

New Business Growth Model

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Business in today's times is passing through a serious turn-around. Younger organizations are valued at unusual valuations and old traditional businesses, who have invested huge amounts in assets are struggling to raise valuation.

Today's companies operate on an asset-light model with minimal commitment on capital expense, but very high on technology and intellectual aspect. In view of such changes, businesses have to adapt with the changing environment and renewed landscape of business model.

Figure 1: Business Growth Model

	Profitability	
Needs of the Customer	<i>Business Growth Model</i>	Saleability

Profitability: Before I could start, my student prompted that Sir every business has to be profitable, so what's new about it. I said yes every business has a profit motive. But according to me, profit in business can be broken down to profit from projects. Each project has to be profitable. If any one project is not profitable then there are high chances that it may lead to poor financial result of the business.

Profits from projects occur due to increase in revenue or decrease in cost. There are many components that are responsible for increase in revenue or decrease in cost. I call each of these components – *profit generators*. For instance I need to identify better and more efficient input options (raw materials and labour). If you are getting a particular raw material at a particular price, but if you are getting a better grade / quality of raw material at a little expensive amount, go for it, as it would increase machine efficiency and also output quality. In today's times, money saved in operations with quicker and better output is considered a key profit generator.

My student seemed to get a bit convinced, but then questioned that it is difficult to estimate profit of new project, especially if it is a Greenfield project in the segment. I told him that it is relatively simple. You use your best judgment of the worst scenario and it would give you answer. For instance, I set up a new hotel for kids with 5 star facilities. I need to have the ambience, the food, the furnishings, the attire of the waiters and the colour of the walls designed for kids. As this is the only hotel of its kind in the whole world, profit or revenue estimation would be a challenge. So my best estimate is – can my hotel be used for any other alternative purpose. If yes, then I would estimate my profit and income based on that.

The intention of any business has to be clear – profit. However profit should be identified and expressed. If it can't be done, then doing business would not make any sense and the growth model would not work.

Saleability: If a product is not saleable, then it is useless. In the history of business many entrepreneurs have scraped off their products, because they could never sell it. The products had the best features and advantages, but they failed. I asked my student about the benefits of the new product that he was planning to manufacture. He started saying all the possible features of his product and compared it with the competitors. He told me that customer would feel delighted by purchasing his product. I was just looking at him and his confidence in the product. But there was something missing.

I told him that I have understood the product but I don't have the desire to buy, how you can ignite that desire within me. He said that he had no idea about it. That's *saleability*. Product which can ignite a feeling within the customer to buy the product means saleability. A product has to be sold on benefits that are derived from it and not the features. A product has to be sold with the intention of servicing the customer's need. A product has to be positioned with the customer and the customer's admirer in mind. For example a new dress on the rack is easily sold when two ladies are buying, wherein one is trying and the other appreciates it. The admirer adds value to the customer's choice, thereby making the product a perfect choice.

I also told him that in order to develop saleability, he must think of alternative uses of his product. This will enable him to position the product with different perspectives to the customer. The different perspective would help the customer to identify different applications of the product. These different applications would ignite the buying desire in the customer.

Needs of the Customer: Once I told my student that a product is worthless if it fails to fulfill customer's needs. I gave him the example of an immediate incident. I told him that the reason we came to this hotel is not to have good food, but sit in a proper ambience, talk uninterruptedly and have a perfect meeting. I added that our homes would offer good food, but the rationale of eating out today is not food, but a good business meeting. The need is not the food, but a good meeting.

I asked him that write down ten needs of the prospective customer that can be met by a new product. I also told him to identify unmet needs. There is a simple rationale to this proposition. A product is invented or discovered to meet particular needs of the customer. However with elapse of time the need changes and becomes different. Now if the existing product cannot meet the new need of the customer, some other product would come and replace the product and satisfy the need.

This is an upwardly moving spiral which is a never ending. An innovative entrepreneur, who would meet rising need of the customer, would become a winner. There is no substitute to it. A customer would usually pay any sum of money, provided the need is met.

I came across a business of animal saloon. Initially, I was resistant to accept the idea. But, I gave a thought that there must be the need of wealthy pet-owners to keep their pets clean, beautiful and charming, hence such a saloon is a rational business.

My student, who had been a silent listener all this while, suddenly asked me that is there an end to needs. I told him that in psychological studies, applying Maslow's law there are five stages of needs, but in reality people keep on generating new needs with the completion of the old one.

The transition from room sized computers to hand-held palmtops, from traditional dialing analog heavy phone instruments to small-sized digital phone instruments. The world has been producing and selling only those products for which there is a need.

There is another school of thought that focuses on creation of need. They suggest that business should manufacture such products through which needs are created and customers realize that they need to pay for it. For example, the introduction of Value-Added-Services by mobile phone service. Most of the VAS are first created, then the need is germinated and then customers tend to pay for it.

In any case, the bottom-line is "needs of the customer". Once that is met, any business becomes a viable proposition.