



Finding the Next Billion Dollars of Growth

By Dev Patnaik

After navigating pandemic-era supply chain issues, many companies are struggling to deliver on investor demands for the next wave of billion-dollar growth. This article explains how leaders can identify and act on the underlying shifts in the world that are necessitating a completely different approach to growth.

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“We’ve promised the Street an additional billion dollars of growth in the next three years. And we have absolutely no idea how we’re going to get there...”

I’ve heard that same message from four different leaders in the last month. Across wildly different industries. Having emerged from the pandemic and the fear of a recession, companies are returning to the question of growth. And a lot of them are struggling with the answer. There’s an underlying shift threatening the traditional approach to the kind of growth the Street is hungry for.

Food companies and packaged goods manufacturers experienced massive growth during the pandemic. We were all in quarantine and then working from home, right? So why not eat some more Frosted Flakes?

And that wasn’t just true for cereal companies. Coming out of the pandemic, many businesses found that their biggest challenges were on the supply side of the house. Packaged goods manufacturers couldn’t produce toothpaste fast enough. Automobile manufacturers faced a massive shortage in the chipsets that run their cars. Media companies were racing to create enough content to populate their new streaming services. Even tech companies faced a supply shortage in the form of engineers and product managers. In that environment, top-line growth was all about simply keeping up with orders.

But those supply issues have been largely sorted out. And so attention has turned to driving enough demand to deliver on billion-dollar growth.

Investors are growing weary, watching a sharp slowdown in revenues and a rise in sobering forecasts for the year ahead at Fortune 500 companies. Disney's sales growth slowed sharply to 7.5% last year from a scorching 23%, or \$15 billion, in 2022, with a further slowdown expected this year. Diageo upset investors by issuing a profit warning amid declining sales after revenues jumped 20%, or \$3.4 billion, in 2022. Nike's share price has been retreating after it forecast a disappointing revenue increase of 1% this year, a far cry from its 19%, or \$7.1 billion, sales surge in 2021.

Now, execs are racing to find a way to drive demand. Some are looking to spur enough product innovation to save the day. Others are building out new loyalty programs to engage customers. For their part, B2B companies are focusing on new sales incentive programs to juice the numbers.

But it's not simply about drumming up mass demand. Across multiple sectors, future-focused leaders are starting to understand the underlying shifts that are upending their traditional approach to big growth.

One obstacle is that customers are starting to show a general lack of interest in new product purchases. I might have bought a new pair of sneakers every year in the times before the pandemic. But now, maybe I'm fine with wearing the same shoes for two years. Maybe I'd rather use the money on a cool experience.

While a new sneaker design or cookie recipe might lead to some growth, the leaders I'm talking to are doing the math. They are struggling to see how those initiatives will add a billion dollars to the top line in the near term. If you want a billion-dollar business in three years, you likely need to have a \$650 million dollar business today, assuming a 15% growth rate.

And even 15% growth is asking a lot in most sectors. Technology platforms have made that sort of rocket ship growth harder, not easier. A flood of alternatives on Amazon with no good way to filter them has increased the likelihood that your product will get lost in a sea of lookalike competitors. Home grocery delivery makes new product discovery nearly impossible. And TikTok's algorithm ensures that every person gets what they like, and no one sees what everyone likes. This shift has profound implications for the way companies grow—and necessitates a fundamentally different approach.

If you want a billion-dollar idea, it may be smarter to start looking for ten or twenty \$100 million ideas instead. Those ideas are easier to see. What's more, a few of them might turn into a billion-dollar idea in a few years.

To be sure, it's a lot harder for large multinationals to manage a myriad of small businesses. But constantly chasing one big idea seems to be an exercise in futility. Moreover, it opens the door for smaller, new entrants to establish a foothold.

No leader wants to get caught wondering where their next billion is going to come from. But all of that focus on supply chain issues may have pushed execs to focus too much on the problems right in front of them.

Which begs the question: assuming that you actually figure out where your next billion dollars of growth are coming from, what else should you be thinking about so you don't find yourself in this same situation three years from now? What shifts in

the world are happening now that you'll be glad you identified a few years from today? It's just too easy to focus all your attention on the present at the expense of the future. Which is fine, of course, until the future shows up.

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