

# IDENTIFYING AND ASSESSING NEW BUSINESS OPPORTUNITIES

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Many organizations are considering what to do to grow. Some look to internal growth—selling more of what they already sell to existing customers. Some look to acquisition. And, some look to add new products or services. The purpose of this missive is the latter.

The decision to offer a new product or service is really a decision to invest in your business. So you need to begin with a standard ROI calculation. Or to put it another way: If you invest a dollar, how soon do you want that dollar back? And, how many extra dollars do you want? Over what timeframe?

This approach works whether you are considering any kind of addition—building, equipment, inventory and even people. So, you might begin with a goal—if I invest \$100,000, I want all of that back in the first 6 months. And, I want to get a return of an additional \$100,000 per quarter thereafter. This is a critical step because if you do not begin with a yardstick, you have nothing to compare what you find with what you want.

After creating your ROI goal, then you get to think a little bit about your sales strategy.

	Existing products/services	New products/services
Existing customers		
New customers		

This matrix is the basis for all strategic and sales planning. Begin by answering the question; what do you want this new product or service to do? Get you more customer share of existing customers or get you into new customers? This is an important question because of the impact it has on the sales effort?

## **Decide What to Sell**

The hardest part of this effort is deciding what to sell. Ideally, you will pick something where there is both need and where you can have a competitive advantage. For example, there may be a lot of customers in your territory that use certain products and you might not sell them now but if all you are able to do is to get a “me, too” brand and compete on price...

Unless you have a strong need to get new customers, you might not want to add something that is way out of your current customer base. For example, if you do a lot of work in pulp and paper and have never done anything with transportation, you might not want to add something that only has application in transportation because your sales team will have a lot of difficulty in selling it.

The best thing you can add is something which is used by many of your current customers and will also help you penetrate closely-aligned businesses. And, you should be very clear on why these folks might want to begin buying it from you.

## **Survey Your Customers/Prospects**

Before making a decision to add products or services, you need to do a survey of your customer base with the goal of identifying potential. Potential is the most important part of the sales effort because if sufficient potential does not exist, you can pretty much be assured you are wasting a lot of sales resource chasing non-existent business.

My recommendation is to create a specific list of target accounts in each sales territory and give the sales team a 30-day assignment:

Identify all of the potential for the new product/service in the targeted accounts and also identify who you think the key decision-makers will be.

You can also give the inside/counter people a similar assignment by implementing a “Question of the Month” program:

Ask everyone who comes in the following questions:

- Do you currently use this product? If so, about how much of it do you use in a month? Year? If no, have you considered using this product?
- Who are the people in your organization that would probably be involved in a decision to purchase it?

(You might even have a contest where you hand out steak dinners for two for the individuals that produce the most information.)

At the end of the month, you ask your sales team to make a formal presentation of what they have found out. How much potential is out there? If there is enough to make your ROI numbers, proceed to the next step.

### **The Next Step...Your Success Ratio**

Once you have identified the potential in the target areas, the next step is to look at your historical success ratios. To do this, look at the total dollars you quoted on everything last year. (You should know this already.) Then divide it by half. Example, you closed 38% of all dollars quoted last year, so you would divide it by half and find your expected close ratio for the new product or service would be 19%. Now multiply .19 times the total potential you found in the exercise above—this is a realistic sales budget for this year for the new product/service. Is it enough to justify your ROI investment?

You can count on some additional business once you get started because there may be some real needs in un-surveyed customers and prospects but this is a good starting point.

### **The Real Deal**

Even if you find the potential you need, the real deal is to get out there and sell it. To be effective, you need to assign a specific number of sales calls at customers with defined potential over the next 30-60-90 days. Then manage it. Finding potential and booking orders is not the same but if your sales team did the job correctly, you not only have a list of prospective customers but also a list of the people who should be involved in making the decisions—not a bad way to start a sales effort, right?

Once you start this process, you need to manage it—and that means staying on top of the assignments because the last thing a salesperson normally wants to do is to talk to new people about new products.

### **A Word About Compensation**

If you want to add a little “zing” to your efforts, why not pay the salespeople a bonus commission on what they book in the first year? If it’s really important, you can show it by paying a little more for it. And, that might just help the people to want to do what you want them to do.