

 new products & services



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how to identify potential
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how to price products
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how to identify other income streams



Multiple income streams are the secret to making any business work, creative or otherwise. This article will help you identify income streams that will appeal to your customers.

Creating multiple income streams is a great way of providing financial security for your organisation or business. If you have a variety of ways to make money, you avoid putting all your financial eggs in one basket and diversify your risk in business.

Managing several small income streams can be more stable than relying on one large source of revenue. Follow the steps below to identify suitable income streams for your organisation.

Step one: Identify your core business

This is what you are already selling to an identified group of customers or businesses. What do you do better than anyone else? What are you known for?

Step two: Identify what drives this core business

What impacts your current income? Start by measuring:

- Sales of your core products and services – what is selling well and consistently?
- Volume of business enquiries – track all sources including email, phone or website.
- Conversion rates – how many people enquire versus how many people buy?

- Your costs – what are you currently selling and how does price compare to costs?
- Cashflow – which of your current clients or suppliers pays well and on time?
- People – which of your staff, freelancers or suppliers are the most loyal and engaged with your organisation?

These elements are the starting point for any brainstorming or networking around new income streams.

Step three: Look for ways to expand your core business

Start by expanding on your core business. What additions can you make to what you are already offering? If you are a service-based organisation, think about adding product. If you sell products, think about offering a service.

A visual artist might sell paintings and illustrations as her core business. She could then add more products, such as prints, smaller canvasses and merchandise that reflects her art.

New products and services related to your current offer can be referred to as a value-add. It means the new offerings are valuable to your existing customers and enhance your relationship with them. You do not need to identify new market segments and promotional strategies for value-add income streams.



Step four: Identify & brainstorm other income streams

If you are experiencing local success, perhaps you can expand nationally or internationally by adding a shopping cart to your website.

Do you have products or services than can be easily digitised? For example, a visual artist could use her images to create merchandise or sell good quality prints of her work online as well as through gallery shops.

Another option is to sell training as part of your business offerings. Sharing knowledge is a skill that needs to be honed and maintained, but online courses, keynote speaking, guest lecturing or writing could be an option for revenue generation. For example, a visual artist could offer art studio tours, workshops or talks.

Do you have studio space that you can rent or sub-let?

Affiliate selling is another revenue stream and involves selling products from affiliated businesses via your online shop. If you feature and sell other people's products, affiliate sellers will pay you a percentage of sales that are made from your channels.

Passive income streams could also be set up through sponsored posts on social media, paid blogging and advertising via your YouTube channel or similar web platform.

The most effective way to identify income streams is to ask your customers what they would like. If you need fresh ideas, seek feedback from people already buying from you. Ask them how else your business or organisation could help them. Bring together a focus group of customers, stakeholders, or friends to discuss what your business is currently offering and how it could expand. Asking supporters what they would like will increase your chance of success for **newly created revenue streams**.

TIP.

the most effective way to identify income streams is to ask your customers what they would like.

FURTHER READING

Fifty Ways to Make Your First Sale – Free resource on Shopify
Three Ways to Diversify NFPs Income Streams – Tips from CBB
Innovation – A guide to innovation from Business.gov.au
Case Study: 4A Centre for Contemporary Asian Art

how to identify potential business ideas



Uncovering a commercial opportunity and assessing whether it's worth pursuing is a skill.

Many creatives and creative organisations would like to bring in more revenue, yet lack the commercial and entrepreneurial skills to know where to begin. To identify potential business ideas, start by answering the questions below.

What can you sell to your existing customers?

Generally, it's easier to sell more things to existing customers than to find new customers. If you're already selling products or services and have a reliable customer base, what other products can you offer? If you have a good understanding of who your customers are, you may be able to convince them to spend a little more per transaction.

Are there new markets for your existing products/services?

Who else might be interested in what you produce already? Can you explore other geographical locations or customer segments? Think broadly about who your existing products/services might be tailored for.

What assets do you have which can be further exploited?

Perhaps you have back catalogue footage, which you could make available through a stock imagery site. Perhaps you have a former theatre production, which can be re-released as an audio drama. Perhaps you have the perfect spot for a billboard. Think laterally about your assets, which may be physical, digital or intellectual property-based.

Are you maximising your return from existing activities?

If you run fee-for-service activities, are you generating the maximum profit from them? Increases in price, efficiency measures, additional marketing or a combination of these might help you yield more profit from what you're already doing.

What's the problem you can solve?

Successful business ideas are focused on solving a customer's problem. What's the consumer problem you could solve? Think about developing a **problem statement**, which is a short description of the issues that might be addressed by a new product or service.

Things to keep in mind

How much money do you want to make?

It may sound obvious, but your business ideas will differ depending on whether you want to make \$10,000 a year to supplement your career as an artist or \$100,000 to develop a new work. Keeping a target in mind can help you focus on the best way to reach that target and hone your options.

Prepare for the long haul

Revenue from new products and services rarely materialises straight away. It will take time to gain traction so be patient.

Get a business mentor

It could be someone on your board, a friend who runs a business, or a donor who has business skills. Talk to them about ongoing guidance and how they can help you to identify potential commercial ideas. Learn how to get the most out of your mentors [here](#).

Put entrepreneurs on your board

If you run an organisation, speak to the Chair about whether your board has members with entrepreneurial skills. Think about bringing on someone with that expertise who can look at your operations with fresh eyes.

Understand the true costs of launching products and services

It's a common trap for business operators to underestimate the cost of setting up a [product or service](#). Undertake thorough business modelling and make sure you double check the costs involved.

Practical help

The NSW Government's Small Biz Connect service offers free one-on-one consultations with Monica Davidson, NSW Creative Industries Business Advisor. Contact her [here](#).

A NSW EXAMPLE: **SHOPFRONT.**

Daniel Potter, Executive Director/CEO of Shopfront talks about adding new products to their suite of activities: “

“ We identified a need to find new opportunities to expand our pool of income-generating activities. It was important that they had synergy with our core purpose. We first maximised our existing mix; offering services for NDIS providers and offering fee-for-service workshop programs beyond the regular geographical reach of our major programs. Then we turned our sights to new products, and that is where we developed Playwave.

Playwave is a partnership with the City of Sydney, providing a safe online space for young people to talk about the work they are seeing and organise to attend and buy tickets. This was perfect for us, as it met with our core mission of equitable access to the arts for all young people, while providing us with new partnerships and the beginning of a technology platform that could be commercially licensed to generate income once fully developed. ”

FURTHER READING

Business Model Canvas – Sketch out your new business idea using this free tool, designed to be used by creative thinkers

The hip hop dance class treating Parkinson's disease – How a UK based dance company found a new application for hip hop classes. Article by Marissa Mireles Hinds.

You can make money on Spotify – ArtsHub article by Emma Clark Gratton on how streaming is paying off for artists (\$)

Case Study: Four Winds

Case Study: Studio A

how to create a value proposition



A value proposition is a statement about the value or benefits that you promise to deliver to your customers. It can also be called a unique selling proposition or a positioning statement.

A good value proposition describes what makes your business, product or service special and different from competitors. If you are **building and launching a product or service**, a value proposition will help you stand out in a crowded and noisy marketplace. It also gives customers a quick and easy way to decide whether they need or want what you are offering.

Creating a value proposition takes time and research. This article explains how to create, test and bring your value proposition to life.

Start with your target audience

Who are your target buyers? Be specific – you don't want to try and sell to everyone, otherwise your offering will need to have a very low price point and could get lost in the marketplace.

Research potential customers, starting with yourself and your friends and family. Would you (and they) buy your offering? Why – or why not?

Look wider by investigating demographic information such as age, gender, income and where your customers live. Examine psychographics – what is their personality type, ethics and values, family and lifestyle? How do they behave? What are their likes and dislikes, hobbies and interests? What do they do on the weekend, how do they relax, what's their favourite movie?

These questions may seem specific, but they can help to create a complete profile of your target buyer.

Examine your competitors

Research competitors thoroughly, from how they promote their products and services to their mission statements and branding. How is your value proposition going to be different?

Define your offering and the needs or wants you are meeting

How does your business, service or product help people? How does it make their lives better? Does it help to save money, save time, add beauty or culture to someone's life, provide entertainment or education?

Once you've answered these questions, you're ready to create a clear value proposition statement that speaks to your audience and connects to your larger mission. This process is ideally done in a collaborative way through a workshop or brainstorming session with your colleagues, peers or members of your target market. Your value proposition is not about what *you* think – it's about the needs and wants of your audience and how your offering meets those needs in a way that others don't.

A value proposition needs to be clear and concise. Come up with a few different examples. Share them with colleagues, family or friends. Gather feedback and take some time to let ideas develop. Think about your organisation's ethics, values, and brand. What do you stand for? Rework your statements until you have one or two succinct and consolidated sentences that become your value proposition.

A great value proposition is a statement that describes how your product or service solves problems, what benefits buyers can expect and how you are different. It should focus on outcomes or effects that your customers are interested in and can easily measure for themselves.

Short examples of value propositions include:

- Mailchimp: *Send better email.*
- Bitly: *Shorten. Share. Measure.*
- Apple Macbook: *Light. Years Ahead.*
- Vimeo: *Make life worth watching.*
- Spotify: *Soundtrack Your Life.*

To test your value proposition, check it answers the following questions:

- Who does your product or service help?
- What does it do?
- How does it work?
- Where does it exist?
- Why should someone buy it?

Bring your value proposition to life

It's time to take this message to your audience. Your value proposition should be featured in every aspect of your business, from your marketing methodology to your business plan.

Your value proposition is not meant to appeal to everyone. An effective and engaging value proposition should only work on your chosen market and the people you would like to buy from you. It will help you promote yourself to your audience, alongside your competitors, while carving out a slice of market share that's uniquely yours.

FURTHER READING

Value Proposition Canvas – A strategic tool from Strategyzer

Creating a Value Proposition: Communicating the Benefits of Your Proposition Simply and Clearly – tips from MindTools

How to Do Competitor Analysis - Article from Xero

how to build and launch new products and services



There is no proven formula for building and launching products, but there are processes and systems you can put in place to ensure the best chance of success.

A growing number of arts organisations are developing products and services to create additional revenue streams. According to research, an average of 80 per cent of all products launched each year will fail. The most common cause of failure is lack of preparation and insufficient market testing.* Follow these steps to enhance your chance of success.

Step one: Analyse the market & develop a 'problem statement'

Start by focussing on the needs of the customer and identify any marketplace gaps. What do your targeted customers want or need? What problems will your product or service help to overcome? Is there anything already out there that targets that need?

Develop a **problem statement**. This is a short, clear and concise description of the issues that need to be addressed by your product. Your product will not succeed unless you can identify a relevant and compelling role that it could play in people's lives.

Brainstorm who your potential customers might be and then back up your assumptions with research. There are two kinds:

Primary research is collected firsthand through talking to people. Use surveys, focus groups, interviews and social media to reach out to your targeted group. This kind of research can help you discover what your customers' needs are and how your product can help.

Secondary research is information and data that has already been collected and analysed by other sources. This could be government statistics, trade publications and existing industry research.

Find out if there is anything similar on the market through **competitor analysis**. A simple Google search will uncover feedback about competitors' products. If these products have shortcomings, your product could still have a place in the market.

The problem statement and primary research will highlight how many people are affected by the issue you want to tackle, how serious the problem is and how much demand there is for a solution. Your secondary research will give you a sense of your competition.

Step two: Cost-benefit analysis

The next step is to generate a **cost-benefit analysis** to work out if your new product is feasible or worthwhile in terms of time, money and opportunity. Weigh up the benefits of launching a product or service against the costs associated with creating them. This will help you check if your financial decisions are practical and achievable.

To conduct a cost-benefit analysis, start by explaining your product in one simple sentence and then ask:

- How much money will this product development and launch cost?
- How much time will it take?
- What's the opportunity cost of pursuing this product instead of focussing your attention on other fundraising opportunities?
- How much work will be required? Can you handle that workload right now?
- How much income could you generate? Work out the best case, worst case and most likely scenario.
- Are there any other opportunities that could arise from this product?

You can now use your research, knowledge of your customers and educated guesses to model a few different outcomes. What is the best, worst and most likely case scenario? If you're convinced your product will be worthwhile based on all possible scenarios, continue.

Step three: Develop a minimum viable product

A **minimum viable product** is an early-stage product with enough basic features to test on customers. Their feedback will inform future product development. Think about the features your minimum viable product should have by asking:

- What is the single-most important action you want customers to accomplish, or the one thing that will solve the problem you outlined in your problem statement? This is your main feature.
- What other features do I want to offer? What needs are these features addressing?

Map all the features under the categories of 'must-have,' 'nice-to-have', and 'don't care'. After prioritising the features, you can create a strategy and define your scope to build a minimum viable product for testing and feedback.

Step four: Build, test, learn, repeat

When you finish building the minimum viable product, it needs to be tested. Alpha testing can be conducted by family, friends, peers and focus groups. Go back to your primary research sources (surveys, focus groups, interviews, etc) and get their feedback.

Once alpha testing is complete and any issues have been corrected, start beta testing. This means taking the product and testing it on real users. Create a process for gathering feedback before beta testing begins. Based on feedback from beta testing, you may decide to make changes to the next versions of your product. Only crucial changes need to be made immediately.

This process is ongoing. Every time you collect user feedback, improve your product and test again. Build, test, learn, repeat and so on.

Step five: Set a launch date

Set a launch date early on in this process and stick to it. Perfectionism is the enemy: setting a launch date allows you to build backwards and plan each phase of your product launch.

To set a product launch or shipping date, work out in advance:

- Who is responsible for the launch?
- Who are your helpers?
- Have you covered your legal basics in terms of insurances and licenses?
- Which stakeholders need to be involved in this launch? Have they been consulted? Have they been invited?
- Is this launch a real-life event, an online launch, or both? Do you have your marketing strategy in place?
- Are there processes in place to deal with feedback, complaints and questions?
- Are there systems to help continue the creation, sale and testing of this product? It helps to write these down to guide others in your team.

Write a positioning statement to express how your product fills a particular consumer need in a way that its competitors don't. This is a reworking of your earlier problem statement. It should outline:

- What your product does
- Who your product is for
- Why this product is different (and better) than what's out there already.

The purpose of this process is identifying an appropriate market niche and launching to the most relevant customers.

Step six: Build anticipation

Once beta testing is underway, you can build anticipation by:

- Announcing your launch date
- Creating a website and landing page about the product with a "stay in touch" opt-in form and shopping cart ready to go
- Adding your products to your existing website, with a "coming soon" countdown
- Sharing details with social media followers
- Finalising all launch content, including marketing outreach, images and copy
- Gathering good reviews from your beta testers and sharing them
- Informing your email subscribers through a newsletter or exclusive buy or opt-in offer.

Once you reach your launch date, promote your product or service everywhere. Consider a live chat via social media, a video trailer, paid promotion via social media, or a launch party.

FURTHER READING

Market Research – Resources from Business.gov.au

How to Create a Timeline for a Successful Product Launch – Article by Dani Stewart

The Ship It Journal – By marketing guru Seth Godin

Case Study: 4A Centre for Contemporary Asian Art

Case Study: Bus Stop Films

how to price products and services



Knowing how to price a new product or service is tricky. How can you cover expenses, maximise profit, and keep your customers happy?

Before you choose a pricing strategy for your product or service, you need to research your costs, customers and competitors. Follow the steps below to understand how to price the product or service you are **building**.

Step one: Research your costs

Start with researching your expenses. Any product or service that doesn't cover the basic costs of manufacture, creation and business will not be sustainable. Create a realistic budget that explains your variable costs, such as production (how much does it cost to produce this 'thing'?) and your fixed costs, which are the costs of operating the business and don't change with production. They include wages, rent, overheads and running expenses.

Your accountant may be able to help you calculate these expenses if you're starting from scratch.

Step two: Research your customers

Conduct market research into your potential buyers. What do they want and need and what would they be willing to spend on your offering?

You can collect customer information by talking to people via emails, online surveys, interviews and focus groups. Find out:

- What they want and need

- What they think about your product or service
- Where they shop
- What they would be willing to pay.

Finding out how your customers think and behave will help you adjust your pricing.

Step three: Research your competitors

Once you know how much your products or services cost to bring into the world, see what your competitors are charging for something similar. Competitor analysis will help you to figure out what price point would be best for your chosen customers. Start by asking the following questions:

- Do you have a value proposition? Your value proposition (also called a unique selling proposition or positioning statement) is a statement about the core value or benefit that differentiates your product from its competitors.
- How many competitors does your product have? The fewer competitors in a market, the more you may be able to charge.

- How do your competitors price their products or services?
- What do customers value when they're deciding who to buy from?

Use different methods to research your competitors' prices, including looking on their website, analysing their marketing, or phoning to ask for a quote.

This process is *not* about undercutting your competitors. Cheapest is not usually best. This is about finding a highest and lowest price indicator for what you are selling and then working out where your product sits in that marketplace range.

Step four: Understand demand

Demand is an economic term that refers to a customer's willingness to pay a price for a specific good or service. Demand may be elastic or inelastic.

If the demand is elastic, a change in pricing has a big effect on the demand. Pricing is a key reason for customers to choose this product, so if the price rises fewer people will buy.

If the demand is inelastic, a price change has little effect on demand. Price is not a high motivator for buyers, so they will still buy if the price goes up.

Elasticity depends on whether your offering is:

- A necessity or a luxury?
- The only one on the market – are there substitutes available?
- Are there any similar products?

Step five: Pick a pricing strategy

Once you have completed this research, there are a few pricing strategies to consider.

- **Skimming pricing:** This means setting a high price for a new product and attracting 'early-adopters' who want to buy now and are willing to pay. When this group is happy, and reviews are good, the price is reduced to appeal to a more price-sensitive market. This is a common strategy in new technology.
- **Penetration pricing:** This means setting a low price, often lower than the cost of creating the product and aiming for a high volume of sales to meet profit goals. This strategy is often used for products and services that would not attract an initial elite market. Prices can be raised incrementally once the market has been penetrated.
- **Discount pricing:** At the budget end of the market, customers are willing to forgo some quality or service for a lower price. Sales must be consistently high to make this pricing strategy work and is generally not recommended for creative industry output.
- **Image pricing:** Luxury products or offerings that target an elite buyer can be sold for much more than the production price. Customers are willing to pay top dollar because they place a high value on what they are buying. Image pricing is frequently used when selling cars, fine dining or luxury travel.

- **Loss leaders:** This means pricing an initial offering at a low level, perhaps to run at a loss, which entices customers to try something new. While buying the loss leader, customers might also purchase other products or services with a higher profit margin, such as add-ons or accessories.
- **Flexible pricing:** If selling to multiple markets, such as different countries or cities, your pricing strategy should be flexible. You do not need to set a single price for all items in all markets. Remember that if you sell via the internet, customers will be able to buy at your online price wherever they are and prices will need to be fixed.

Before you launch your product or service, make sure you're abreast of rules relating to pricing and consumer law.

There are rules about how prices must be displayed set by the **Australian Competition and Consumer Commission**. Prices must be clear, accurate and not misleading to consumers. You should always display the total price of a product or service.

Australian Consumer Law applies to all businesses and covers unfair trading practices, provides basic consumer guarantees for goods and services and regulates the safety of consumer products and product-related services.

 **TIP.**

before you launch your product or service, make sure you're abreast of rules relating to pricing and consumer law.

FURTHER READING

Market Research – Resources from Business.gov.au

Pricing Calculators – A useful tool from Business Queensland

Displaying Prices – Guidelines from the Australian Competition and Consumer Commission

Australian Consumer Law – Resources and guides