

Rebuilding your new model

By  Alon Raiz

3 Jun 2020

The common consensus is that there is going to be a "new normal" and that new normal is going to require most, if not all, organisations to recalibrate themselves to the new external context. For some organisations, the change in external context will be negligible but, for many, the change will be significant, fluid and long-lasting.



Source: www.pexels.com

As such, those organisations that intend surviving or thriving will need to change their operating models in order to be best placed to take advantage of the new context.

Below is a framework you can use to help you think through how to build this new model.

1. Who is the new who?

You need to spend a lot of time considering just who your new client is. A client, by definition, is someone who purchases your product or service to fulfil a need or want. If that need or want changes or disappears, so too does your customer and potential customer. Has that need or want changed? An important factor in determining the new who is the concept of affordability. Someone may want or even need your product or service but may not be able to afford to pay for it.

In times of recession, the affordability question becomes a big part of determining the new who. A typical example of this is the concept of trading down. People who previously could afford to shop at a high-end store for groceries – let's call it Chain Store W – might become more price-sensitive and change their shopping destination to a grocery store that is positioned one tier lower than what they are used to – let's call that one Chain Store P.

This poses an important question for both Chain Stores W and P. For Chain Store W, it poses a strategic question of whether to change their range, their pricing, etc. to keep their regular clientele. But how do they do that without changing their positioning in the market? For Chain Store P, it poses the question of how to attract Chain Store W clients to their stores so they do not choose another similarly positioned chain store. Does Chain Store P proactively compete for W's customers?

And then there is the issue of the very same thing that is happening to Chain Store W customers (trading down) happening to Chain Store P. Their price-sensitive customers are leaving them to go to the cheaper Chain Store C.

Customers are being dislocated by the system shock in terms of needs and wants, as well as affordability. To be fair, this process is happening all the time, even without a system shock. But the system shock accelerates and intensifies these shifts into a short period of time that makes planning for them incredibly difficult. Anticipating who might become your new customer, and how they are subtly or grossly different to your existing customer, is very important to stay relevant in these changing times.

A last note on who is your new who...Your new who could be your current who but with a different set of needs, wants and affordability issues. Your current client is your cheapest client to convert or retain. They know your brand and your service and the way in which you operate. They have shown loyalty to you and have a relationship with you. These clients should always be your first target in considering who is the new who, even if they are exactly the same customer but with a different buying profile.

2. What is the new what?

The new what refers to the new product or service you need to create to supply your new who.

It is important for you to remain relatively true to your established core competencies and, as far as possible, use your existing competencies to create new products for the new market.

Let's look at two cases to make this clearer.

The first case is an importer of clothing from China which supplies the local retail trade. The second is a local manufacturer of dog food. Let's assume both want to get into the opportunistic supply of medical PPE (personal protective equipment). Which of the two is better positioned to do so?

The core competencies that have already been established by the clothing importer are likely to be relationships with Chinese suppliers of clothing (fabric), a deep understanding of the process of the importation of goods, and facilities to store goods once they land in the country.

If the dog-food manufacturer wanted to do something similar, they would have to go through the expensive learning curve of finding a reliable, trustworthy international supplier and learning how to import goods (they would probably already have some storage facilities). It's very clear that the clothing importer would be using their core competencies more efficiently than the dog-food manufacturer.

At the moment, too many businesses are making decisions about particularly opportunistic so-called "pivots" using very few of their core competencies. As a result, they will be exposed to the vulnerabilities associated with a learning curve and, with this, an increased probability of making mistakes which will inevitably have a financial cost.



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In the production of the new what (the new products or services), one needs to carefully anticipate and understand the needs and affordability of the new who, and then craft new products and services, ideally using your core competencies, to fulfil those new needs at the right price point.

In the normal course of business, I recommend that when creating new products or services, a business should never include more than 20% new competencies in order to create those new products.

However, during a system shock such as what we are experiencing, I believe that one can stretch that to 35% new competencies. Any more would, in my opinion, be dangerous to the company. The trick in these instances is to “re-lens” your business and think more laterally about what core competencies might actually already exist in your business that you previously did not recognise and label as such.

3. What is the new how?

New products to new markets generally require new systems and process in order to deliver efficiently and effectively. Without an emphasis on building these new processes, the ability to deliver efficiently and cost-effectively will be hampered and may cost the business its reputation and financial damage. You cannot be thinking about a new what and a new who without thinking about a new how.

Initially, start by writing up your new processes in a high-level way to save precious time and, over time, start to add meat to these processes as they start to stabilise and become entrenched.

Because you are using the majority of your existing core competencies to create these new products or services, many of the intrinsic processes will remain the same. Using the example above, if you were a clothing importer and are now a PPE importer then most of the processes would be the same, perhaps with an additional step or two for the requirement of a quality-approval process. It is important to be alive to these adjustments in the process to ensure you realign the business for the future.

4. What is the new where?

New markets buy in different ways and possibly in new geographies. Ensure that you understand your distribution strategy for your new products to your new clients, and open yourself to completely new ideas in terms of how distribution takes place.

The one thing Covid-19 has done is to dislocate us from our geographies. What you can sell in South Africa, you can sell anywhere in the world. With most of the business world being forced to operate online, this has effectively opened a global market to any company, large or small. This is a great opportunity to stop thinking locally and to open our minds to a national or even global market. So, is there a national or global market for your new who? The answer is a resounding yes!

The important thing is to have the confidence to reach out to these new markets that have probably always been there but were hidden by your mental constructs of what was and what wasn't a market available to you.

If you push yourself outside your comfort zone, you will overcome the gravitational pull of your legacy distribution models. Doctors are providing digital consultations to people across the world. A baker, who previously sold cakes, is now selling recipe books (some competencies used in a different way) and monetising his new cooking channel on

YouTube.

Lego and Meccano

I often use the metaphor of Lego to describe building a business model but, with the Covid-19 crisis, I have realised that this metaphor needs to be expanded.

When the oil price dropped temporarily to minus R37.10 (i.e. people paying you to take their oil), it dawned on me that all the rules in the world are up for questioning. The previous metaphor of building your business with one process integrated into the next (one Lego piece fitting into another Lego piece fitting into another one) might still be true but, now, you can rebuild your business using Lego bricks and Meccano parts and Jenga wooden blocks and puzzle pieces. The old rules of how you rebuild your business do not apply.

For the creative souls out there, this is a dream come true. You can “Salvador Dali” your business and create a whole new and prosperous reality for yourself.

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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