



Market insights

10 tips for successful expansion

Today, the healthcare industry is facing cut-throat competition. With the number of healthcare set-ups rising on a daily basis, it has become very difficult for one to carve a niche for oneself or expand an established base. Offering ten tips for successful market expansion, this article highlights the immense potential available in the healthcare sector despite the rising competition.



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Despite facing several challenges, the healthcare industry in India is growing. There are more private hospitals now than before and the numbers are rising with every passing day. There is so much scope for growth today that almost anybody can jump onto the expansion bandwagon and take advantage of the market situation. However, it would be a mistake for one to make a hasty decision. It is imperative to consider the opportunities presented by the market first. Following include the ten points one should keep in mind while embarking on an expansion plan:



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1 Having ready answers

Before embarking on an expansion plan, one should study the market conditions carefully to find out if it is inundated with several unanswered questions. This is an essential point. An unanswered question is one that represents

a heartfelt problem faced by the people of that market. For example, one should be ready with an answer if an uninsured person wonders where he/she could get an affordable surgery done with minimal risk. One who can answer this question can be considered to be in the business. Hence, if one can enter a market where nobody has been able to resolve such issues so far, then the chances of making a mark there are bright.

2 Expansion or penetration

Expansion does not necessarily mean foraying into a new geographic segment. Contrary to what many think, expansion also takes place within the same area and with the same target population. This process is known as market penetration. Sometimes it makes more sense to penetrate one's existing market than look for new markets for expansion. So, a person looking to expand can choose between the two alternatives of new markets or existing markets. More often than not, it is easier to penetrate into existing markets, as one already has knowledge about them and vice-versa. After selecting the type of expansion, one should know one's target segment.

3 Size matters

It is important to know one's target audience, their buying potential and means to reach them. However, it is equally essential to measure the size of the target segment. In fact, this step is perhaps the most basic thing to do. Whether it is an existing or new market, the size of one's audience determines several things. For instance, if one wants to expand by installing a cath lab, one will need to know how many people above the age of 45 live in that particular area. Another important factor one would want to know is the male-female ratio of that age group.

4 Growth pace

One should keep track of the pace of the market's growth rates. A growing market would naturally signify a healthy sign. However, it would be a mistake to assume that a market having a growing population is growing. For example, although the market size for surgeries being done by older techniques is shrinking, it does not follow that modern techniques would witness fast-paced growth. In fact, its pace would be gradual.

5 Demand estimation

The next step is to estimate the demand in the new market. A certain amount of research is required to determine this. The accuracy of demand estimation helps one predict cash flow and plan growth. Several people tend to rely on their intuition or 'gut feeling'. However, overestimating one's intuition may be too much of a risk. One's new venture could fail or put its existing position in the market in danger.

6 Returns

One gets into an expansion process for the monetary return. Hence, the willingness and ability of one's target population to pay is an important factor to study while planning the expansion. One should know whether the people have enough money or insurance cover.

7 Gauging competition

The presence or lack of competitors in a market is an illuminating point. An attractive market segment may already have several interested parties trying to take advantage of the situation. It would be prudent to keep out of markets that are already flooded with aggressive competitors. On the other hand, some markets may not have many competitors. This fact is like a double-edged sword. The lack of competitors could either mean that the market is not as attractive as it looks, or that it has not been noticed by others.

8 USP

In today's competitive world, one has to be different in order to survive. Hence, the question of asking oneself one's unique selling points arises. Even if one were lucky enough to discover an attractive market with less competition one would have to carve out an image for oneself. This is because sooner or later others would notice that particular segment and set up their base there. Hence, one would always have to be different from the rest of the crowd.



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9 The number game

Financial projections are an important part of any expansion. One has to understand concepts like depreciation, taxes, various ratios, cost of capital, etc, before one begins the expansion journey. A convenient way to do so is leave everything in the hands of one's chartered accountant or finance manager. However, this could prove to be risky, as one may miss out on some points. The saying, the devil is in the detail holds true here.

10 Alternative opportunities

It is imperative for one to consider the opportunity cost while planning an expansion process. After understanding the financial aspect of the expansion, one should try to find out alternative places or plans where the money could be invested. One could be losing out on other opportunities in order to make good of one opportunity for expansion. The cost one is paying by not taking an alternative route should be considered. At least the interest rate that a bank would offer for the same investment should be less than the rate of return of the expansion project. Last, but not the least, it is a must to have a back up plan. Chances exist that one's particular plan may not work out. In such cases, it is good to have a ready back up plan to fall back onto.

Unlimited potential

The healthcare sector offers immense opportunities for all. Besides comprising new markets to be explored, this sector has immense potential even in existing markets. In fact, the probability of success is higher in healthcare than in many other sectors today. However, true to its nature, success will not come to everyone. The probability of one being successful will increase only if one looks as well as calculates before one leaps. **MM**