IDEAS LABS

Business Model Innovations to Attract New Customers

Industry Topic Specialist

Name: Brenda Hetman-Craig
Position: Owner
Company: 40 Knots Winery
Location: Comox, BC
brenda@40knotswinery.com

Specialist Highlights

During times of rapid change it is important to review what you know and make predictions about where things might be headed. At 40 Knots Winery this meant analyzing the business to:

- Identify the revenue streams that were growing and had the most potential vs. those in decline or stagnating.
- Identify the highest value customers – those who spend the most, visit more frequently, purchase a variety of products.
- Prioritize high value current and past customers. It costs more to find new customers than to bring back current and past customers.
- Identify complementary products for revenue streams that took a hit – e.g., develop tours and classes to replace lost revenues from events.
- Identify and capitalize on market trends – e.g., wellness and the introduction of Vinospa skincare.
- Focus on investments that support long-term business sustainability.

Discussion Ideas & Tips

As a result of the pandemic, many businesses have been making changes to their business model to attract new customers and better leverage the potential of their existing customer base to expand revenue-generating opportunities. A discussion regarding the types of changes businesses have made and are considering was held with 14 tourism operators and professionals.

"If the pandemic taught me anything, it is that you need to stay relevant to realize your potential. You must constantly be studying your customer and reaching out to them. Constantly adjust - be fluid."

Brenda Hetman-Craig
40 Knots Winery

Key Takeaway

The actions businesses have taken are varied and relate to diversifying and developing new revenue streams, using new sales channels and targeting new market segments. Many of the changes discussed identified the need for innovations to address broader considerations related to sustainability and social responsibility including accessibility, the environment, and reducing the leakage of tourism revenues from the community.

Specific Actions Business are Taking / Considering

- Cultivating stronger relationships with their best customers. Reaching out to check in with customers to see how they are doing and developing loyalty and referral programs as a way to build business amongst a like-minded clientele. Businesses that build stronger relationships with their customers are likely to be in a better position when consumers are able to travel.

- Diversifying revenue streams as a means to address losses. Changes included:
  - Developing new revenue streams by moving the experience online. DIY kits where customers are provided with all the elements to create something as well as access to a video or live streamed session that shows how to make it have been new revenue sources for a variety of businesses, especially those that held craft workshops or cooking classes.

- Focusing on sales channels that offer the highest returns. For 40 Knots Winery this meant an increased focus on their farm gate sales. Others have developed their online sales channels – ecommerce platforms, listing with others (e.g., Airbnb).
- Offering classes to new markets interested in learning new skills or trying new activities, but who have no experience, has helped Blue Jellyfish SUP Adventures create an engaged customer base that is interested in taking their multi-day SUP tours once able to travel.
- Blue Jellyfish is also exploring opportunities to deliver the skills training elements of their paddling experience (e.g., teaching safety protocols, navigational skills and general paddling techniques) online. These skills could be offered as stand-alone offers to generate supplementary revenue and/or as part of the pre-arrival experience to reduce the time spent on land vs. on water when visitors are antsy to get the activity started.
- Evolving from selling typical souvenirs that appeal to tourists, to sell products that are more appealing to local markets, or aficionados of the base product/experience (e.g., specialty wine tools, wine salts and other food items, etc.).
- Building new revenue streams that align with and extend the core business, making it easier to cross sell the new products to existing customers. Additionally, if the new products support the core business they are likely to be around for the long term.
- Moving to year round operations. While this may require development of new experiences it can make better use of the business' assets.
- Adapting to offer experiences for small private groups rather than large groups. Alternatively, some businesses are offering semi-supported tours that provide participants with access to the activity, the places in which to do it, recommendations on accommodations and route planning but the participant has their own vehicle and meets the guide at set locations.

- Developing new markets/products that address emerging consumer trends. Trends identified included:
  - Accessibility – businesses are looking at infrastructure changes, experience design modifications as well as collaborating with others to create a cluster of accessible and inclusive businesses in the community.
  - Wellness – businesses are looking at developing products/experiences on their own, or in collaboration with others, to address visitors' desire to develop and maintain healthy lifestyles.
  - Supporting local – businesses are interested in creating sustainable, local economies that reduce revenue leakage through community hubs that bring together local businesses into a collaborative marketplace (e.g., Glohaven). Such marketplaces also tap into travellers' desires for authentic local experiences and will be well received by locals and visitors alike.
  - Local collaborations – Chambers of Commerce are working together to help people move beyond their community and discover others nearby. Staycations are creating opportunities for businesses to build a loyal local/regional clientele that will be happy to visit and recommend them to others once travel resumes.
  - Environmental consciousness – moving to environmentally sustainable solutions such as organic and biodynamic agricultural practices and low carbon transportation solutions.
  - Communities of interest – people enjoy and want to share their passions. Businesses that are able to adapt their offer and tap into these niche communities can build an interesting and loyal following as Historic Chilcotin Lodge did when they created a 50's style burger drive-in that attracted vintage car enthusiasts.
- Creating operational efficiencies can also provide improvements. Some of the efficiencies businesses identified are:
  - Accommodation providers have modified the check-in process (i.e. touchless and/or online), resulting in a more streamlined guest experience.

- Use of tools such as Tock has allowed businesses to communicate with customers and monitor their experience throughout the customer journey, resulting in better customer experiences and the ability for the business to address a negative situation before it harms their reputation.
- CRM tools can streamline and facilitate engagement with customers to strengthen relationships and increase loyalty.

- Business investments in technology (e.g., ecommerce platforms, CRM, apps, etc.) and new technology-related partnerships have supported rapid entry into the digital world. Given that the next generation of travellers (GenZ) are digital natives, businesses will need to be more than digitally proficient and have a 'digital first' mindset to be sustainable in the long run.
- Investments in education and training to improve staff and management capabilities, especially related to applying new technology have been an approach many have taken during the pandemic.

Additional Helpful Links

Tock for Business – an app that will manage reservations, pickup, delivery, and special events—all in one place

BigCommerce – an ecommerce platform that has built-in analytics

Global Wellness Institute – industry research related to tourism

Destination BC Learning Centre – research, case studies and tools related to accessible tourism

Enabling accessibility fund – provided by the Canadian Government

Innovation Island Der3 – A Digital Economy Restart Recover Reimagine (DER3) program providing 1-1 business and technical expertise

DIY toolkit –Development Impact & You practical tools to trigger and support social innovation

HubSpot – has some great tools, including a free CRM platform

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