

A Pass or Fail Test for Any New Market

If you are considering entering a new target market, with an existing or new product or service, it makes sense to first systematically analyze the market in question via some fundamental market evaluation criteria. It is not only rational but most cost effective to determine if a new market pursuit makes sense for your company before any significant resources are further applied to the effort.

A “pass or fail” test of your targeted market is recommended with your company’s core management team collective involvement. Discussing the attributes of a given market and further analyzing the business logic behind your intention to participate in a new market will generate some very enlightening conversation among your key decision makers. Having various management functions present for the discussion generates the most effective, broad base perspective, appropriate “next step” for this strategic decision.

Besides further justifying or reducing your intentions to enter a new market, weighing all the same attributes of any one targeted market candidate against another target markets of consideration can lead to a pivotal decision for the future direction of your company. The opportunity cost of choosing the “wrong” or “least rewarding” target market, given limited corporate human and financial resources, can make or break your collective ability to meet or exceed your company’s short and long term growth objectives. Again, effectively utilizing a simple, systematic evaluation checklist made up of some of the market attributes listed below can be most time efficient and cost effective.

Our list of market attributes cover various business sectors and should not be considered a complete listing. To make this evaluation exercise most productive for your management team, first evaluate this list for relevancy and then add whatever number of additional categories or attributes that correlate to your company’s collective business priorities, resources, risk/ reward tolerance levels and growth objectives.

MARKET PRODUCT / SERVICE LINE ATTRIBUTES:

- Market has a viable need for product application advancements or transitions
- Market is not dominated by short product life cycles
- Market allows for effective competitive advantage without extraordinary design, engineering or research cost
- Market allows for effective competitive advantage without extraordinary testing, certification or performance compliance issues
- Market offers opportunities for relatively high product/service gross profit margins
- Market does not require a large number of products or services to effectively compete
- Market share is gained more from product value or by high value service
- Market product/ service applications have worldwide demand
- Market product/ services are compatible with existing company core competencies

- Market product/ service offerings can be legally protected
- Market generally does not present extraordinary financial liability exposure
- Market demand is not extraordinarily seasonal or difficult to forecast

MARKET CUSTOMER ATTRIBUTES:

- Market offers a diversified mix of key customer product/service users
- Market offers financially stable customers
- Market offers relatively consistent purchase loyalty
- Market has existing product/ service users who will purchase other related offerings
- Market is supported long term by fundamental economic and demographic growth

MARKET SERVICE ATTRIBUTES:

- Market does not require an inordinate amount of after-the-sale service
- Market can be supported by a centralized customer service location
- Market does not require extensive service certification from 3rd party entities
- Market does not proliferate extraordinary product/service warranties
- Market service requirements are not hazardous to company personnel
- Market does not require extraordinary distribution requirements
- Market share can be augmented with effective e commerce tactics

MARKET COMPETITION ATTRIBUTES:

- Market is dominated by well known competitors and suppliers
- Market is not dominated by one company (> 80% market share)
- Market has reputable competition, a quality image and history
- Market offers competitors that would be future acquirers or acquisition candidates
- Market is not targeted for international penetration via pricing tactics
- Market requires a reasonable level of financial and technical resource barriers to entry

MARKET GROWTH:

- Market has a proven history of growth
- Market has a high probability of long term future growth
- Market offers traceable causes of growth
- Market has worldwide growth
- Market has regional growth niches

- Market growth cannot be negatively affected by existing or pending legislation

Justification of entry into any new market or niche thereof involves effectively identifying all viable competitors, relevant market attributes, key market participants and their market shares. Being able to strategically apply this qualified information with respect to your known company financial, technical and human resources can result in extraordinary business growth opportunities.

If you want to further quantify this analysis you can numerically weight each market attribute with your own specific market attribute priorities and then give numerical “grades” to any or all new market entry candidates to calculate a weighted value for each new market opportunity.

Evaluating new business opportunities should be a well thought out, straightforward, iterative process. Beginning the evaluation process with a simple tool to justify further analysis is a prudent procedure. The more effective your analysis, the greater the probability your strategic decisions will maximize return on investment.