

Industry cycles for Visionary insights

Part two

Thinking about what to do with your business coming out of the recession?

Next era waiting in the wings

The next predicted era is the Leisure era. Centuries ago we had to spend so much time getting the basics organised, there wasn't much time for leisure. Now, all life's basics are well accommodated, so plenty of free time.

But leisure activities such as yoga, pilates and sports clubs are fragmented in the same way as corner shops pre-supermarket days. Someone is bound to spot the era in leisure and consolidate the small players. At the moment, the most consolidated area is around travel with airlines and hotel chains. But lots of activity around them still isn't consolidated.

Moving from one era to the next, those with the early vision will consolidate the small players. People who are good at consolidation and spotting Trends don't need a lot of money to fund growth – their key asset is their Vision. Many people who went this route in other sectors didn't start with big money, they started with an idea.

Entrepreneurs show the way

An entrepreneur typically gets the initial idea in an early-stage growth industry. Almost overnight an industry appears from previously fragmented small businesses, where any one of them doesn't own more than 1% of the market.

Soon the consolidator owns 40% of the market, quickly followed by competitors who see a good thing. At that point, four players emerge each owning about 20% of the market. At the first consolidation, the visionary gets 40%, but it's 40% of a relatively small industry. Once the big players come in and start buying up with their capital, it becomes a much bigger industry.

The first to market starts with 40% and soon drops back to 20%. But this is 20% of a much bigger pie than the first 40%. The business with the first 40% wants competitors to come in because it grows the total industry. See Fig.1

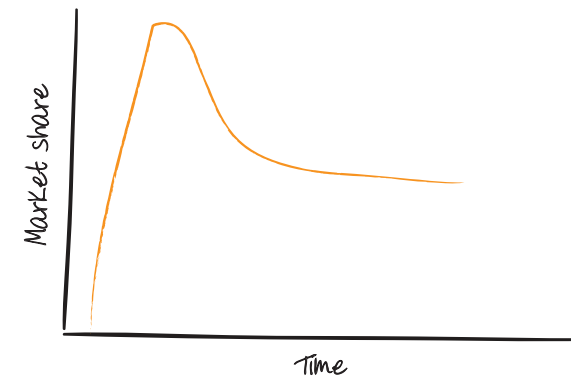


Fig.1

A raft of amazing opportunities

Looking at the leisure industry, there's a raft of amazing opportunities beyond hotel chains and airlines. It will be like a land grab from 2015 onwards with big new corporate brand names in 10 or 15 years that don't exist today.

People currently think there is no money in leisure. But somewhere in the future that model will change in the same way as the shift from “No money in corner stores” to “Big money in supermarkets”.

When we interview entrepreneurs about where they think they’ll make money in the next 10 years, most say, “Something online”. The “something online” idea was a 1990s idea. The new idea is leisure.

Coming out of this recession, there are two ways of creating innovation - One - look for niche opportunities Two - move up into the consolidation game

Any major industry shift happens because someone new enters the market. In the late 1970s for instance, financial planning entered the market and insurance companies stood back saying, “There’s nothing in this for us.”

By the early 1990s, insurance companies were buying financial planning businesses for millions because they needed to be in that market.

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Coaching is worth a fortune

One example of a sector ripe for consolidation is coaching. It was spawned in the 1990s because consulting wasn’t working, which is often how new businesses are spawned – from a dissatisfaction with what’s currently on offer.

Today the coaching sector is generating somewhere around £4bn, but no one player owns more than 1% of that market. Is the industry big enough to consolidate? Yes. Will someone do something about it? You bet. Will that somebody be a major consulting player? No, more likely a new player will come through and grab a 40% market share.

Analyse the next boom

If you spot an industry like that, what do you do next? First, analyse the current industry because no industry starts from a zero base. Usually the industry exists in a fragmented form and is simply not scaled, as the case with both leisure and coaching.

Go wide to cover the ground

But there is one important caveat in the consolidation approach. You must cover all the ground, not simply cherry-pick areas. With an early-stage industry you must understand its makeup and if you want a massive gain, you must cover all its parts.

A wide offer attracts people to you and builds your brand. Only then can you focus on what’s best for your company and perhaps sell off certain areas. Of course, width comes with the associated problems of plate juggling. Those entrepreneurs need to start paddling!

In summary, if you take a short-term view, you might find niches around industries. In the medium term you might find one of the big players is ailing and take it over. But if you take a longer-term view, you can spot the Era trends. Coming out of this recession, there are two prime ways of creating innovation. One is to look for niche opportunities. The other is to move up into the consolidation game.