Secrets of a successful entry into a new market

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When a company enters a new market, it seeks a specific set of customers to grow and diversify its business. Successful new market entry depends on the company's ability to match its capabilities to the requirements of these new customers.

Each time a company approaches a potential market it encounters unique challenges. By failing to recognize and meet these challenges, companies unwittingly take huge risks, or miss out on intelligent risks. In years as a corporate executive, I learned that several practices – what I call a challenge-based approach – are the secrets that make the difference between new market success and mediocre performance.

Treat each new market like a start-up.
One of my former colleagues took the job of selling to enterprise customers for a company that sold exclusively to the government. However, she was only allowed to sell their established products – not to do marketing, add features or develop new channels.

Her business was set up to fail – and it did. But executives frequently attempt to penetrate new markets with marketing, channels, sales and products designed for old customers. New market entry should be treated as a start-up business. It requires strategy, investment, and frequently changes in key functions, to meet the market's challenges.

Avoid new market panic.
Growing from a shrinking base can be done, but it defies the laws of physics. Many conversations with my clients begin, "We want to make revenue from this new market within three months." With a little probing, it develops that their revenue plans depend on a new infusion of business immediately. Too many companies wait until they are in trouble, and then hope a new market will rescue them.

Begin early – look for new markets when revenue is growing. Otherwise, when revenue starts to shrink, panic sets in. Executives demand quick results to save the company, and employees' energy evaporates because time is too short to succeed.

"Gut feel" works - if you get the facts.
Many companies pick their next market without rigorous analysis – "We've sold one project to a bank/hospital/factory, so let's sell more." Gut-level choices like this can pay off – but facts are available, and launching a campaign without them is unwise.

How large is the market? How do customers make decisions? How much should it cost to achieve our goals? Market research enables a company to tailor its approach to specific market challenges. In addition, a company needs to look honestly at its own weaknesses and strengths, to avoid chasing a market not suited to its profile.

Succeed by making mistakes.
Get out there and do it – and assume that things will go wrong. Companies that expect the unexpected can react quickly when problems arise. The Prussian army chief who said, "No battle plan survives contact with the enemy" insisted that his generals plan for errors and surprises.

A company can design its market entry so that each step has a back-up plan. For instance, an international company whose initial foray into the US market did not develop as desired left a small team in the US to learn more and respond to leads. With this approach, the company built a foundation for its later successful US entry.

Bet big but stay focused.
In new market entry, companies pay a higher price for thinking small than thinking big. A company should aim for the biggest market that it can reasonably expect to master, spreading its costs across a larger revenue pool.

It should also be clear about the boundaries of this market. A large equipment manufacturer, in a campaign aimed at the Fortune 100, actually sold to mid-sized firms that did not fit its plan. The company *thought* big, but *executed* small - a fatal error in making new markets profitable.

Invest in your stakeholders.
Leaders who keep stakeholders informed and inspired have the best chance of succeeding at new market entry. Every new venture needs supportive employees and owners as it

develops. Mature businesses in the company must be willing to fund new market campaigns – particularly important when new revenue comes more slowly than planned.

Apple's iPhone is an example of a new market venture effective for motivating stakeholders. Creative advertising and industry buzz are drawing new customers to existing products. At the same time, Apple has avoided talking publicly about revenue targets, so it can appear to win whatever the results.

The secret of successful new market entry is taking a challenge-based approach. A company that knows the challenges presented by its target market, and prepares for the unforeseen, achieves the highest growth from its new market investment.

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Fran Grigsby is Founder and Managing Partner of Next Level International, a consulting firm that helps technology firms successfully enter new markets. She has been guiding corporations through critical growth challenges for 25 year. Fran has held executive posts at several corporations, including Giganet, Motorola and Digital Equipment Corporation. Harvard Professor Rosabeth Moss Kanter featured her innovative leadership in the bestseller *The Change Masters.* Fran holds MBA and BA degrees from Vanderbilt University and received an Executive Certificate at INSEAD Graduate School of Management in France. She serves on several technology and non-profit Boards.