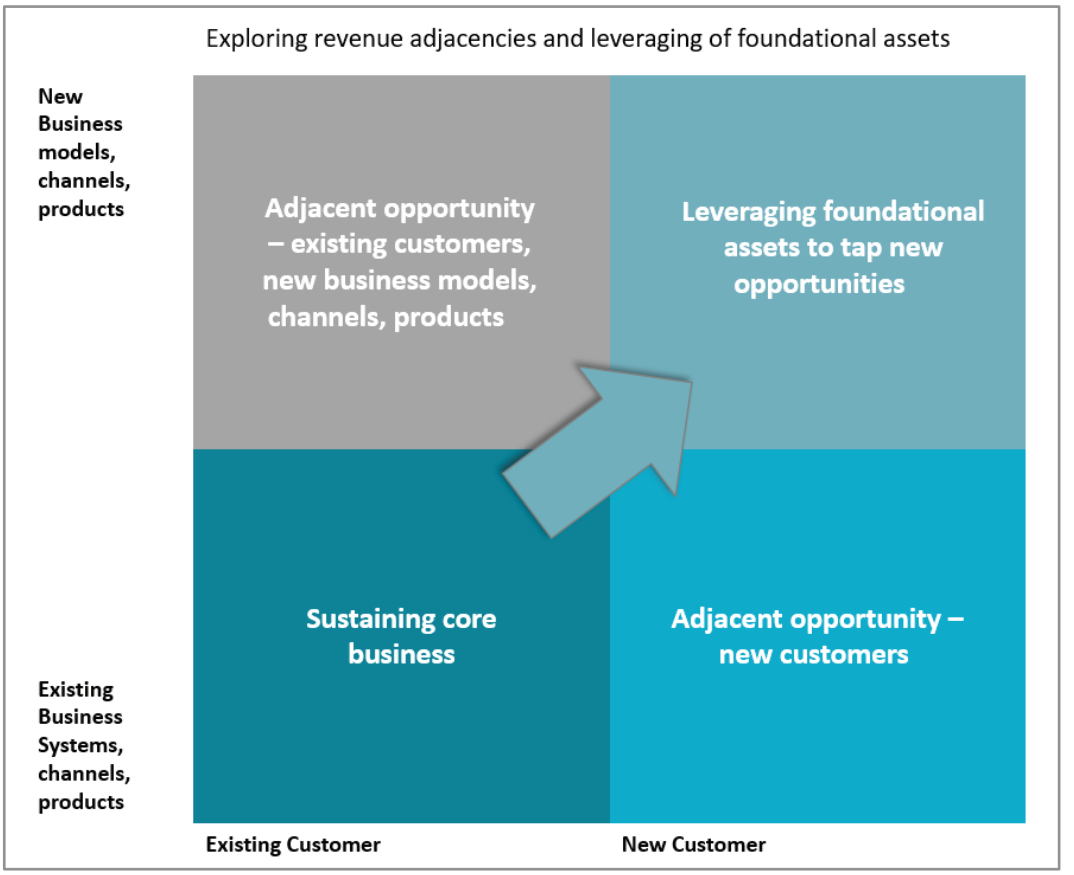
Before you venture into adjacencies or dabble with new business models, you need to ensure that you haven't missed out on any remaining opportunities within your current product portfolio. You have to remember that in your core market, audiences will be familiar with your brand. Creating extensions or variations is going to be the safest and a relatively less effort-intensive bet. Tactics like smaller packs and improved value messaging are just some of the tactics that should work. Even though this is the most reliable bet, refreshing a mature brand with new benefits to renew customer interest, increase relevance, and drive up value is certainly not an easy task. In our work with an FMCG player in the skincare market, our researchers helped unlock product benefit and new end-user benefits, which increased the value of the brand in the consumers' mind space. Besides, the research uncovered portfolio gaps which are easy wins without much investment as the brand was an already established one, commanding considerable retail shelf space.

Adjacent opportunities – new customers

Adjacencies can take two forms; one which requires no change to the business system and products but targets new customer segment; and the other which involves some tweaking of the business systems and model but taps existing customer. Let's take the first one. Here you are creating new benefits for charging a slight premium or even eliminating some features to create a value offering. Take, for instance, the private label strategy followed by retailers with 'Good', 'Better' and 'Best.' Or business moves like Taj's Ginger Hotels in India and Planet fitness (gyms) in the US. Both these brands cut out all the bells and whistles and instead offered a frills-free offering that was affordable and targeted a new segment of customers. Planet Fitness mercilessly chopped all high-cost features like personal trainers, speciality training classes (e.g., yoga), too many free weights, and added cardio machines. By so doing, it created a system where people pay for some equipment they use ("pay-for-use" model) not a cent more. With a reduced cost structure, they were able to attract a new set of value-conscious customers. Currently, Planet Fitness is one of the most successful gyms in the US. Remember one of the critical parts of a move like this is to figure out what needs are essential from a customer standpoint and which are the ones that could be eliminated without compromising user satisfaction. Guesswork should never be the basis of an exercise of this sort. Sound consumer research should form the base.

Adjacent opportunities – existing customers, new business models & channels

The next form of adjacency engagement involves slight tweaking ofthe business model to make your product more affordable, adding new sales channels like digital, or, in some cases, taking the product directly to the consumer. This could include fractionalizing, converting into 'product as a service,' adopting long-term leasing and pay per piece revenue models, an even digital enablement. This kind of moves are found more in high CAPEX industries such as building and medical equipment, automobiles, and farm equipment. It also applies to businesses where customers are hesitant to buy an entire package but would instead buy it a-la-cart (piecemeal fashion). For example, selling a single news story as against a whole subscription. For a drone manufacturer, our recommendation was to offer their product as a service. This liberates the customer the burden of having to pay the price of the drone upfront. Since the operation and maintenance are taken care of by the drone manufacturer, it frees up the cost of hiring people and support. To enable this experiment, we suggest that drone providers adopt a build, operate, transfer (BOT) model, so their overheads can be kept to a minimum.



Leveraging foundational assets to tap new opportunities

The fourth move is to get the most value from existing organizations foundational assets to create and sell a new product to a new set of buyers which are in demand. This doesn't entail any massive investment; it's just that existing assets are leveraged to make and sell a new product to a new segment of consumers. For instance, in the current COVID-19 pandemic resourceful FMCG players and premium perfumery brands entered the hand sanitizer production circuit both for social and commercial reasons. Cult Fit, Flipkart's fitness brand, got into the online fitness market even more determinedly. Meanwhile, many software players launched solutions for collaboration and listening to their employees, customers, and vendors. In one of our work with a legacy gym business which was under threat due to the changing customer behaviour and high CAPEX structure, we pivoted the company into the mass weight loss segment by leveraging their foundational assets (this happened before the current crises).

Customer value, the key for revenue growth

Whatever moves you make in market adjacencies, rewiring the business model or selling to new or existing customers, the point of origin of your strategic shift should be the customer and the value you can create for them. So, focus on the end-user and the metrics they use to gauge the value, and all else will follow. Never let yourself be led by guesstimates and presumptions, especially in hard times when every rupee counts. Start with understanding customer needs and how their needs would have changed, understand metrics they use for evaluation and spot gaps in the market, quantify the degree of the struggle for customers, explore adjacencies and tweaking of the business model to increase revenue span and last use data models to make winning moves.

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This white paper is an abridged version of Innomantra's opportunity diagnostics process.