What’s the single biggest business risk?

Fundamentally the business of business is simple!

There’s an old saying, “Nothing happens in business until you sell something”, perhaps not entirely correct, but for many businesses this is a fact.

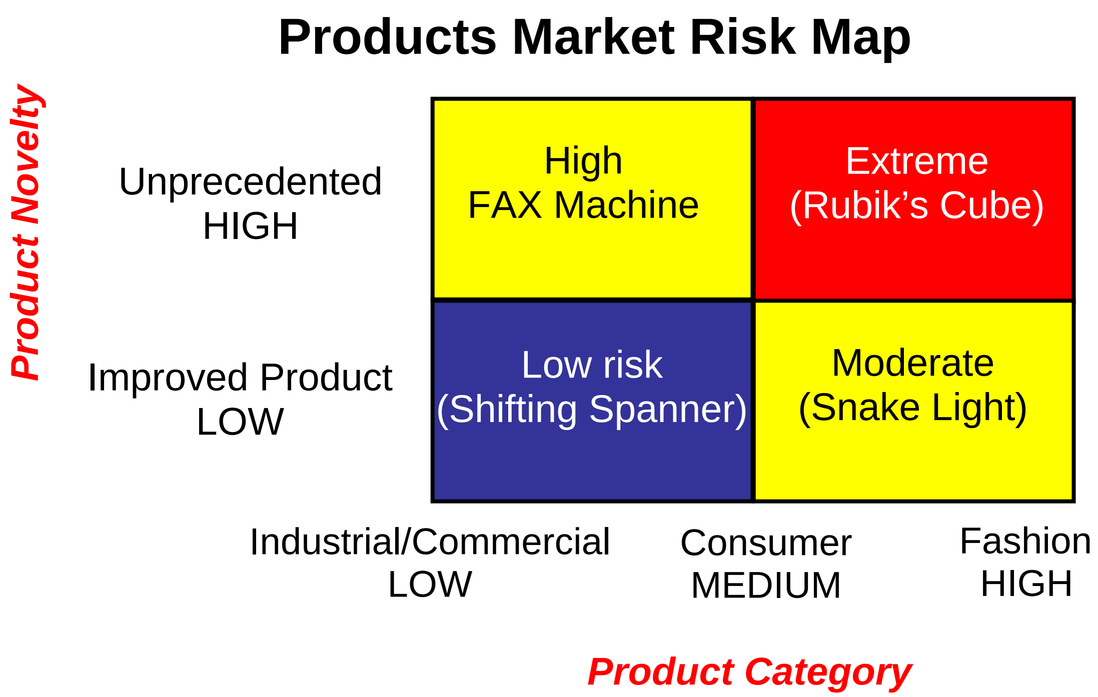
Indeed if we look at any business failure, almost without exception, the single reason for such failures is simply a failure to sell enough “product” at the right price. It’s that simple.

The obvious question this leads to is: ***“How do we know what we should be selling?”***

Fortunately the answer is embodied in innovation and opportunity capture and an understanding of market risk.

The Market Risk Map

Below is a map that is of great assistance as a first pass evaluation of a market risk for new initiatives.



On the left vertical axis is the degree of product novelty or newness of a product with high novelty at the top and low at the bottom.

On the bottom horizontal axis is the market category the product occupies.

“Industrial or Commercial” are products targeted at business usage and are usually purchased because the purchaser can calculate the value proposition, or return on investment for the purchase.

Selling products in the bottom left corner of this diagram is relatively easy as the novelty is low, thus the user can understand the products use and the value proposition can usually be determined.
In the mid space are consumer products. The purchase decision for these is usually not quite as straight forward as industrial/commercial products. In this case the decision is largely determined by brand or price, depending on how responsive the purchaser is to advertising as a value builder, compared with just lowest price.

The far right is the fashion space where the reasons people make purchase decisions is extremely complex, but in this space, brand is everything. For example why would anybody buy a ROLEX watch for many thousands of dollars when a five dollar watch from the local service station will keep as good or perhaps even better time? This is an interesting question that has kept marketers in business for many years.

On the vertical axis, low novelty is the preferred place to be. History has shown that many first products fail and it’s the followers that often win.

Bill Gates was third with Windows, Diners Club failed when introduced and after ten years of trying the creator sold out for a “song”.

The computer mouse took some twelve years to commercialise and the fax machine some sixty years from its original patent.

It’s the seconds that often win the race.

DHL, UPS and FEDX etc, did not invent parcel post, they just did it better. So too Henry Ford, he did not invent the motor car, he just found a better way to make them.

The lists of failed firsts is endless, so too of “fast second” winners.

Asses your Risk Space

It is a good idea when introducing new products or services to see where it fits on the above market risk map.

Further, if you can find a way to move your offering to the lower left hand corner you are on the right track, anywhere else spells greater risk and the top right hand corner is, to many, a “no go” area.

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