



### **Accelerating Growth from the Sweet Spot**

The CEO's job is to make good choices. The choices about what market and product categories to compete in can be the hardest.

Some CEOs choose to "spray and pray". Their mile-wide inch deep companies lack coherence. They are all things to all men or "jacks of all trades". Many are exciting places with a vibrancy driven by urgency of the next opportunity. However, their distracted nature damages profitability.

Other CEOs choose focus. They seek to exploit the full profit potential of their sweet spot. They know where their most profitable customers are. They hone their capabilities. They recognise that about 20% of customers generate 80% of their profits. On the surface they are boring yet they achieve lasting results.

Yet if growth is the game it can be hard to focus on the sweet spot. Teams just run out of ideas. Others focus on underperforming divisions which are in trouble – good CEOs make hard calls, rather than extend too many resources on trying to fix the unfixable.

If you are keen on profitable growth, focus on building out from the sweet spot using the following three steps:

1. **Define** the Sweet Spot
2. **Identify** the possible sweet spot extensions
3. **Assess** sweet spot extensions

#### **1. Define the Sweet Spot- link to hitting the sweet spot**

Few companies have products or services with broad appeal to all markets. Concentrating exclusively on those customers whose needs mirror the value you offer is critical to efficiency. Only where the wheels of your engine mesh smoothly with the cogs of the customer's power plant should you expand energy. This is your sweet spot: it's where all the

forces align. The benefit you deliver to your customer is extreme. Adequate – but not extravagant – resource is expended to acquire the customer. Profitability increases. Customer satisfaction is high and the conversion rate of prospect to customer is greater than the norm.

Off-strategy customers can actually hinder growth because you’re putting resources into an area where you have limited competence. Lack of a clearly defined sweet spot stunts growth. See hitting the sweet spot article:

## 2. Identify the possible sweet spot extensions

Possible sweet spot extensions are not hard to come by for growing companies. The dilemma is usually which ones to pursue. Good companies extend from their sweet spot with new customer segments, new products or new business models. Extensions strengthen existing company capability by getting closer to customers or building new technology. A disciplined approach ensures more profitable growth.

Sweet spot extensions mirror the rings of a tree. Each extension complements and strengthens the core sweet spot. For example, IKEA the global home furnisher extended their sweet spot to solve the furniture design problem of TV and gadget wiring, through providing TVs which perfectly fit with their furniture offerings. This both increased profitable growth and strengthened their core business value proposition.

## 3. Assess sweet spot extensions

Assessing sweet spot extensions requires both discipline and legwork. Basic questions like the size of market opportunity, existing competitors and primary evidence that customers value the sweet spot “extension” need to be answered.

Good companies give sweet spot extensions a thorough “smell test” before putting too much resources into pursuing them. New market segments are only entered after extensive primary customer interviews and some early sales. Product extensions only receive investment after prototypes have been shared and tested with potential customers.

Try using a simple “Sweet Spot Extension Tool” like the one below as a framework.

### Sweet Spot Extension Tool

Ask the following to pick the correct sweet spot extension:	Yes/No
1. Have you defined and documented your existing sweet spot?	
2. Have you established how profitable your sweet spot is?	
3. Have you selected 3-5 sweet spot extensions to test?	
4. Will selected extensions improve the current business value proposition?	
5. Will the selected extension strengthen your core sweet spot?	

### Insight in Brief

Too many CEOs spend time chasing opportunities far away from their sweet spot or try to fix business units that are unfixable. They would be better off trying to uncover unrealised profit potential from their sweet spot and surrounding sweet spot extensions. Companies with this discipline are both more coherent and profitable.

**Insight in Action**

When discussing possible growth opportunities, bring your management team together to discuss the following questions:

1. What is our sweet spot?
2. What possible sweet spot extensions do we have?
3. How should we assess and select from those sweet spot extensions?