

To Lower Your Costs the Most, Start with Growing Your Market

Market expansion vastly increases the potential for all kinds of cost reductions through scale, learning effects, technology improvements, and opportunities for optimizing providing offerings and benefits. For example, consider how much less expensive it is to provide personal computers today than it was when they were first offered and the market was tiny. One of the easiest ways to expand your volume and resources is by using cost reductions to engage new customers, beneficiaries, and users around the world who have less money to spend. For many benefit programs and offerings, the population of those who have never been involved before is more than 20 times larger than the population that regularly uses such offerings and benefit programs. For example, telephone usage is mostly concentrated in the developed world. Yet the bulk of the population is in lesser developed countries. For most benefits, services, and products consumed in the developed countries, you can expect that parallel desires to consume will eventually flower in many lesser developed countries. However, there are some differences to keep in mind. First, the lesser developed countries have populations that are much younger than in the developed countries. It makes sense to focus first on younger beneficiaries, customers, and consumers. Younger people have fewer ingrained habits for favoring one offering over another, and you have the potential of attracting their attention for more years. Second, the normal cost of providing offerings is way above what most people can afford on a regular basis. But most people have some special or occasional need for a benefit or an offering that will make them willing to divert part of their scarce time and money in your direction. A desire to visit or be in contact with one's original home for those hundreds of millions who have undergone urbanization will be a strong need to serve for many decades to come. Third, many people could earn substantially more money if they could acquire more education that's relevant to their economic opportunities. Tying in such education to a potential economic benefit can greatly expand the potential usage of your organization's offerings or benefits. For instance, English-speaking people in India could be provided with language training by schools to make the students more likely to be hired to provide remote customer services for the United States, United Kingdom, Canada, and Australia. If a call center provider offers such education, the call center benefits from both having more potential employees and from fees for providing the education. An essential element of any such development is to measure how new consumers, beneficiaries, and users are entering the market now. In looking at these measurements, be sure to consider the effectiveness of the introductory method for stimulating trial and encouraging people to repeat the experience. A giveaway, for instance, might draw people for a one-time experience, but the money is wasted if people feel like such handouts aren't making desirable offerings available. Give away desirable offerings too often, and they become degraded by the perception that something free probably isn't the real thing or cannot be very valuable. An introduction method that has worked well for many offerings is to provide small units of products and experiences. In some parts of the world, you can buy a single razor blade from a vendor who separates them out from five packs. Cigarettes are sold individually in other areas. In some villages, street vendors offer cell phone calling cards with small units of just a few prepaid minutes. In poorer areas, you borrow a cell phone from a street vendor to make a call like a public pay phone is used in developed countries. In Bangladesh, the Grameen Bank profitably offers loans that are often less than \$100 to entrepreneurs and farmers, many of whom use the loans to offer small units of products and experiences. A medical charity, for instance, might first offer a well-baby screening to wean some mothers away from exclusive reliance on traditional healers before offering other medical services to poor families. How can you expand your market by 20 times and create vast cost-reduction opportunities.

About the Author

Donald Mitchell is an author of seven books including *Adventures of an Optimist*, *The 2,000 Percent Squared Solution*, *The 2,000 Percent Solution*, *The 2,000 Percent Solution Workbook*, *The Irresistible Growth Enterprise*, and *The Ultimate Competitive Advantage*. Read about creating [breakthroughs through 2,000 percent solutions and receive tips by e-mail](http://www.2000percentsolution.com) by registering for free at <http://www.2000percentsolution.com> .

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