

Business Resilience Toolkit

Diversification

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Transcript:

Diversification - or increasing your range of products and services – is often presented as a solution for business sustainability and resilience, but it can be a risky strategy.

In this video we're going to look at four options for diversifying your business model, to help you find the sweet spot for your organisation.

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The Ansoff Matrix is a good tool to use when looking at diversifying your business model. It considers options to move into new markets, to develop new products, or to do both.

Option 1: Doing both – true diversification – is the riskiest option. For small to medium sized organisations, trying to move into a new market, with a new product might be spreading yourself too thin, particularly if you don't have the skills or the market positioning to support your diversified model.

So – look to your strengths and see how you can lever these for a more resilient business model.

Option 2 is a good place to start. This is market penetration – this simply means doing more of what you already do in your existing market. If you are heavily reliant on a small number of customers, then your business is vulnerable if something changes for those customers. In the not for profit sector, this is often the case when organisations are primarily funded by a small number of grants or contracts. Market penetration increases your customer base, so it reduces some of this risk.

Option 3 is market development. This takes your existing products and services to new markets. For example, we've done some work with disability service providers to help them develop growth strategies by identifying a new geographical market where they could provide the same services. We've also worked with an organisation to identify new client groups that they can offer their services to. So for example, if you are providing services for adults with early onset dementia, it's not a huge leap in terms of your skills and capabilities to offer the same types of services to people with neurological conditions or acquired brain injury.

Option 4 - the final option - is to look at developing new products and services to your existing market. This is product development. This was how many organisations responded to the pandemic. For example, they levered their social work skills in running group sessions to provide one to one supports instead. Meal delivery services shifted from a daily hot meal service to a weekly frozen meal service.

Sporting organisations are a good example of organisations with a diversified business model - for example, they may provide one to one training, run community sport competitions and elite tournaments, with income from membership and event fees, ticket sales, hospitality and sponsorship. There's a shared purpose across all activities to promote the sport and encourage participation; there are common skills and strengths around the sport itself and in event management, but a diversified model in terms of the income streams.

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