Top 5 Biggest Mistakes Companies Make When Pursuing New Markets.

Success in a new market is dependent on many things but the following five are the tall poles in the tent. Our experience over hundreds of new market projects, many based looking to get the wheels back on the track continually re-enforces these lessons.

1. **Select the wrong target market:**
   It's always interesting to see how companies select target markets for future growth. In some cases, the market becomes attractive because it's generating a lot of buzz. Further evaluation shows that it's healthy and growing; forecasted growth numbers look encouraging. So, let's look a bit deeper.

   First, you may look at companies who are currently offering solutions in that market (potential M&A candidates or competitors). They are evaluated along with their solutions offered. The category of solutions may also be analyzed to understand things like capabilities, strengths and weaknesses, pricing models, brand strategies of competing companies and how they stack up against one another.

   In determining if the market is right for you, your criteria may look something like:
   - ✓ Great healthy and growing market.
   - ✓ We have the capabilities to create solutions that are just as good if not better than the current competition.
   - ✓ Fits the company vision.

   We are good to go!

   But are these the right criteria? The point here being that yes, it might be a great market for the companies in it, but that doesn't have any relevance, unless you're going to buy one of them.

   The question you should be asking is: does your solution offer enough of a differential advantage in this new market that will offset the customers' direct/indirect cost of changing solution/vendors? Also, consider if it will still be a great market for you and the solution that you will offer at the price point of $X with one day guaranteed free delivery, as an example? If you can't answer this question, then probably it's time to find a new market.

2. **Select the wrong problem to solve**
   The problem selected by many entering a new market may be the problem currently being addressed by the incumbent competitors and their category. But, has the market changed and introduced new pain points which you can leverage to your advantage? This may be obvious but unless you have a revolutionary solution with a minimum 10X advantage, you are all but destined to become a mere "me too." To be successful you may

want to consider a fresh perspective of more pressing problems needing to be solved and what it will take to do so.

An incremental improvement over those in the category will do nothing more than, at best, get you a tail-end position competing on price and very little chance of meeting the return expected on the money invested. In that case, the best you can hope for is a quick termination.

3. **Select the wrong category to compete from**
   Prior to entering the market, you evaluated the competition and the category to better understand the competition and the value propositions offered, but now the question becomes how does your solution match the category?

   Are you solving the problem in a similar fashion as other category members or are you solving the same problem but in a completely new, unique way?

   The answer is the tipoff. If solving the problem in a totally different way, then you will need to create a new category to help the market understand the new problems being solved and enable them to align themselves with your solution. Putting a new solution into an existing category is the biggest mistake when pursuing new markets, we have observed in our 20+ years of market growth consulting.

   It's like coming to a fork in the road. Customers will take the path they are familiar with. *New* may completely confuse them. The customer doesn't understand your value proposition; they are not sure what your solution is good for and they sure don't know how to evaluate it against other solutions. This results in possibly a great solution never achieving anything close to its potential.

   Creating a new category is difficult but it can be the road to explosive growth. Think *cell phone* - Nokia; think *smart phone* – Apple. Right!

4. **Believe that all customers are the same**
   Having the mindset, "let's go after the big companies; that's where the money is".

   When you are moving into a new market and possibly creating a new category, the attention to the launch and adoption strategy is crucial. If you don't understand the mix of the customers and their buying personality profiles you will waste time and resources trying to gain traction and a path forward. Calling on the wrong customers is the long and painful road to failure.

   For example, you have a great new solution to an important new problem but little or no evidence that the customer will achieve the value proposition you say you offer. You have some data, but nothing substantial, which calls for approaching companies in the

market who have a need, have an imagination, are willing to take on some risk, have (some) money and can influence others.

Are they really the big companies or the ones who are hungry, looking for a differential advantage in their markets? Start with the innovators; if it's a success, the big companies will follow.

Designing the launch and adoption strategy of any new product is one of, if not the most important tasks in determining success or failure of a product. And you really want these launch customers set up in advance; so be selective.

5. **Believe their solution is awesome**
   Especially when compared to the competition (because "we" made it), but does the customer care?

   Each market and each customer have a buying criteria list stored somewhere and it is applied directly or indirectly each time they buy. If your product is a clear winner against a criterion that they really don't care about or is too low on the list then by definition you have no advantage.

   The construction of the buying criteria list and position on the list was established with the category and is unlikely to change just because your product excels at something that has been deemed low priority possibly years ago. This is another case where if your value proposition isn't obvious and aligned with a significant problem that the customer needs to solve you have no value, and the investment was all for nothing.

   Now that we have discussed the obvious let's think about the unstated criteria. By that we mean barriers to adoption such as: How easy is the solution to try? Is the relative advantage obvious even if not proven? Is it compatible with the customers current operation and belief system? This list of unstated criteria need to be important elements in the design of any solution.

   Another element that we have often discussed but have never seen any data to prove is the alignment of sales rep personality with the buying personality. Try to think of the sales representative with a fact-based personality trying to persuade an innovator. Or a highly imaginative sales person trying to convey a message to a conservative/laggard. It's worth considering when getting ready to launch a solution.

These five mistakes pursuing new markets are serious issues that could be rectified with consideration in understanding the market's problems, the category, and the perceived value placed on your differential advantage. If missed, they contribute to why 80% of all new products fail.

Getting four out of five right along with $4.98, will get you a designer coffee. That's about it. Properly addressing five out of five will give you a real chance to be part of the 20%! VMI's experience over hundreds of assignments continually re-enforces these basic lessons.