



Focus on the Product Portfolio

—How to get more products and services on the shelves

As entrepreneurs, we can come up with the most fantastic idea and just not make enough money from it. One of the reasons could be that we do not offer a big enough range of goods and services to generate turnover. So how do we create more and better products that can turn our good ideas into sound business ideas?

During the first couple of years when we, as entrepreneurs are starting up our businesses it is very natural for us to focus strictly on developing our key products and services. This probably results in some good products and services that the customers like, but our turnover is probably not as large as we hoped.

One reason could be that we focus too narrowly on a few products instead of developing our total product range, thereby developing our business idea into a complete business concept. So how do we become better at working with the product portfolio as a means of getting more customers and selling more to the customers we already have?

More products and services on the shelves

One way is to develop and market a larger product range than we have today and to get more products on the shelves. In this way, we can attract a larger number of new and different customers as well as provide existing, good customers with the option of repeat purchases. For inspiration on product portfolio development see The Product Tube (see figure), which illustrates four, different categories of products and

services that we can offer our customers: introductory products, core products, add-on products and flagship products.

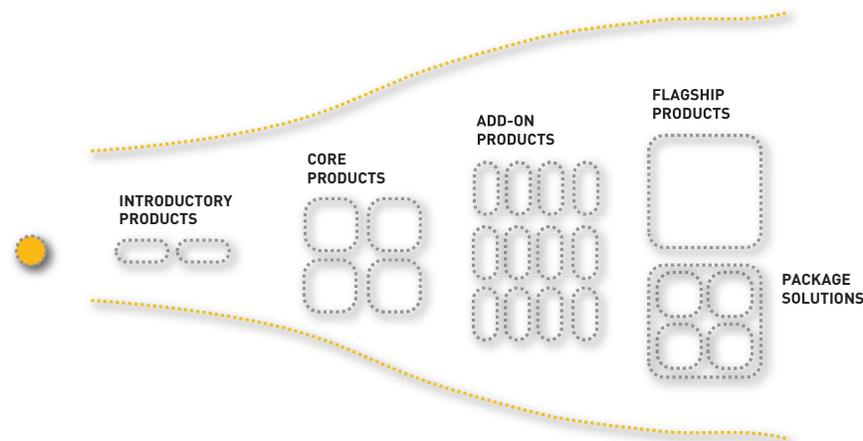
Introductory products that create first sales

The first opportunity for expanding the product portfolio is to find good, introductory products that can initiate the first sale and establish a customer relationship. Such an introductory product can be e.g. a smaller or cheaper version of our compa-

“It is good salesmanship to always have a least one extra product on the shelf, to offer a satisfied customer, in order to create additional revenue.”

ny’s core product or service, which gives the customer a taste of what our company can deliver. It could also be quite a different product that can inspire the customer to come back for more. Examples of introductory products could include all kinds of product samples, a free trial period, software with limited functionality, or a consultant review. Another option could be to give away introductory promotion products and services at events. However, by charging for our products or services, we signal to our customers, that we are offering something of real value.

The Product Mix: Designing the assortment of products and services



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So, the advantage of selling the introductory products instead of giving them away is that we establish relationships with customers that might otherwise not be interested in buying our key products or services. Once the relationship has been established it is easier to extend it and to sell more products down the line.

More customers through a wider product range

Another opportunity we have for expanding our product portfolio is by further developing our core products. The question we must ask is whether we have a one-size-fits-all product or if we have created a variety of products aimed at specific target groups. For example, if we sold T-shirts, the question would be whether should only have S,M and L in stock or maybe even XS and XL. How about offering our customers a range of color options too?

In other types of business we also have the same opportunities to offer variations of products and services, so that customers can get exactly the type they want. Products can be created in various colors, sizes or material quality. Services can vary in extent, duration, level of quality or processing. There are many possibilities, and their relevance depends entirely on the company's industry and business concept. An increased product range also enables us to offer products at different prices. This can help us attract customers with varying purchasing power, budgets, and interest in our products. A broad product range alone may be what attracts customers to our business. Instead of asking whether the customer wants our products, we need to focus on which products the customer wants – a good, old piece of advice from the marketplace.

Add-on products for satisfied customers

A third opportunity for expanding our product portfolio is through developing add-on products for customers with special needs or customers, who are so satisfied with our products that they would like to have more of the same. Add-on products are so-called, because they are not products in their own right, but rather an added supplement when a basic product or service has been purchased. It is good salesmanship always to have a least one extra product on the shelf, to offer a satisfied customer, in order not to miss out on additional revenue. One way of doing this can be to remove a part or portion of an existing core product, if possible, and then sell it as an extra service. This can also make the core product cheaper and maybe more attractive. Another way is simply to

“Instead of thinking about *whether* the customer wants our product, we need to focus on *which* of our products the customer wants.”

develop new products to sell as add-ons. Examples of add-on products can be extra product components or modules that can perhaps expand core product functionality or an add-on service could be a follow up activity that improves the quality of our original delivery.

The full package

The final opportunity to expand our product portfolio in the Product Tube framework is through flagship products. This is most relevant when our customers are not only interested in buying an introductory product, core products, and some add-on products from us, but are also interested in buying

CATEGORIES OF PRODUCTS AND SERVICES	DEFINITION	OPPORTUNITIES
INTRODUCTORY PRODUCTS	Smaller versions or partial delivery of a core product, which are typically sold to first time customers.	<ul style="list-style-type: none"> • To make a sale to customers who otherwise would not buy • To start a customer relationship that can be extended
CORE PRODUCTS	The assortment of products and services in different variations, offered as part of the business concept.	<ul style="list-style-type: none"> • To create product variations for various target groups • To offer products and services at various price levels
ADD-ON PRODUCTS	Products and services which are a supplement to the core product and add functionality or more value for money.	<ul style="list-style-type: none"> • To cover special needs and preferences of some clients • To create additional sales to satisfied customers
FLAGSHIP PRODUCTS	The most comprehensive, advanced or luxurious products and solutions that are sold to the best clients.	<ul style="list-style-type: none"> • To develop exclusive world-class products • To develop package solutions in collaboration with partners

our flagship products; the most advanced or luxurious products we can offer (also called high-end products).

At this point we might ask ourselves if we or whether the best product we can offer today could be developed to be even better. The most important aspect of establishing a flagship product is not necessarily to sell many of them. The existence of a flagship product can itself positively affect the sales of our total product range. For example, most of the BMWs driving around are not the most expensive model, but the more expensive models help to sell the cheaper ones.

Another opportunity to deliver a bigger product range is through combining products in a package solution. Package solutions can involve finding complementary products that support or enhance our own products, but are developed or supplied by a business partner. The aim is to create a package that is more attractive than any of the individual products alone and that can even possibly be sold at a higher price than the total combined individual products.

Emotional barriers to launching new products

Despite our ability as entrepreneurs to easily come up with ideas and concepts for new products and services, there can be a long time between the idea and actually selling the product. We can come up against emotional barriers, which make us hesitant to launch the new products we are working on. One of these barriers can be our compulsion not to launch the product until it is completely developed and perfect. Although striving for perfection is a noble and understandable endeavor, it can result in us investing a lot of time in fine tuning or major research to support further product development. The problem with this is that the process will lead to even more ideas for improving the product, which will further delay the launch. One way of avoiding this trap is by taking a more dynamic approach to product development, in

which we need not think of the products we launch as complete, final versions, but just as first generation products that will soon be followed by updated versions.

Another common emotional barrier is the fear that our new idea will be stolen by the competition. This barrier can cause us to delay launching new products for a long time, until we finally convince ourselves that the best way to stay ahead of the competition is to launch new products and stay one step ahead. In this way, we are also more likely to be recognized for being innovative.

Find the balance

As we have seen, the Product Tube offers many opportunities to develop our product portfolio. However, creating a product for each customer for every possible scenario is not necessarily good for our business. Sometimes it is better to focus on one single product and be really good at one thing. As Henry Ford said when he invented the assembly line, “You can have a car in any color you want, as long as it’s black.” However, it is often too few products, rather than too many, which limits our ability to truly break through with our business concept. For this reason we must attempt to develop our product portfolio.

Suggestions for the next step

- Decide which introductory products and services to offer new customers first.
- Consider whether you can attract new customers by developing new product variations.
- Create or find new add-ons to offer existing customers.

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