Unearthing the Latent Demand to Grow

Over the past few weeks, we have been discussing the change in the marketplace oversupply. If we are going to grow our companies, we need to figure out how to zero in on the right demand sectors. To do this, you first must figure out your demand profit pools. So, what are those? Demand profit pools are the areas of untapped demand that we as business owners may not be aware of because we haven't dug deep enough.

In "How Companies Win," Kash and Calhoun discuss this and cite an example of the dog food industry. This industry provided bags of food under standard segments based on large, medium, and small dogs. The food was then segmented under dry/bagged or wet/canned. There was very little vision and, as Kash says, "absolutely no proprietary insights."

They finally looked at the demand landscape. This takes a look at everything ahead of you, such as valleys, rivers, towns, hills, and whatever else may be out there. The analysis is done with a variety of surveys, focus groups, market research, and other techniques that break down the demand pools by tastes, customer characteristics, lifestyles, needs, and desires. All these combined create the demand landscape.

After this type of analysis on the dog food industry, demand pools were broken up, not by breed or size, but in the relationship that owners had with their dogs. They were broken down by marketing the dog as a child, the dog as part of the family, the dog as an active partner, the dog as a pet, and the dog as a farm implement. As you might imagine, the dog as a child was the high profit center, and the dog as a farm implement was the low profit center. This awareness caused the pet food company to align their products with the right demand and create greater distinctions with each brand, so they avoided competing with themselves.

What if you could find the answers to the questions Kash and Calhoun propose in their book?

- Find the high-profit consumers who can raise your margins and revenues
- Understand current, latent, and emerging demand
- Determine which channels are growing and which channels are slowing
- Assess where your competitors are strong and where they are weakest
- Understand the media habits of your most important consumers
- Identify the best potential opportunities for innovation
- Build a financial model for resource allocation to drive faster growth
- Develop insights about the demand of your most profitable customers

Having these answers is the way to deal the increasing oversupply economy that we now have and to create the demand that is needed to grow your business. What are you doing to dig deeper?

Our Economy's Transition to Oversupply

Last week, I said we would discuss how to zero in and better handle the demand economy, and we will also look at how to make your offering target the demand that you want to create. We will actually do that next week, so we can first understand how we have transitioned into an economy of oversupply. Let's review why economic demand has changed. In the book "How Companies Win," Kash and Calhoun describe four phases of transitions moving from a supply based economy to a demand based one.

The first phase involved market equilibrium, which lasted from 1947 to 1990. After World War II, places that had avoided destruction kicked into a level of prosperity that last for decades. Other areas took longer to adjust but entered the industrial and information economy over time, continuing to create demand as we became more global. With the advent of many different supply chain management approaches and thinkers like Edwards Deming, we continued to lower cost and improve the supply as more demand was created. These good times stayed in balance for a long time . . . until they didn't.

The period of oversupply started in 1991 and continued through 2007. An aging population in the developed world, the end of the Cold War, and globalization created this phase. This generated a significantly large number of companies adding their offerings to those of the multitude of businesses already out there. The internet popped up during this period, which also created a medium to communicate and share knowledge. This brought many more companies to the table. Productivity increased. Then, the first bubble hit during the early 2000s and was followed by more, which led to the true slowdown in demand.

The demand contraction of the Great Recession hit during 2008. This created a global slowdown not seen since the Depression. The housing market was decimated, and unemployment shot up, continuing a reduction in demand that has lasted to present day. This was followed by stimulus, increasing the debt. To solve this problem, the government will need to spend less and possibly raise taxes, which will likely lead to even less demand.

We now have a Demand Driven Economy. A hypercompetitive business environment characterizes this fourth area, and it will continue into the future. This flat demand will put a crunch on profits and drive a lot of businesses to disappear.

The companies that have a better understanding of the demand situation will be able to position themselves for a demand offering that will drive more business. More on that next week.