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Profitably Capitalize on New Market Entry

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What will drive the growth of your business? International expansion? Mergers and acquisitions? Entering new vertical markets, extending your product line or repackaging and repositioning existing products or services to address the demands of new markets?

Entering a new market is a challenge that every company must face. Early stage companies face the challenge of establishing themselves with customers for the first time. Larger companies enter new markets to grow, to secure their position against competitors or to take advantage of changes in their customer base.

Carol Meyers, Pierrette Kelly and Ellen Rubin are successful businesswomen who have all led their companies in entering new markets. Meyers is vice president of marketing for Unica Corp., a provider of enterprise marketing management software; Kelly is the former vice president and general manager of CVS.com and now a consultant to the company; and Rubin is vice president of marketing for Netezza Corp., a global data warehouse appliance vendor.

Each of these the executives discusses the importance of taking risks, planning, paying attention to how you integrate the new market and staying close to the customer.

Taking Risks

Entering a new market is by definition a risk, and managers need to assess market opportunities to focus resources on new markets that offer the most promise.

Netezza's Rubin has played a key role in making Netezza prosper in a market long dominated by established vendors like IBM and EMC, and she emphasizes the role of risk-taking in opening up a new market.

"When you are in an early stage company, it is not immediately obvious what market will make you succeed," she says. "The best way to enter is to rapidly test all your hypotheses and get your executive team out in front of potential customers in a fast, directed way."

CVS incurred risks when it acquired Soma.com, the first Internet pharmacy. But Kelly explains, "We had to make mistakes if we wanted to get into the game when it was hot. We had some rough spots because the Internet crash happened just after the acquisition. We had to get out there and learn how the customers wanted to use this resource."

Planning

Research, analysis, market sizing and setting metrics for measuring success are key to new market entry. According to Unica's Meyers, "We have a process for evaluating market opportunities that we do annually and whenever a new opportunity comes up. In that process, we also look at acquisition opportunities. We always establish a set of objectives. For a new initiative, we look at metrics. Because our sales cycle is fairly long, we measure interim objectives as well as profitability and sales."

Netezza also focuses on planning to support new market entry. "We do a lot of work on list research in our marketing group and sales group," Rubin says. "Then our execution is focused on how we are going to support the sales representatives as they go into new markets."

CVS defines top-level customer expectations, including business, technical and user requirements and does a five-year roadmap for CVS Online.

Integrating the New Market

Successful new market entry requires the ability to integrate the new market into the existing business infrastructure.

In 2004, Kelly saw that there was more traffic coming to the CVS Web site for information and services, rather than to order items. There was a tremendous increase in online prescription orders to be picked up in stores, and the digital photo business was growing quickly. She published these numbers so that managers throughout the company could understand the changes that were happening in the online business.

"Understanding this helped make us a leader in the digital photo business," she says. "After two years of profitability, I proposed a relaunch of the site so that we could make it easy for CVS customers no matter where they shopped. As our next piece of integration, we will give credit to individual stores for what CVS.com sells so we can take any issue of cannibalization out of our internal business discussion."

Unica has successfully integrated acquired companies into its overall product offerings. "When we acquired a Web analytics company, we learned that there is a thriving standalone market that we could not reach with our traditional sales and marketing resources," Meyers says. "We developed a new sales force that can sell to this market rather than making our current people shift gears and sell to different people. Out of that learning we addressed two markets—the standalone market and the addition of the new product as an extension to our current products."

Entry into vertical markets must be carefully managed. Rubin warns. "Every time you add a vertical, you are spreading your resources more thinly and training salespeople in new information. Our new approach is to have dedicated teams that have a systematic approach to each vertical market."

Staying Close to the Customer

All three of these successful businesswomen agree that staying close to the customer is essential for successful entry into new markets. Rubin says, “We have a close customer relationship with the Netezza community. We formed an advisory council very early and have lots of senior-level contact with customers. We want to make them feel they are part of a movement.”

According to Kelly, “It is interesting how much our customers have told us what they want. We have done a lot of research and focus groups and we have an online advisory panel with 20,000 customers. Through these vehicles, people are articulate about what they want.”

Unica’s Meyers says, “We learned the hard way that replicating public relations programs across countries does not always work. Building good customer relationships is more important. We rely on the feedback of people in the countries where we enter to be sure we hit the right mark.”

The experiences of these three successful businesswomen underline the importance of flexible leadership in new market entry. By taking risks, planning carefully, efficiently integrating new markets into existing businesses and staying close to the customer, companies large and small can establish clear methodologies and best practices for profitably entering new markets.

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