



# I dentifying Your Best Earned-I ncome Opportunities

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The third in a series of workbooks  
for nonprofit entrepreneurs

by Andrew Horsnell



Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_



## Identifying Your Best Earned Income Opportunities

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Published by:

Authenticity Consulting, LLC  
Minneapolis, Minnesota  
(763) 971-8890

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## **IDENTIFYING YOUR EARNED INCOME OPPORTUNITIES**

### **- General Overview -**

This workbook is designed to help you identify, rank, and select your best earned income opportunities<sup>1</sup>. It is the third in a series of workbooks designed to help you determine if and how you should pursue earned-income development. The other workbooks include:

- Workbook 1: Exploring the Climate for Earned Income, and
- Workbook 2: Taking Stock of Your Earned Income Assets,

All these workbooks are available from Authenticity Consulting, LLC at:

[www.np-biz-dev.com/tools.html](http://www.np-biz-dev.com/tools.html)

In this workbook, you will identify opportunities from four different perspectives<sup>2</sup>:

1. Customer Maximization – opportunities to sell more of your current products and services to your current customers (page 5),
2. Customer Development – opportunities to sell more of your current products and services to new customers (page 8),
3. Product Development – opportunities to sell new products and services to your current customers (page 10), and
4. Diversification – opportunities to sell new products and services to new customers (page 13).

Then, you will rate and rank all your opportunities using four criteria:

1. Alignment with your organization's vision, mission, priorities and values (page 18).
2. Capability – your organization's competence (ability to provide a quality product or service) and capacity (ability to provide a volume of product or service, should demand warrant) – page 18.
3. Market impact – the current and future size and urgency of the community need, and your organization's current and potential future competitive position (page 20)
4. Financial impact – the opportunities' potential to generate both earned income and philanthropic support (page 20)

With this analysis complete, you will be in a position to select those opportunities that you want to explore further, with additional research and/or immediate business development action (page 22).

If you have any questions or suggestions, please email me at  
[andy@authenticityconsulting.com](mailto:andy@authenticityconsulting.com) and I'll be happy to do what I can.

~ Andrew (Andy) Horsnell

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<sup>1</sup> In this workbook, we define earned income as money received (either from the user or a third party) in return for the provision of specific services or products. It includes (but is not limited to) user fees, contract revenues, product sales; it does not include donations and grants.

<sup>2</sup> Please refer to the Opportunity Matrix<sup>SM</sup> on the following page for a graphic depiction of these four different approaches to identifying opportunities.

# THE OPPORTUNITY MATRIX<sup>SM</sup>

		C	U	S	T	O	M	E	R	S
		CURRENT			NEW BUT RELATED			NEW, UNRELATED		
P	R	C	"CUSTOMER MAXIMIZATION"			"CUSTOMER DEVELOPMENT"				
O	D	R								
U	D	E	"PRODUCT"			"DIVERSIFICATION"				
C	T	U	"DEVELOPMENT"							
S	E	T								

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## IDENTIFYING CUSTOMER MAXIMIZATION OPPORTUNITIES

### Background

All too often, when we start brainstorming new opportunities, we overlook what is often our best source of ideas – our current products and customers. We assume, often mistakenly, that we’re selling everything we currently have to offer to our current customers, when in fact we’re missing a number of opportunities. These missed opportunities are called “sales leakage”. And sales leakage is costly, when you consider that selling a current, profitable product that you can literally pull off the shelf to a customer who already knows and trusts you is almost always going to be easier, quicker, and more profitable than the alternative. With a customer maximization approach, then, the idea is to “spot the leaks” – identify opportunities to sell more of your current products and services to your current customers.

### For example...

The Diversity Institute provides cultural competency services to health care providers. In the example below, it can be seen that not every hospital client is making use of every service the Institute has to offer.

How it is now...

Current Sales	Hospital A	Hospital B	Hospital C
Resource materials	\$1,000	\$0	\$2,000
Consultation	\$5,000	\$1,500	\$500
Staff training	\$0	\$2,000	\$3,000
Totals	\$6,000	\$3,500	\$5,500
	Grand total		\$15,000

This may be because each hospital has different needs, or it may be because of an inconsistent sales effort. If the latter is true, then three phone calls and a couple of presentations could result in...

Potential Sales	Hospital A	Hospital B	Hospital C
Resource materials	\$1,500	\$1,250	\$2,000
Consultation	\$5,000	\$1,500	\$1,500
Staff training	\$4,000	\$2,000	\$4,500
Totals	\$10,500	\$4,750	\$8,000
	Grand total		\$23,250

...How it could be –  
an \$8,250 increase!

By focusing on increasing their “customer share” instead of “market share”, the Institute could substantially increase their sales and earned income. Of course, this is not always the case. On the following pages is a list of the pro’s and con’s of this approach to identifying new earned income opportunities.

## Pro's and Con's of the Customer Maximization Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"> <li>▪ You have profitable products and services</li> <li>▪ You suspect that there are missed sales opportunities with your current customers.</li> </ul> <p>Opportunities identified using this approach can generally be acted upon more quickly and easily than opportunities requiring product or customer development.</p>	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"> <li>▪ You do not currently have any profitable products that you can sell.</li> <li>▪ You have already maximized your sales of your current products and services to your current customers.</li> </ul> <p>Involves "going over the same ground" which may not uncover anything new.</p>

### **Helpful Resources:**

- The [Taking Stock of Our Earned Income Assets](#) workbook will help you identify your organization's most profitable products and best customers. It's available at [www.authenticityconsulting.com](http://www.authenticityconsulting.com)
- If you do identify new opportunities to sell current products to your current customers, then visit Authenticity Consulting's Free Management Library<sup>SM</sup> at [www.managementhelp.org/sales/sales.htm](http://www.managementhelp.org/sales/sales.htm) for **free** sales advice and resources.
- To help maximize your current customer relationships, see [The One to One Fieldbook : The Complete Toolkit for Implementing a 1 To 1 Marketing Program](#), by Don Peppers, Martha Rogers, and Bob Dorf, Bantam Books. ISBN 038549369X

## CUSTOMER MAXIMIZATION OPPORTUNITIES WORKSHEET

**Purpose:** To help you identify opportunities to sell more of your current products and services to your current customers.

**Instructions** (instructions 1, 2, & 3 correspond to worksheet sections 1, 2, & 3 below):

1. List your most profitable products and services in the worksheet below<sup>3</sup>. You should only list profitable products and services, given that this is workbook's ultimate purpose is to help you increase your earned income.
  2. List your best individual customers in the worksheet below. Again, because the purpose of this workbook is to help you increase your earned income, you should only list your best customers (see definitions).
  3. Where each product row intersects with each customer column, indicate with an “✓” where you feel there could be potential for increased sales, as in the example below.
  4. When you're done identifying potential opportunities, see if you can spot any themes or groupings. For example, do one or two products (or one or two customers) seem to account for the most opportunities? Use your judgement to select the best opportunities or group of opportunities, and transfer these to the “Master Opportunities List” on page 15.

<sup>3</sup> If you're not sure of your products' and services' profitability, then consult with your accountant or the Taking Stock of Your Earned Income Assets workbook, available at [www.authenticityconsulting.com](http://www.authenticityconsulting.com).

<sup>4</sup> A product or service is profitable if its sales exceed its direct costs (see Definitions).

## IDENTIFYING CUSTOMER DEVELOPMENT OPPORTUNITIES

### Background

If you've exhausted all your new opportunities with your current customers, or if you just want to broaden your customer base, you may want to try a customer development approach to identifying opportunities. With this approach, you seek to identify new customers for your current most profitable products and services. This can be accomplished in two steps:

1. New customers who are the same as (or very similar to) your current customers. This is simply a matter of identifying all the other people or organizations that are like your current customers. For example, the Diversity Institute provides cultural competency services to three local hospitals. They could identify all the other hospitals and similar facilities that they are currently not servicing.
2. New customers who are different than your current customers, but who could benefit from your products or services. To continue the previous example, the Institute could identify other organizations that need to be culturally competent, like social service organizations, schools, government agencies, and corporations.

### Pro's and Con's of The Customer Development Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations allow you to serve other customers</li><li>▪ You suspect that your products and/or services might appeal to a broader market than your current customers.</li></ul> <p>Opportunities identified using this approach can generally be acted upon more quickly and easily than opportunities requiring new product development.</p>	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations limit to whom you can sell.</li><li>▪ You do not have any profitable products or services.</li><li>▪ Your organization is at or near maximum capacity with its current products and services, and you are unable to secure necessary resources to expand.</li></ul> <p>Opportunities identified using this approach may require significant research, especially where the new opportunity involves a customer who is very different than your current customers.</p>

### Helpful Resources

Should this approach lead you to a new opportunity that involves an unfamiliar customer, then you can learn about market research on Authenticity Consulting's Free Management Library<sup>SM</sup> at: [www.managementhelp.org/mrkng/mk\\_rsrch/mk\\_rsrch.htm](http://www.managementhelp.org/mrkng/mk_rsrch/mk_rsrch.htm)

## CUSTOMER DEVELOPMENT OPPORTUNITIES WORKSHEET

**Purpose:** To help you identify opportunities to sell more of your current products and services to new customers.

**Step 1:** I identify new customers who are the same as (or very similar to) your current best customers:

a. List your current best customers	b. List any new customers (or groups of customers) who are the same as (or very similar to) your current best customers
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**Step 2:** I identify new customers who are different than your current best customers, but who could benefit from our most profitable products and services

a. List your most profitable products and services	b. List the benefits these products and services provide	c. List any other people or organizations who might be willing & able to pay for these benefits
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**Step 3:** Select your best opportunities and transfer them to the "Master Opportunities List" on page 15.

## IDENTIFYING PRODUCT DEVELOPMENT OPPORTUNITIES

### Background

If you've exhausted all your new customer opportunities, or if you just want to expand your product and service offering, you may want to try a product development approach to identifying opportunities. With this approach, you seek to identify new, profitable products and services for your best customers. This can be accomplished in two steps:

1. New products and services that are related to your current products and services. This is simply a matter of expanding your current product and service lines. For that reason, it's often called "Line Extension." For example, the Diversity Institute sells cultural profiles of the Somali and Russian communities who have recently immigrated to local health care providers. They could explore producing cultural profiles on the other immigrant communities who have recently immigrated – Hmong and Croatian. Or, they could look into expanding into other resources relating to the communities they currently have profiled – guidebooks, videos, and training.
2. New products and services that are not related to your current products and services. To continue the previous example, the Diversity Institute could explore all the other kinds of products and services that the health care providers they serve might need, that the Institute could reasonably and profitably produce. For example, they could look into other information and training needs their clients might have, that the Institute could serve.

### Pro's and Con's of the Product Development Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations allow you to provide new products and services.</li><li>▪ Your organization is willing and able to expand its range of products and services.</li><li>▪ You suspect that you might be able to offer something new to your current customers.</li></ul> <p>Opportunities identified using this approach can benefit from your organization's relationship with and involvement of your current customers.</p>	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations limit what you can sell.</li><li>▪ You are otherwise limited in terms of what you can produce and sell.</li><li>▪ Your current customers offer little hope of wanting to buy different products and services from you.</li></ul> <p>Opportunities identified using this approach may require significant development, especially where the new opportunity involves a product or service that is very different than what you're currently offering.</p>

### Helpful Resources

Introduction to product and service management:

[www.managementhelp.org/prod\\_mng/prod\\_mng.htm](http://www.managementhelp.org/prod_mng/prod_mng.htm)

available on Authenticity Consulting's Free Management Library<sup>SM</sup>.

For ideas about developing new product ideas, see The New Products Workshop, by Barry Feig, McGraw-Hill, Inc. ISBN 0-07-020351-2

## PRODUCT DEVELOPMENT WORKSHEET

**Purpose:** To help you identify opportunities to sell new products and services to your current customers.

**Step 1 (Line Extensions):** I identify new products that are the same as (or very similar to) your current best products:

a. List your current best products and services	b. List any new products or services that are the same as (or very similar to) your current best products and services

**Step 2 (New Product Development):** I identify new products and/or services that are different than your current best products and services, but that still make use of your earned income assets (see glossary), and that your current customers would be willing and able to buy. (You should consider engaging a number of your best customers in this exercise, either through a personal interview or a focus group.)

a. List your best customers and think about their needs <sup>5</sup>	b. List your key earned income assets (see glossary for details)	c. List any new ways you can use your earned income assets to meet the needs of your best customers (i.e. new products and services).

Of course, the best people to be identifying these kinds of opportunities are your current best customers. And, while personal interviews<sup>6</sup> and focus groups<sup>7</sup> can be

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<sup>5</sup> What else might they want or need? What have they asked for in the past? What are they asking for now? What challenges are they facing that you might be able to assist them with?

productive one-time opportunity-identification efforts, the best long-term approach is to engage each of your best customers in an ongoing dialogue about their needs, and how you might serve them.

**Step 3:** Select your best opportunities and transfer them to the "Master Opportunities List" on page 15.

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<sup>6</sup> For free information on interviewing, go to Authenticity Consulting's Free Management Library<sup>SM</sup> at [www.managementhelp.org/evaluatn/interview.htm](http://www.managementhelp.org/evaluatn/interview.htm) on the web.

<sup>7</sup> For free information on conducting focus groups, go to Authenticity Consulting's Free Management Library<sup>SM</sup> [www.managementhelp.org/grp\\_skill/focusgrp/focusgrp.htm](http://www.managementhelp.org/grp_skill/focusgrp/focusgrp.htm) on the web.

## IDENTIFYING DIVERSIFICATION OPPORTUNITIES

### Background

If you've exhausted all your customer maximization, market development, and product development opportunities, you may want to try a diversification approach to identifying opportunities. With this approach, you're looking to sell new products or services to new customers.

One easy and quick way to generate a large number of potential diversification opportunities is to simply try combining the new customers you identified in the customer development approach with the new product and services you identified in the product development approach. In the previous examples, the Diversity Institute identified the following:

New customers→ New products↓	Other hospitals	Government agencies	Corporations	Schools	Social Service Agencies
"Croatian" cultural profiles	?	?	?	?	?
"Somali" cultural competency training					
"Russian" cultural guidebooks					These "customer-product" combinations might yield some very interesting opportunities...

The nice thing about this approach to identifying diversification opportunities is that it makes efficient use of the work you've already done with the previous opportunity-identification approaches. Moreover, this approach frequently provokes entirely new and exciting ideas that have little to do with the customer-product combinations on the grid. For example, the Diversity Institute might be provoked to think about a whole new line of training for corporations.

### Pro's and Con's of the Diversification Approach

Pro's	Con's
<p>This Approach May Have Potential for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations allow you to provide new products and services, and sell to other customers</li><li>▪ Your organization is willing and able to expand its range of products and services.</li><li>▪ Your organization is willing to expand into new markets.</li></ul> <p>Opportunities identified using this approach can help your organization move into entirely new, profitable areas of business.</p>	<p>This Approach May Have Limited Benefit for Your Organization if...</p> <ul style="list-style-type: none"><li>▪ Regulations limit what you can sell, and to whom you can sell.</li><li>▪ You are otherwise limited in terms of what you can produce and sell, or to whom you can sell.</li><li>▪ Diversification <i>can</i> lead to lack of focus and spreading resources too thin – be careful!</li></ul> <p>Opportunities identified using this approach may require significant development – especially where the new opportunity involves a very different product or service being sold to a very new customer – that may lead nowhere.</p>

## DIVERSIFICATION WORKSHEET

**Instructions** (instructions 1 to 4 correspond to worksheet sections 1 to 4 below):

1. List your new product and service ideas from the "Product Development" worksheet in section 1 below.
  2. List your new customer ideas in section 2.
  3. Where each product row intersects with each customer column, indicate with an "✓" where you feel there could be potential for sales and profit.
  4. List any other ideas you get in the space at the bottom of the page.
  5. When you're done identifying potential opportunities, see if you can spot any themes or groupings. For example, do one or two products (or one or two customers) seem to account for the most opportunities? Use your judgement to select the best opportunities or group of opportunities, and transfer these to the "Master Opportunities List" on page 15.

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## MASTER OPPORTUNITIES LIST

(Copy additional sheets as necessary)

**When you're done listing your potential opportunities above**, scan your list and see if any themes or grouping emerge. For example, can you group a number of products and services together around one common customer? Can you group a number of different customers around one common product or service? If so, name those groupings on the following page, and use them in the exercises that follow.

## FINAL OPPORTUNITIES LIST

Products/Services	Customers	Products/Services	Customers

### RATING AND RANKING YOUR OPPORTUNITIES

Take a few moments to go back to the list above and review all of your business opportunities. If you're like most who complete this workbook, you've got a pretty impressive list! One of the unexpected benefits of this process is the realization that you and your organization have an abundance of opportunities. Conversely, the unexpected challenge will be having to choose which opportunities you want to explore further, with additional research and/or immediate business development action. That's where the following worksheet will be useful. It will help you objectively and consistently rate and rank all your opportunities, to help you make the right choice.

## Opportunity Assessment

(PLEASE COMPLETE ON SHEET PER OPPORTUNITY)

Product / service: \_\_\_\_\_ Consumer: \_\_\_\_\_ Payer: \_\_\_\_\_

Completed by: \_\_\_\_\_ on (date) \_\_\_\_\_

ASSESSMENT CRITERIA	LOW	HIGH	EVIDENCE / EXPLANATION	
<b>Alignment with:</b>				
Mission & strategic goals	1	2	3	4
Business purpose & goals	1	2	3	4
Business development compass	1	2	3	4
Other:	1	2	3	4
<b>Capability:</b>				
Degree to which it uses your organization's core competencies	1	2	3	4
Your organization's capacity to handle the volume of work this opportunity could create	1	2	3	4
Other:	1	2	3	4
<b>Market Impact:</b>				
Current actual customers (write in number)				
Current <i>potential</i> customers (write in the estimated number).				
Potential customers <i>in 3 years</i> (write in the estimated number).				
Your organization's competitive position	1	2	3	4
Other:	1	2	3	4
<b>Financial Impact:</b>				
Funding available relative to funding required	1	2	3	4
Grant potential	1	2	3	4
Non-grant fundraising potential (donations and events)	1	2	3	4
Earned income potential (user fees, contracts, etc.)	1	2	3	4
Other:	1	2	3	4
<b>Other Factors:</b>				
	1	2	3	4
	1	2	3	4

**The "Bottom Line" on this opportunity (check one):**

**Notes**

4. Let's move on this opportunity immediately - we know enough already, the risk is low, and the time is right!
3. This opportunity looks good, but we need to do some research before we go ahead.
2. This opportunity isn't very strong, but still holds some promise - let's put it "on the back burner for now".
1. This opportunity isn't worth pursuing at all - let's not waste any more time on it.