

The background of the slide features a dark blue, semi-transparent overlay on a photograph. The photograph shows a close-up of a person's torso wearing a dark suit jacket and a light-colored tie with a small, repeating floral pattern. In the jacket's breast pocket, several tools are visible, including a pair of open-end wrenches and a screwdriver, suggesting a 'toolkit' for business growth.

# GROWTH PROCESS TOOLKIT

## Vertical Market Expansion

*Accelerating Growth through Principled Market  
Opportunity Evaluation and Entry Strategy  
Development*

## SPECIAL THANKS

Frost & Sullivan's Growth Team Membership would like to thank the following individuals who generously contributed their time and insights to the development of this toolkit:

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# INTRODUCTION

## Growth Process Toolkit *Vertical Market Expansion*



## INTRODUCTION

### Growth through Vertical Market Expansion

As companies have cut expenses to the bone to contend with the recent recession, most CEOs have come to the basic realization that you can't cut your way to growth. They have therefore returned to a focus on growing the top line. In fact, Frost & Sullivan's recent annual CEO survey indicates just that: a vigorous re-centering on new sources of revenue.<sup>1</sup> One path an organization might take to increase revenue is to expand vertically: to take an existing product or service into a new market with an untapped customer base (this extension can occur through organic or inorganic channels, but this toolkit focuses on organic channels specifically).

Often, a vertical extension can be justified by stagnation within the company's current market, flat-lining market share, or by the need to keep pace with competitors that are aggressively pursuing new opportunities of their own.<sup>2</sup> Ultimately, successful companies (the ones that consistently find new and creative ways to increase revenue) look beyond their current markets for new growth opportunities. Vertical markets are a compelling path to those desired, and always elusive, new wells of revenue.

### The Risks of Vertical Market Expansion

Although the benefits of successful vertical market entry may be hard to resist, such a move is often more difficult than it first appears. One study famously reported that for every successful market entry, four fail. This study evaluated not just inexperienced start-ups, but sophisticated corporations as well.<sup>3</sup> No one is immune to a bad decision (the failure rate within some industries is staggeringly high: for instance, 95% of all vertical entries in the aerospace & defense industry fail to take hold).<sup>4</sup> The difficulty, of course, is that winners and losers all look like winners at the outset – so why do so many companies head down ill-advised paths?

### Where Vertical Market Expansion Goes Wrong

Part of the blame can be attributed to an absence of high-quality information. Frost & Sullivan's latest CEO survey underscores this point, capturing widespread dissatisfaction with the quality of information upon which CEOs must base their critical decisions.<sup>5</sup> This lack of reliable data may in part explain why 75% of market entry decisions fail to deliver expected results – and why those failed efforts ultimately lead to more risk, cost, and complexity than an organization is prepared to handle.

Before making a vertical move, then, executives must mine high-quality data to determine whether the rewards will be worth the risks. How great is the opportunity? What are the possible repercussions of such actions? Is vertical expansion the only choice?<sup>6</sup>

Companies commit a number of mistakes when attempting to answer these questions; some of the most common pitfalls are discussed below and in the pages that follow.

#### *Pitfall #1: Assuming Vertical Market Expansion Will Deliver Expected Growth*

Since successful vertical market expansion can accelerate a company's growth trajectory, many executives tend to be over-hopeful when considering such a move by their own organizations. This excessive optimism can have a variety of consequences: an inability to view previous market entries as future predictors of success, a willingness to believe that a company's skills are more relevant than they really are, that a market is bigger than it really is, or that rivals won't react to the entry, to name but a few.

Interestingly, although many executives admit to a lack of high-quality information within their organizations, these same executives are often guilty of filtering their information (regardless of its quality or comprehensiveness) for sources supporting a preconceived notion. They surround themselves with like-minded individuals who verify their opinions and isolate themselves from those who disagree. This tendency (which one author has called "collective belief") can lead executives to respond irrationally to compelling evidence that a vertical market opportunity might not deliver the hoped-for growth.<sup>7</sup>

A natural byproduct of such blinders is assuming that potential customers within a new market will rapidly embrace the new entrant's value proposition; if off-base, this perception can have costly consequences, as demonstrated by the case study below.<sup>8</sup>

#### **Case-in-Point: Segway and the Market that Wasn't**

In December 2001, inventor Dean Kamen unveiled the first Segway, a "super-scooter" which he believed would revolutionize the transportation industry. He confidently announced that by the end of 2002, his enterprise would produce 10,000 machines weekly. This aggressive estimation indicates a distorted picture of the size of the Segway market.

Had Kamen analyzed the number of consumers who could both afford the Segway and realistically use it for commuting or recreation, and then evaluated penetration rates in this demographic for similar products (e.g., scooters, bicycles), he may have realized that the market was not as big or unsaturated as it at first appeared. His market estimation also failed to consider changes to infrastructure (e.g., cities that would allow people to drive the vehicle on sidewalks). In hindsight, it is perhaps unsurprising that the Segway failed to live up to its early hype, selling only 6,000 vehicles in the first 21 months following launch.

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**INTRODUCTION (CONTINUED)****Where Vertical Market Expansion Goes Wrong (Continued)***Pitfall #2: Entering Multiple Vertical Markets Simultaneously*

Most executives are preconditioned to believe that diversifying risk is the key to managing risk. They are also taught that committing to one or two big “bets” can have disastrous (potentially career-ending) consequences if those bets fail to pay off. For this reason, many organizations are far more comfortable pursuing multiple opportunities simultaneously, operating under the logic that a failure in one market is offset by successes in others. Ironically, this “toe in the water” approach to vertical market expansion usually *increases* risk. Ultimately, it is a safer move for executives to make a few specific choices and dedicate sufficient resources to them, rather than spreading them thin and rendering them ineffective. Lukewarm commitment delivers lukewarm results.

One way that companies might fall prey to this pitfall is by over-extending their brand name across multiple markets. Take the experience of designer Diane von Furstenberg:<sup>9</sup>

**Case-in-Point: Diane von Furstenberg's Market Multi-Tasking**

In 1972, Diane von Furstenberg created the multifunctional wrap dress, which became a defining garment of the decade. By 1976, she had sold more than 5 million of her designs and had established a brand with a strong, highly marketable reputation. She moved to accelerate the brand's growth by pursuing multiple expansion opportunities simultaneously. She developed a line of beauty products and fragrances, launched a luggage line, designed eyewear, published books, and designed jeans.

The strategy worked at first. Von Furstenberg's strong brand name generated high margins for every product it adorned, regardless of the category. But a few years into this rapid growth, the brand lost momentum. Revenues and profits plummeted, and ultimately, von Furstenberg had to sell her design and cosmetics houses to pay off debts.

While many factors contributed to the brand's (temporary) unraveling, much of the blame for this downturn can be attributed to an unwillingness to commit to, and pursue, a few opportunities instead of many. Had von Furstenberg selected one vertical market and dedicated resources to ensuring its success (instead of spreading them across multiple markets), growth may still have been rapid, but less complex or unwieldy.

*Pitfall #3: Moving into Markets Not Adjacent to Your Core*

One additional lesson from the Diane von Furstenberg example listed above is that the farther a company moves away from what it does well, the greater the likelihood that a vertical market entry will fail to generate the desired ROI. Ultimately, the best moves are the ones that build off something your company already does well. If you move into an area too far removed from your company's core competencies, you assume more risk than you may have intended.<sup>10</sup> Companies stumble when they fail to conduct the same type of rigorous analysis of their own capabilities that they conduct on the markets they plan to enter. EMI's failed entry into the medical equipment market is a testament to the risks of moving too far from the core.<sup>11</sup>

**Case-in-Point: EMI's Medical Market Misadventure**

In the 1970s, music producer EMI decided to enter the computed tomography (CT) scanner business on the back of an innovation developed by Godfrey N. Hounsfield, a researcher in the company's labs. EMI had no experience in the manufacture of medical-diagnostic-imaging equipment or in medical sales and distribution, but was eager to exploit the market's growth potential. Its senior management dismissed concerns over the wide capability gap between EMI's current market (music) and its vertical (medical equipment), arguing that they could build the required capabilities over time.

While EMI had correctly ascertained the growth potential offered by the medical equipment market, it had grossly underestimated the difficulty of entering an area so far afield from its core competencies, and it ultimately paid a heavy price for this miscalculation. Soon after EMI delivered its first “EMI Scanner,” General Electric, with its world-class manufacturing, sales and distribution networks (and highly transferable capabilities, given its 75 years' experience selling X-ray equipment) entered the market. US Siemens followed next. These organizations became dominant, thanks to their familiarity with the market, and EMI ultimately exited after sustaining heavy losses.

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**INTRODUCTION (CONTINUED)****The Solution**

As the pitfalls listed previously indicate, it is easy to pursue vertical markets for the wrong reasons, or to err in execution. Successful companies pursue only one or two verticals at a time and fully vet those opportunities for strategic fit before committing to market entry. Opportunity-vetting combines a robust view of current and potential markets with an equally robust internal look at resources, capabilities, and core competencies. Successful companies understand that the better the assessment of market size, competitors, market share, revenue, costs, and other factors, the better their odds of making good vertical market entry decisions.

The following case example illustrates how one company took an unbiased, methodological approach to vertical market expansion, with measurable results:<sup>12</sup>

**Case-in-Point: Appleton Papers and the Fabric Softener Market**

Facing stagnating demand within its existing market, chemical and paper products manufacturer Appleton Papers began a search for new markets that fit with the organization's core capabilities and product offerings. To manage this search, Appleton developed a structured process for identifying and commercializing new growth opportunities by:

- Conducting internal and external interviews focused on defining Appleton's competitive advantages
- Assessing the fit between its product offerings and untapped demand in new markets
- Prioritizing the most promising opportunities through an objective scoring system
- Weighing the growth and revenue potential of each potential market against Appleton's core capabilities

As a result of these due diligence exercises, Appleton eventually identified a close fit between its core capabilities and opportunities offered by the fabric softener market. To pursue these opportunities, Appleton developed a strategic partnership with Procter & Gamble focused on product innovation tailored to this market.\*

Ultimately, this approach to vertical market entry—focused on a single opportunity, backed by significant resources and a solid business case—produced positive results for Appleton. The organization was able to access new growth opportunities and reinvigorate growth in its product line without straying too far from what it did best. Furthermore, Appleton executives established a process for evaluating new markets that they could repeat with future market entry decisions, thereby improving their approach over time.

Click [here](#) to access a companion Best Practice Guidebook further detailing Appleton's approach to vertical market entry.

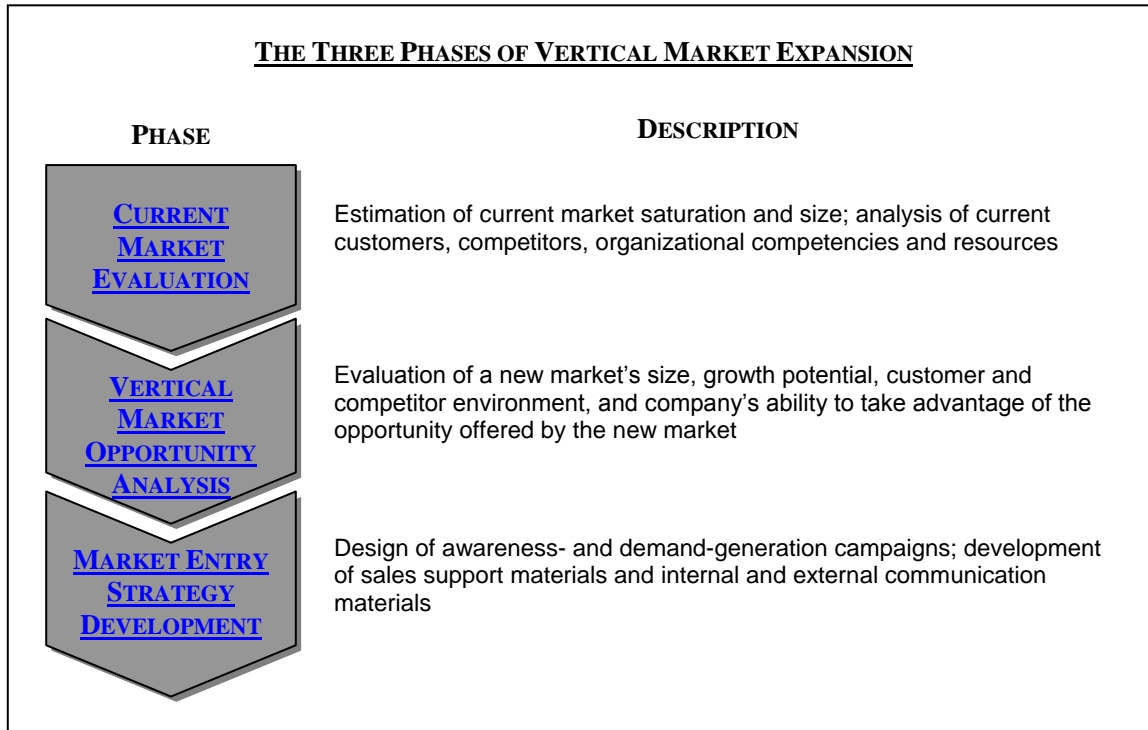
*\* Strategic partnership is the focus of a separate Growth Process Toolkit (pending 2010 publication) and is therefore not covered comprehensively in this toolkit.*

(Continued on the following page)



**INTRODUCTION (CONTINUED)****How Should You Approach Vertical Market Expansion?**

Frost & Sullivan structures vertical market expansion around the phases listed below.



Since the process to perform any market analysis is fairly standard, we condense Phases One and Two into a single series of steps and supporting tools. We do want to stress, however, that this condensation is simply to avoid redundancy in the presentation of tools that help you complete these phases. You should view Current Market Evaluation and Vertical Market Opportunity Analysis as two distinct phases (hence the separate chevrons illustrated above). Use of the same tools to complete each phase, however, will remove complexity and provide a baseline for comparing markets (current and new) against each other.

On a final note, many factors influence a company's approach to vertical market expansion (such as M&A, strategic partnerships, geographic expansion plans, innovation efforts, distribution channels, or the competitive environment), which are not covered comprehensively in this toolkit. For this reason, we provide a wealth of resources focused on these activities in companion Growth Process Toolkits, which you can access by clicking on the links below.

- [Mergers & Acquisitions: Accelerating M&A Growth through Early-Stage Planning and Evaluation](#)
- [Geographic Expansion: Accelerating Growth through Principled and Repeatable Entry Strategy](#)
- [New Product Development: Accelerating Growth through Unbiased and Rigorous Early-Stage Product Evaluation](#)
- [New Product Launch: Accelerating Growth through Rigorous Planning, Principled Execution, and Continuous Monitoring](#)
- [Competitive Strategy: Accelerating Growth through Principled and Informed Competitive Decision Making](#)
- [Distribution Channel Optimization: Accelerating Growth through Rigorous and Unbiased Partner Evaluation, Selection, and Monitoring](#)

As noted previously, a toolkit on strategic partnerships will be published in 2010.



# HOW TO USE THIS TOOLKIT

Growth Process Toolkit  
*Vertical Market Expansion*



## HOW TO USE THIS TOOLKIT

### *The Growth Process Toolkit for Vertical Market Expansion*

**What it is:** This toolkit will help you structure your vertical market expansion strategy around determining the need for new market entry, assessing your company's core capabilities, identifying vertical markets that play to those strengths, and building an effective market entry strategy. It will show you how to support your company's top-line growth objectives by grounding vertical market decisions in unbiased information-collection and methodical pursuit of only the most promising opportunities.

On a more technical level, this Growth Process Toolkit presents Frost & Sullivan's best work on vertical market expansion in a step-by-step implementation format. This resource gives Growth Team Membership (GTM) members proven processes, tools, and templates to help them successfully manage the risks and pitfalls encountered in this key growth process.

**How it will help you:** This toolkit will help you and your team develop a successful and repeatable model for evaluating vertical market expansion opportunities. As noted previously, we recognize that your pursuit of vertical markets may be strongly influenced by factors such as M&A and strategic partnerships. These and other topics are explored in companion growth process toolkits and are listed on the previous page. This toolkit focuses more specifically on pursuing vertical market opportunities with in-house resources (i.e., organic, as opposed to inorganic, growth through vertical market entry).

**How to use it:** This book is divided into two sections: [Current and Vertical Market Evaluation](#) and [Market Entry Strategy Development](#) (as noted on the previous page, we condense Phases One and Two to avoid redundancy in the presentation of tools). Within each section, we have outlined a variety of steps that you should complete. For each of those steps, you are provided with the tools (such as templates, scorecards, or checklists) that you need to complete that activity to a Frost & Sullivan standard. You can read this toolkit cover-to-cover, or you can reference the clickable table of contents to access specific sections.

Be on the look-out for helpful reminders throughout this toolkit. We will alert you at key stages when you should involve certain stakeholders, or when it might be a good idea to use additional GTM (or other) resources to aid your implementation.

We encourage you to bookmark this toolkit, save particularly helpful tools to your desktop, and share it with your colleagues. We also encourage you to contact your Account Executive if at any point in your research you require assistance.

### *The Growth Process Toolkit's Organization and Layout*

For ease of navigation, the majority of activities and tools featured in this toolkit adhere to the following template:

## SAMPLE PAGE LAYOUT

**Phase 3: Market Entry Strategy Development**

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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**STEP FOUR: SALES PREPARATION (CONTINUED)**

**Tool #3: Competitor Comparison Chart**

**Overview**

What is it?  
An easy-to-use template illustrating the differences between your company's product offering and those offered by competitors.

Why should you use it?  
It will help your sales team manage customer conversations regarding competitor alternatives and present your solution in the most favorable light possible. It can also help you standardize communications regarding your product's core features and benefits across the sales force, and it will work equally well for internal sales reps and channel partners.

**Competitor Comparison Chart (Sample)**

Product: Financial Services Product A

Feature	Competitor 1	Your Company	Competitor 2
Unlimited service	✓	✓	
Choice of payment options		✓	✓
Choice of investment accounts	✓	✓	
Tax deferral options	✓	✓	
Minimum rate of return guarantee		✓	✓

**Reminder!** This chart will work most effectively with a comprehensive list of product features. The more you can make the case for your product's strengths and competitors' weaknesses, the easier you make it for the sales force to consistently and easily answer questions regarding your product's core strengths.

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# PREFACE: SECURING ORGANIZATIONAL ALIGNMENT

Growth Process Toolkit  
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**PREFACE: SECURING ORGANIZATIONAL ALIGNMENT****Tool #1: Goal Statement Template****Overview****What is it?**

A discussion guide to help the executive team articulate its company's goals for pursuing growth through vertical market expansion.

**Why should you use it?**

This tool will help you ensure the following:

- *Agreement among the executive team* – While you may believe your executive team to be on the same page about strategy and vision, this perception may in reality be off-base. Consensus on goals and expectations at the outset of any activity is a good idea – but even more so when navigating waters as risky or complex as vertical market expansion.
- *Focus on activities that align with the stated purpose* – Shared commitment to the Goal Statement will help the executive team be clear about goals and the boundaries for achieving those objectives. Agreement on how to handle all strategic factors will ensure the team approaches vertical market-driven decision making with a shared clarity of purpose.

*Use this as a living document – something that you can revisit whenever you need to refocus team members on shared objectives.*

**GOAL STATEMENT: TEMPLATE****COMPANY NAME****Vision: What are we trying to do?**

- (a) *What is the goal we are trying to achieve?*
- (b) *How does vertical market expansion support this goal?*
- (c) *Which groups in the organization are responsible for delivering on this objective?*
- (d) *What are the decisions we as an executive team must make in support of this objective?*
- (e) *Given these specific decisions, what must this effort produce as output?*

**Justification: Why do we want to do it?**

- (a) *What external factors have compelled us to pursue new vertical markets? (Are we losing money in our present vertical? Are we not growing at an acceptable rate? Is our customer base giving us trouble?)*
- (b) *What internal factors have compelled us to pursue new vertical markets? (Are we feeling pressure from shareholders? Are we shifting the strategic direction of the company?)*

**Approach: How do we want to do it?**

- (a) *Should vertical market expansion occur organically (i.e., in-house) or inorganically (i.e., through acquisition or partnership)? How does each option support or undermine our strategy?*
- (b) *What is our timeline for vertical market expansion? How quickly or methodically do we want to work?*
- (c) *What profit margins are we committed to protecting, even if it means not entering an otherwise-attractive market?*

**Page 1 of 2***(Continued on the following page)*

**PREFACE: SECURING ORGANIZATIONAL ALIGNMENT (CONTINUED)****Tool #1: Goal Statement Template (Continued)****GOAL STATEMENT: TEMPLATE****COMPANY NAME****Market Overview: How well do we know our current market?**

- (a) What are the size, growth potential, and geographic scope of our current market?*
- (b) Can we realistically achieve our growth targets if we redouble efforts within our current market, as opposed to entering a new vertical?*
- (c) Do we currently perceive any threats to the status quo (positively or negatively) from new entrants to the industry?*
- (d) What factors control profitability in our industry, and which of those factors can we control?*

**Organizational Readiness: Are we prepared to enter a new vertical market?**

- (a) What external barriers (e.g., government or legal restrictions, economic uncertainty, competitor response) might prevent us from pursuing a new vertical market?*
- (b) What internal barriers (e.g., unsupportive culture, limited budget) might prevent us from pursuing a new vertical market? Which of these barriers can we control and resolve?*
- (d) Which vital skills sets, if any, are we currently lacking among our staff?*
- (e) Can our existing processes and cost structures support a new vertical market entry effort?*
- (f) What will we ask the following functions to contribute to the vertical market expansion effort: Corporate Development (acquisition work), Marketing (including merchandising and marketing communications), Finance, Sales, Research & Development, and Distribution/Operations?*

**Investment: What financial return do we expect from our vertical market expansion strategy?**

- (a) What are our minimum and maximum investment thresholds for any activities required as part of our vertical market expansion effort (e.g., investments in marketing, sales training, sales support)?*
- (b) Where would we place our investment on the risk/reward spectrum?*
- (c) How long do we expect it will take to achieve a positive return, in terms of boosted revenues, increased market share, and/or better margins?*

**Measurement: How will we determine success?**

- (a) Short-Term: How will we demonstrate the success of our vertical market expansion efforts to shareholders (i.e., what should be our key targets)? What metrics can we realistically influence during this time?*
- (b) Long-Term: What signs of success would we expect from this strategy in the long term? How should we quantify these expectations?*
- (c) What is our minimum standard for performance within each vertical market we enter?*

**Buy-In: Who has contributed to and/or approved this statement? Who still needs to sign off?**

- (a) What plans exist for ensuring executive team consensus or acceptance?*
- (b) How will we modify our goal statement if we receive push-back from key stakeholders? On which points are we willing to budge, and on which must we hold firm?*
- (c) How should we communicate our goal statement for the greatest degree of buy-in (e.g., who should deliver the message, what is the scope of the audience, which communications channels should we use)?*

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# PHASES I AND 2: CURRENT AND VERTICAL MARKET EVALUATION

Growth Process Toolkit  
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**PHASES 1 AND 2: CURRENT AND VERTICAL MARKET EVALUATION**

The table below lists the key steps and objectives featured in Phase 1. The pages that follow explore each step and its associated tools in greater depth. This page is also clickable, enabling you to jump to any section directly.

**CURRENT AND VERTICAL MARKET EVALUATION:  
KEY STEPS AND TOOLS**

STEP	PURPOSE	SAMPLE TOOLS
<a href="#"><u>Market Size and Growth Analysis</u></a>	Conduct a realistic assessment of your current market's size, growth potential, and saturation and that of any potential vertical	<a href="#"><u>Market Size Estimation Template</u></a> <a href="#"><u>Drivers and Restraints Worksheet</u></a>
<a href="#"><u>Customer Analysis</u></a>	Identify any changes to the customer landscape that could alter the appeal of your current market or a potential vertical	<a href="#"><u>Customer Needs Identification Guidelines</u></a> <a href="#"><u>Customer Group Identification Template</u></a>
<a href="#"><u>Competitor Analysis</u></a>	Identify any changes to the competitive landscape that could alter the appeal of your current market or a potential vertical	<a href="#"><u>Competitor Capability Comparison Grid</u></a> <a href="#"><u>Product Price/Quality Matrix</u></a>
<a href="#"><u>Entry Feasibility Analysis</u></a>	Determine whether your company is prepared to move into a new market and assess a new market's fit with your company's growth objectives	<a href="#"><u>Employee Talent Diagnostic</u></a> <a href="#"><u>Market Strength and Breadth Scorecard</u></a>



## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP ONE: MARKET SIZE AND GROWTH ANALYSIS

Tool #1: Market Size Estimation Template

## Overview

**What is it?**

A template to help estimate the size and future growth potential of any market in which your company is currently or would consider competing.

**Why should you use it?**

This exercise can help you (a) determine whether you really have exhausted all growth opportunities within your current market, and (b) calculate the opportunity offered by a potential vertical. This objective data collection effort will also help you evaluate all markets fairly and against the same criteria – thereby removing the risk of pursuing a vertical market based on untested assumptions.

## Market Size Estimation Template (Sample)

Market	Current					Growth Rates		
	Avg. Price Per Unit	Total Units Sold	Market Revenue Total	Total Number of Customers	Total Revenue Per Customer	Estimated Price Growth Rate	Estimated Units Sold Growth Rate	Estimated Customer Growth Rate
A	\$ 4.35	102500000	\$ 445,875,000.00	60000000	\$ 7.43	-1.00%	5%	7%
B	\$ 6.75	90345000	\$ 609,828,750.00	61200000	\$ 9.96	1.25%	7%	5%
C	\$ 2.45	234500000	\$ 574,525,000.00	62424000	\$ 9.20	-0.50%	4%	2%
D	\$ 8.95	65094000	\$ 582,591,300.00	63672480	\$ 9.15	1.50%	10%	6%

Market	Future				
	Projected Avg. Price Per Unit	Projected Total Units Sold	Projected Market Revenue Total	Projected Total Number of Customers	Projected Total Revenue Per Customer
A	\$ 4.31	\$ 107,625,000.00	\$ 463,487,062.50	64200000	\$ 7.22
B	\$ 6.83	\$ 96,669,150.00	\$ 660,673,222.03	64260000	\$ 10.28
C	\$ 2.44	\$ 243,880,000.00	\$ 594,518,470.00	63672480	\$ 9.34
D	\$ 9.08	\$ 71,603,400.00	\$ 650,463,186.45	67492829	\$ 9.64

Calculate Total Revenue per Customer by dividing total revenue by number of customers.

Average price per unit reflects all competitors' prices.

Calculate Market Revenue Total by multiplying average price per unit by total units sold.

Reminder! Be sure to include markets in which you currently compete in this analysis. It will help you build a more informed comparison for any new markets you are considering entering (and it can also help you realistically consider your company's growth potential with, and without, vertical expansion.

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP ONE: MARKET SIZE AND GROWTH ANALYSIS (CONTINUED)

#### Tool #2: Market Trends Evaluation Checklist

##### Overview

##### What is it?

A list of questions determines factors that could influence a market's long-term growth potential (these insights can also help you populate the [Market Size Estimation Template](#) and [Drivers & Restraints Worksheet](#)).

##### Why should you use it?

It will help you track a market's evolution over time. You can then compare changes across multiple markets (i.e., a market in which you currently compete, along with any vertical market you are considering entering).

#### Market Trends Evaluation Checklist

Market: \_\_\_\_\_

- ☐ How might market consolidation, convergence, or fragmentation affect our market saturation?
- ☐ How might changes in population composition, attitudes, affluence, and education affect demand?
- ☐ Do advances in technology create opportunities to increase customer communication, or do they create greater customer autonomy (and ultimately make it more difficult for us to communicate and deliver our value proposition)?
- ☐ What tasks are customers in the market trying to complete (i.e., what are customers trying to achieve by using a given product)?
- ☐ To what extent are customers in this market over- or under-served (i.e., to what extent does a given product enable customers to achieve their desired outcomes)?
- ☐ Would disengaged customers embrace an alternative service offering?
- ☐ What product or service offerings have garnered premium prices in the past? Will those same offerings garner similar premiums in the future?
- ☐ What new business models are emerging?
- ☐ What role does the government or its regulatory bodies play in enhancing or limiting growth potential in this market?
- ☐ Are there signs that we are ceding market share to an emerging competitor, or would have difficulty entering a market due to an entrenched incumbent presence?

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP ONE: MARKET SIZE AND GROWTH ANALYSIS (CONTINUED)

Tool #3: Drivers and Restraints Worksheet

## Overview

**What is it?**

A list of questions to help you consider all factors affecting growth in a market (both positively and negatively). Your answers will help inform an assessment of which markets present the most compelling growth opportunities.

**Why should you use it?**

You need to be aware of any factors that might alter a market's stability (for better or worse) in the long term. Ultimately, this perspective will help you make short-term decisions about whether to remain or become competitive in that market.

**Step One:** Fill out the worksheet below for the [\_\_\_\_\_ Industry].

**Analysis of Sector-Specific Drivers and Restraints**

1. Drivers		
Question	Hint	Potential Sources
What are the specific drivers affecting the market and causing it to grow?	Regulatory changes; population growth; labor costs; availability of commodities	Frost & Sullivan research; industry-specific periodicals; trade associations
What do you predict will drive sales in two years?	New markets opening; new technologies	
What changes are you witnessing in customers' demands?	Changes to purchasing cycle; price sensitivity	
How has distribution changed over the past two or three years?	Emergence of new distribution networks	
2. Restraints		
Question	Hint	Potential Sources
What is holding back sales or preventing the sector from growing?	Economic uncertainty; saturated market	Frost & Sullivan research; industry-specific periodicals; trade associations
What circumstances have prevented customers from purchasing key products or services?	Price sensitivity; changing consumer behavior; availability of capital	
What industry-wide factors are limiting growth potential?	Poor distribution network; high manufacturing costs	
Are there any company-specific inhibitors that cannot be explained by sector-wide circumstances?	Organizational barriers; talent turnover	

(Continued on the following page)

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP ONE: MARKET SIZE AND GROWTH ANALYSIS (CONTINUED)

#### Tool #3: Drivers and Restraints Worksheet (Continued)

**Step Two:** List each driver and restraint you have identified through your completion of the worksheet on the previous page. Next, estimate the potential impact that each driver and restraint might have on your industry's potential for growth over a period of time that you can forecast with reasonable accuracy (for the purposes of the sample below, we have extended the forecast over a seven-year period, but this number will vary depending on forecasting accuracy and standard projections within your own industry).

#### Analysis of Market-Specific Drivers and Restraints

##### Sample: Healthcare Technology Market (Ranked in Order of Impact)

Rank	Driver	1-2 years	3-4 years	5-7 years
1	Customer base increasing due to obesity epidemic	High	High	High
2	Product replacement cycle expected to accelerate	High	Medium	Medium
3	[Product] still reimbursed by Medicare	High	Medium	Medium/Low
Rank	Restraint	1-2 years	3-4 years	5-7 years
1	Current competitors deeply entrenched; high barriers to entry	High	High	High
2	Competitive bidding expected to lower reimbursement rates for Medicare patients	Low	Medium	High
3	Widespread compliance issues (customer not using product correctly)	Medium	Medium	Medium

#### A Note on High/Medium/Low Scoring

Frost & Sullivan rates drivers and restraints on a 10-point scale, with 10 representing a perfect correlation between a driver/restraint and revenue growth/loss in a given sector. The score then translates into a "high", "medium", or "low" classification, as outlined below. Group discussion will help you assign the appropriate scores to each driver or restraint.

- 8 to 10: High
- 4 to 7: Medium
- 1 to 3: Low

**Reminder!** You should make this exercise highly interactive and invite your peers in Sales, Marketing, Market Research, R&D, Competitive Intelligence, and Corporate Development to contribute unique insights and perspectives.



## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP ONE: MARKET SIZE AND GROWTH ANALYSIS (CONTINUED)

#### Tool #4: Technology Analysis Guidelines

##### Overview

##### What is it?

A series of activities to help you anticipate any emerging technologies that could alter the attractiveness of a particular market from a competitive standpoint.

##### Why should you use it?

To the greatest extent possible, you should assess a market's viability with a forward-looking perspective that accounts for how a technological shift might affect its growth potential or competitive saturation in the coming years.

#### Step One: Background Research Checklist

*To anticipate technological change, you need to conduct comprehensive secondary and primary research. This due diligence checklist will guide your efforts.*

- Secondary Research
  - Academic journals and papers
  - Conference proceedings and papers
  - Tradeshows
  - Industry-specific periodicals
- Patent Searching (*Note: this will help you determine whether any companies are establishing IP around a specific technology – which might make it less desirable for development (if innovation or NPD is a core component to your competitive strategy). Depending on the level of detail you are seeking, you may want to involve a patent attorney or patent-seeking company in this exercise – but you can also conduct much of this research on your own.*)
  - [World Intellectual Property Organization](#)
  - [United States Patent and Trademark Office](#)
  - [European Patent Office](#)
  - [Micropatent](#)
  - [Derwent World Patents Index](#)
  - [PatentCafe](#)
- Technology Transfer Websites, including national laboratories, government-backed laboratories, military laboratories, and non-profit laboratories
- University Technology Transfer Websites
- Corporate R&D Investments
  - 10K Statements (R&D budgets and strategy section in particular)
  - Other SEC filings (e.g., 10Q, 8K, Annual Report)
  - Annual reports
  - Proprietary databases (e.g., American Chemical Society, American Institute of Physics, Materials Research Society, Institute for Electrical and Electronic Engineers)
- Venture capital and funding reports
- Primary research with:
  - Individual companies
  - Universities
  - Government organizations and laboratories and non-profit laboratories
  - Venture capital firms
  - Financial, market, and technology analysts
  - Scientists, engineers, heads of R&D, project managers, business development specialists, purchasing personnel, strategic planners, CFOs, CIOs, and CEOs.
  - Key end user groups (e.g., early adopters)

(Continued on the following page)

**Phases 1 and 2: Current and Vertical Market Evaluation**

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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**STEP ONE: MARKET SIZE AND GROWTH ANALYSIS (CONTINUED)****Tool #4: Technology Analysis Guidelines (Continued)****Step Two: Current and Future State Worksheet**

*Answer these questions for any industry or market which might form a part of your competitive strategy. It will help you consider how current and emerging trends in technology could alter your market's attractiveness.*

- Which technologies currently dominate this sector?
- Which emerging technologies threaten current technologies?
- Which emerging technologies are likely to achieve applications in 3, 5, 10, and 20 years?
- Which are the leading near-term (perhaps niche) applications for these emerging technologies?
  - How will customers respond to or accept these technologies?
- Which are the applications with the highest potential sales volume and ROI for these emerging technologies?
- Which technologies have the potential for fastest growth and most significant adoption?
- How might these emerging technologies alter customer behavior?
  - What consequences might we expect to see as a result of that change? Does this future state alter the viability of the product currently under consideration?
- How likely is it that any of these emerging technologies would converge with one of our core capabilities (thereby creating a potential partnership opportunity)? Under what circumstances should we pursue such an opportunity if one presented itself?

**Step Three: Concluding Questionnaire**

*Answer these questions from your company's perspective.*

- How does the technological information unearthed from your market analysis align with your company's stated objectives and needs for the present and the future?
- Based on your assessment, which new technology-based growth areas are best suited for exploitation by your company?
- Based on your assessment, what does your company need from a technological standpoint to compete effectively in these growth areas?
- How important might R&D become to your growth strategy, 3, 5, 10, 15, and 20 years from now? Why?
- Should you plan/are you planning for that evolution in your strategies today?
- What kind of specific impact could an emerging technology have on your target market?

**Reminder!** An industry's technological evolution or innovativeness does not necessarily make that industry attractive. You therefore need to consider how changing technology will alter the competitive dynamic: what are the implications for buyer sensitivity, switching costs, or entry barriers? It may seem counter-intuitive, but a market could ultimately be unattractive simply because the market itself is suddenly more attractive – and other companies have noticed as well.

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP TWO: CUSTOMER ANALYSIS

#### Tool #1: Customer Needs Identification Guidelines

##### Overview

##### What is it?

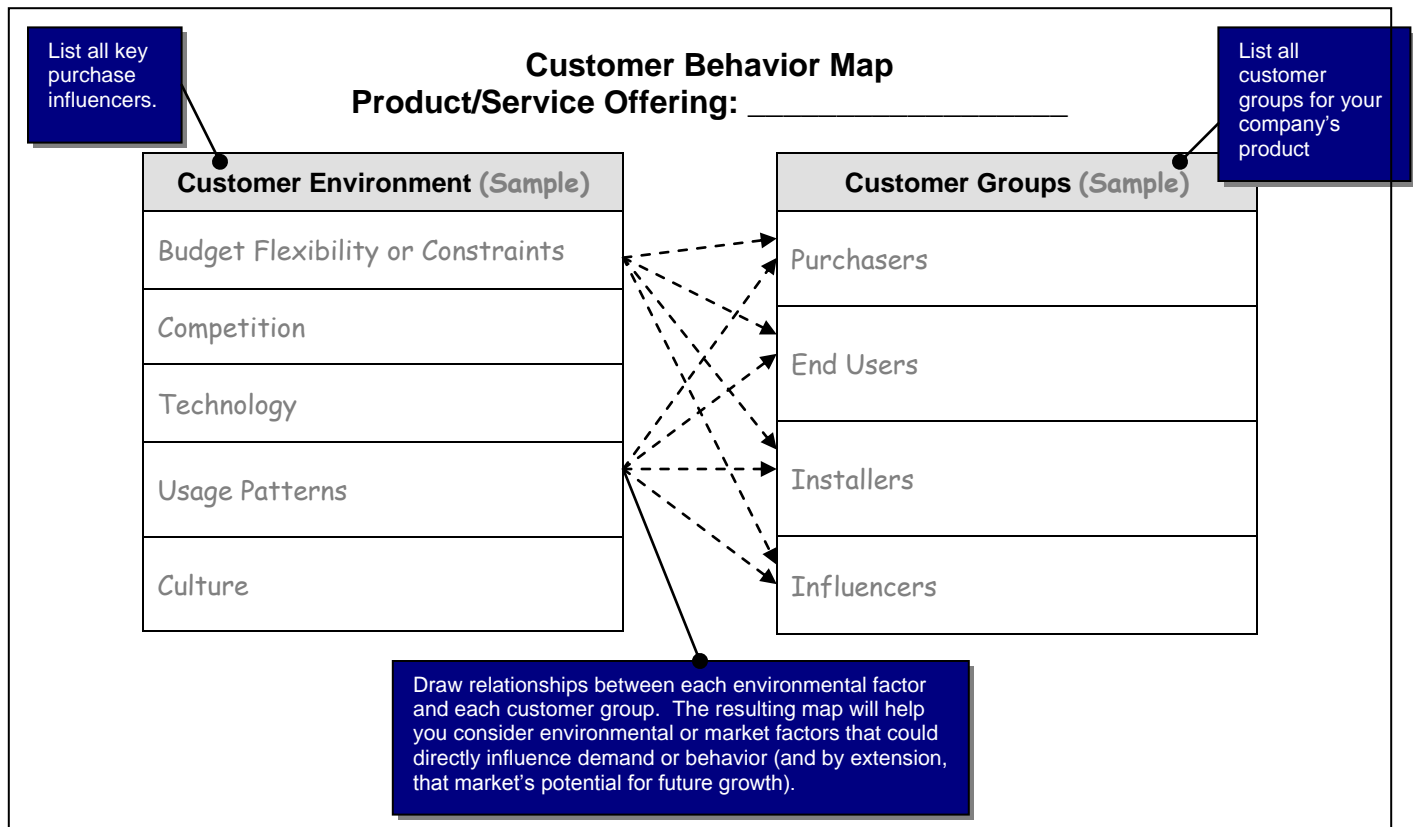
A “mini-process” for developing a comprehensive view of customer needs by capturing the complete customer environment and customers’ desired “outcomes” from product use. It will help you take a closer look at your highest-value segments.

##### Why should you use it?

It will help you consider how your product offering delivers a unique value to customers in your current market, as well as any vertical market you may be considering. An overly narrow perspective on customer needs and behaviors may lead you to prematurely abandon a promising market opportunity – something that you can avoid by thinking expansively about customers, their needs, and the solution your product offers.

#### Step 1: Map customer purchase influencers against customer groups.

*This activity will help you determine how various groups interact with one another and with the product.*



(Continued on the following page)

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

#### Tool #1: Customer Needs Identification Guidelines (Continued)

##### Step 2: Surface customers' desired outcomes from product usage.

*Outcome-based customer interviewing techniques can help you determine alignment between customers' needs and your product offering. In turn, this information can help you determine how well you are serving current customers, as well as how well your product would meet the needs of customers in a new vertical market.*

#### Customer Outcome-Based Interview Template

**Product:** \_\_\_\_\_

**Customer Group:** \_\_\_\_\_

**Market:** \_\_\_\_\_

1. What task, activity, or job are you trying to *complete*? (Be sure to phrase responses as actions: e.g., "minimize", "increase".)
2. What is the ideal output or outcome that you want to achieve?
3. How would you know when the outcome has been successfully achieved?
4. How would you measure success?
5. What are you currently doing to achieve your desired outcome?
6. Do you consider it efficient? Why or why not?
7. How would you alter the way you currently achieve your desired outcome, if at all?
8. Do you consider yourself underserved or over-served, or not served at all by current offerings?
9. Could you provide examples to clarify any job or outcome you have mentioned?

\* In this context, the word "product" applies to either a tangible good or an intangible service.

**Reminder!** The questions listed in this interview template are, by necessity, rather broad. You can tailor this interview guide for specific customer groups by inserting more segment-specific questions. The main teaching here is that by asking the right questions, you can identify ways in which significant customer value is created. Ask whatever questions you need to achieve this end result.



## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP TWO: CUSTOMER ANALYSIS

#### Tool #2: Customer Group Identification Template<sup>13</sup>

Overview
<p><b>What is it?</b> A framework for identifying untapped customer opportunities; your <a href="#">customer needs analysis</a> will directly inform this exercise.</p> <p><b>Why should you use it?</b> You need to identify any gaps, either in your current market or in a potential vertical, that are underserved by present market offerings. This information can inform your competitive analysis (since you will also look for indicators that another company is preparing to capitalize on the opportunity), and it will also help you evaluate the latent growth potential in your current market or within a potential vertical.</p>

#### Customer Group Identification Template (Sample)

##### Market:

Customer Group	Description	Implication	Conclusion
<b>Non-customers</b>	Customers are unable to accomplish an important job for themselves; they design their own (inadequate) solutions from multiple providers	A new product or innovation targeted at this segment's unmet needs could provide significant returns	A product in our current portfolio would help this segment do more conveniently what they are already trying to get done; we can cost-effectively engage this group
<b>Over-served customers</b>	Customers are frustrated with a product's limitations; they are willing to pay more for enhancements along dimensions most important to them	Improved products or product alternatives targeted to this customer group could reenergize these buyers	Any market (current or vertical) dominated by this group presents an opportunity for rapid growth
<b>Underserved customers</b>	Customers stop paying for further improvements in performance that previously had merited price premiums	Expansion into a new market might alleviate margin or price pressures from serving this group	Customer group may still be attractive if we can cost-effectively serve least-demanding customers; we should not consider any vertical market dominated by customers who would <u>not</u> be better served by our product introduction

Reminder! You should consider which of these categories best describes each of your most valuable customer segments. While a segment may deliver significant revenue to your company in the short term, deeper analysis may reveal circumstances that could alter that segment's appeal in the long term. Consider this exercise when conducting the segmentation analysis outlined in the pages that follow.

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

#### Tool #3: Customer Opportunity/Fit Matrix

##### Overview

##### What is it?

A customer segmentation tool that helps you identify which customer groups present the greatest opportunity for growth (whether in your current market or in a potential vertical).

##### Why should you use it?

You need to consider the untapped and/or profitable customer segments a potential market offers. By cross-referencing customers' future value with your organization's ability to meet customers' needs, you can focus market selection on reaching the target customer groups with the greatest long-term value to your organization.

#### CUSTOMER OPPORTUNITY/FIT MATRIX

Fit*	High	<b>At Risk</b> Action here will depend on the reason for the low opportunity: is it a saturated market? An insignificantly small, albeit high-quality, percentage of the total customer base? Consider pursuing if the opportunity may improve over time.	<b>Star</b> Good-fit, high-opportunity customers (whether in your current or in a vertical market) are the core of your growth strategy. You should design communications, pricing, and positioning with this segment in mind.
	Low	<b>Low Priority</b> An investment in this low-growth, poor-fit segment will likely not contribute to your revenue or growth goals.	<b>Build Up</b> Serving this segment would require an expansion of capabilities: new product development, partnership, or acquisitions might help you improve the "fit" between this high-value segment and your product or service offerings.
		Low	High
		OPPORTUNITY*	

##### \*A Note on Opportunity and Fit

Frost & Sullivan defines "opportunity" as a segment's growth potential and "fit" as alignment between a segment's demands and your company's current capabilities.

*(Directions listed on the following page)*

**Phases 1 and 2: Current and Vertical Market Evaluation**

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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**STEP TWO: CUSTOMER ANALYSIS (CONTINUED)****Tool #3: Customer Opportunity/Fit Matrix (Continued)****Directions**

1. Plot each segment within a market's customer base according to responses to the questions listed below.
2. Rank each response those questions based on a High, Medium, Low scale. Take the average for each and plot on the grid accordingly.

**Questions****A. Opportunity**

1. What level of purchasing power do customers within this segment wield?
2. To what extent is this segment positioned for long-term growth (i.e., is the size of the segment increasing or decreasing)?
3. To what extent is this segment under-served, or not served at all, by current product offerings?
4. To what extent is this segment satisfied with current product offerings?
5. To what degree can we deliver a differentiated value proposition to this segment ("high" equals lack of competition)?
6. If multiple companies already compete to serve in this segment, how easy would it be for customers to switch ("high" equals very easy)?
  - a. How willing would they be to switch ("high" equals very willing)?
  - a. To what degree can factors other than price influence a switching decision?
7. How high would the average margin on a sale be within this segment? Consider the following:
  - a. What is the average cost of acquiring a new customer within this segment?
  - b. What is the average cost of losing a customer within this segment?
  - c. How long is the sales cycle?
  - d. To what degree does price sensitivity govern purchase decisions in this segment?
  - e. How high is the cost-to-serve within this segment?

**B. Fit**

1. To what extent can we price our product or service competitively (but still profitably) for this segment?
2. To what degree does this segment already recognize a need for our product or service (i.e., that their current needs are unmet or under-served)?
3. To what degree is our company (or our brand) viewed as offering a high-value product or service to meet demand?
4. What degree of success could we expect if we sell our existing product/service portfolio to this segment without investing in significant or costly changes?
5. What success would we have profitably building a value proposition that would cultivate customer loyalty over time?
6. To what extent do our internal competencies align with this segment's demands and buying behavior?

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

#### Tool #4: Customer Segment Comparison Grid

##### Overview

##### What is it?

A template to help you evaluate trends across your existing customer base and that of a vertical market you are considering entering. It can help you organize insights gathered through your [customer needs identification](#) and [opportunity/fit](#) exercises.

##### Why should you use it?

It will help you directly compare the potential offered by two segments, potentially within two different vertical markets. It can also help you determine if there is still opportunity for your company to increase share of wallet within your existing market, and if a particular segment in a new market offers better opportunities in comparison.

#### Customer Segment Comparison Grid (Sample)

**Product:** CPAP Machines

**Segment 1:** Medical Professionals (Medical Technology Market)

**Segment 2:** Consumers (Home Medical Care Market)

Consideration	Segment 1 Characteristics	Segment 2 Characteristics
<b>Product</b>	Clinical tool, greater demands for evidence, greater need for more information for differential diagnosis and treatment, use setting in controlled, clinical environment, often higher regulatory hurdles	Simpler, need for greater safety controls, more ergonomic and comfortable, clear instructions, use setting in home or other non-healthcare facility, scalability more of a challenge, shorter product life cycle
<b>Price</b>	Elastic - typical disconnect between user (clinician) and purchaser (facility), larger purchasing volumes, view of products as business investments, greater pricing flexibility through negotiations	Inelastic - especially if non-reimbursed, smaller purchasing volumes, sometimes direct impact on personal budgets, less of an ability to offer flexible price negotiations
<b>Distribution</b>	Concentrated distribution channels with fewer potential customers, Internet purchasing rare for most products	Less concentrated market, greater diversity, challenges getting product "the last mile," Internet distribution a powerful tool, may require an intermediary to sell
<b>Promotion</b>	Promotion easier because of common needs and concentrated users, intense personal selling and relationship-building with clients	More transactional selling, more adherence and educational challenges, market segmentation more important, consumer psychology more important, greater challenge with positioning of product and benefits, more available market data resources for consumer market research compared to professional market
<b>Service</b>	More service-oriented, often demand for intense one-on-one service provided by manufacturers	Less service-oriented, one-on-one service often not practical across large populations

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP THREE: COMPETITOR ANALYSIS

Tool #1: Competitor Capability Comparison Grid**What is it?**

An easy-to-use template illustrating the value each competitor (e.g., product quality, customer service, pricing) within your market or a potential vertical market delivers to customers.

**Why should you use it?**

It will help you identify any service gaps that you are not, but could, exploit for further gain within your current or a potential vertical market.

## Competitor Capability Comparison Grid (Sample)

Market: *Medical Technology*

	Core Elements of Competitors' or Incumbents' Strengths						
	Billing	Customer Service	Hosted Services	Consulting Services	Asset Management	Security	System Integration
Competitor 1		X			X	X	
Competitor 2	X	X	X			X	X
Competitor 3				X			
Competitor 4	X				X		X
Competitor 5		X	X			X	X
<p style="text-align: center;"><b>Conclusions</b></p> <ol style="list-style-type: none"> <li>1. No service provider in this market delivers an end-to-end solution.</li> <li>2. Our service offering is more comprehensive than any of those currently on the market.</li> <li>3. Our specialization in consulting services may be a particularly strong element of our value proposition.</li> </ol>							



## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP THREE: COMPETITOR ANALYSIS (CONTINUED)

#### Tool #2: Product Price/Quality Matrix

##### Overview

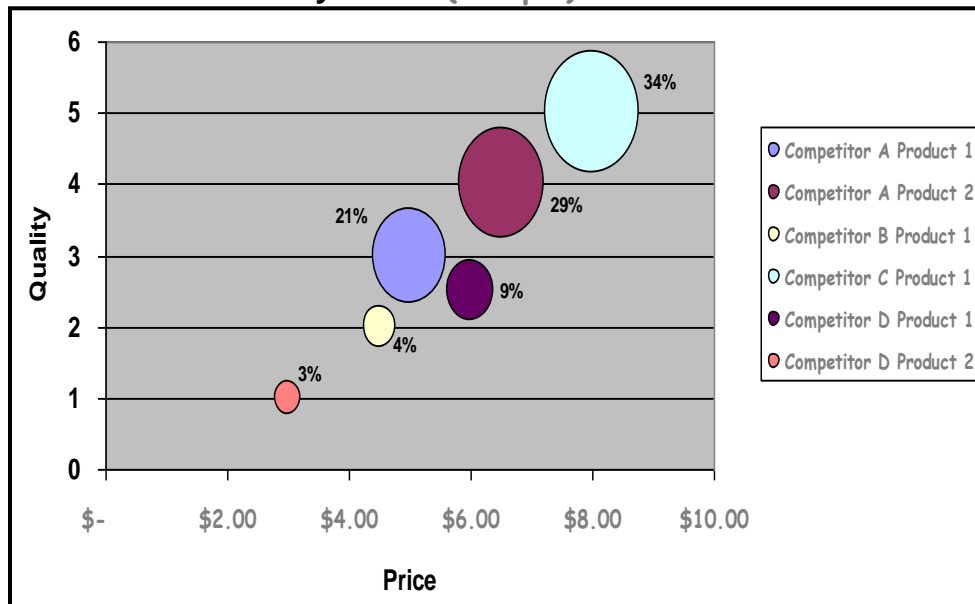
##### What is it?

A visual guide to help you consider your product's position in a market, based on its quality and price, relative to competitors' products.

##### Why should you use it?

It can help you organize information you collect as part of your completion of the [Competitor Capability Comparison Grid](#). This visual frame of reference for all competing products within your current market, or within a potential vertical, can help you assess market saturation or future growth potential.

#### Product Price/Quality Matrix (Sample)



**Scoring Guide – X Axis:**  
Label the price of each competitor's product in the market

**Scoring Guide – Y Axis:**  
Score capability levels for [product]:\*

- 5 Two-way; high accuracy
- 4 Two-way; low accuracy
- 3 Two-way; phrase-based
- 2 One-way; fixed phrase; high accuracy
- 1 One-way; fixed phrase; low accuracy

\* **Note:** The capabilities listed above represent quality levels for language translation products and are for demonstration purposes only.

##### User Guide

1. Identify top competitors within the product category.
2. Collect data for each competitor: market share, current market positioning, product or service pricing, and product or service quality.
3. Input that data into the template and the bubbles will automatically populate. The resulting image will help you identify market clusters (e.g., a concentration of high-quality products with premium pricing) that might affect your perspective on a given market's attractiveness.

**Reminder!** Be sure to insert your company's data into the chart– otherwise you won't have a frame of reference for evaluating your competitors.

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP FOUR: ENTRY FEASIBILITY ANALYSIS—ACTIVITY ONE: COMPANY RESOURCE ANALYSIS

Tool #1: Product Performance Report Card<sup>14</sup>

## Overview

**What is it?**

A diagnostic tool to grade the competitive advantage your company gains with its current products, as well as the advantage it stands to gain through products still in development. You can complete this exercise on a high level, or for each product in your portfolio.

**Why should you use it?**

This exercise will make clear any performance gaps that could open the door for a competitor to undermine your current market position. It can also help you evaluate the fit between your product portfolio and the opportunity offered by a new vertical market (e.g., unmet needs of a vertical's customer base addressed by your product portfolio).

**Product Performance Report Card**

Market: (Sample)

You may want to tailor these standards to better reflect your company's goals.

Criteria	Best-in-Class Standard	[Company] Current State	Implications	Grade
<b>Uniqueness</b>	<ul style="list-style-type: none"> <li>Competitors cannot (or will not) replicate the product offering</li> <li>Product retains uncontested market positioning</li> <li>Product is the first of its kind (i.e., pioneered a new category or changed the dynamics of the industry)</li> </ul>	One competitor has the resources to duplicate our product	Although the market may soon be contested, our competitor cannot replicate the value of our brand, which still sets our product apart from alternatives	B+
<b>Scarcity</b>	<ul style="list-style-type: none"> <li>We have exclusive relationships with parts manufacturers for our product</li> <li>We have exclusive relationships with distributors who sell only our product</li> </ul>	We do not control supplier relationships with competitors, but we do control our ordering and rarely have excess inventory	We cost effectively manufacture our product due to a growing vertical integration of our supply chain.	A-
<b>Price Point</b>	<p>The product is highly profitable (we earn xx% gross margins on each sale)</p> <ul style="list-style-type: none"> <li>Competitors cannot match our price point (we have a unique cost advantage competitors cannot duplicate)</li> <li>Customers find our prices reasonable</li> </ul>	We have recently lowered our prices (and our margins) to defend our market share from a new competitive threat	We have set a new profitability cap within the market	C-
<b>Ownership</b>	<ul style="list-style-type: none"> <li>Product is protected by patent</li> <li>Product is not easily substituted</li> </ul>	Product's patent is expiring	Competitors may increasingly threaten our position over time	B-

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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### STEP FOUR—ACTIVITY ONE: COMPANY RESOURCE ANALYSIS (CONTINUED)

#### Tool #2: Resource Evaluation and Management Guidelines<sup>15</sup>

##### Overview

##### What is it?

A list of considerations to guide your identification and management of resources that offer your company a unique competitive advantage. Ideally, your organization's vertical market expansion strategy will take advantage of strengths you surface through this exercise.

##### Why should you use it?

It will help you evaluate your strengths without bias and with reference to where your competitors are also successful. Furthermore, your evaluation of vertical market growth opportunities will be informed by your perspective of where you offer a unique value to the marketplace (i.e., it will help you focus on opportunities adjacent to your core business).

#### Resource Evaluation and Management Guidelines

*The questions listed below will help you determine the value of your company's key resources (e.g., manufacturing plant, valuable brand, talented employees).*

- **Can competitors copy it?**
  - The more inimitable your resource, the more you limit the potential for competition.
  - If your resource is a desirable location, or perhaps a relationship with your customers that you have cultivated over time, it may prove more difficult for your competitors to replicate – and therefore more valuable to your organization.
- **Does the resource depreciate slowly over time?**
  - The longer-lasting a resource is, the more valuable it will be.
  - If the resource is a well-established and highly recognizable brand, for example, competitors will struggle to threaten its position without assuming significant cost and risk.
- **Does your organization control the value provided by the resource?**
  - Not all profits derived from a resource flow directly to the company that technically owns the resource.
  - In some instances, a resource is only as valuable as the employees who manage it (consider the close relationship between Steve Jobs and his company, compared to Apple's reputation for innovation). The more an organization controls the resource, regardless of employee turnover, the more valuable that resource becomes.
- **Can the resource be easily substituted?**
  - Even if competitors cannot easily duplicate your resource, they may still be able to marginalize it by offering an alternative that customers may ultimately prefer.
  - Competitive intelligence-gathering can help you identify potential substitutes that could undermine the value of a key resource.
- **Is your resource better than similar ones controlled by your competitors?**
  - You must not only consider which resources your company finds most valuable internally, but which compare most favorably with competitors' resources. If your best is not better than a competitor's best, that resource will be of marginal value to your competitive strategy.
  - Consider the possibility that a *combination* of resources may offer a strategic advantage that each resource viewed in isolation does not deliver.

**Phases 1 and 2: Current and Vertical Market Evaluation**

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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**STEP FOUR: ACTIVITY ONE: COMPANY RESOURCE ANALYSIS (CONTINUED)****Tool #3: Employee Talent Diagnostic****Overview****What is it?**

A list of competencies that your employees should have to successfully execute your vertical market expansion strategy.

**Why should you use it?**

It is possible that a vertical market entry would require new skill sets of your existing employees. This diagnostic will help you baseline your organization's competencies and identify any gaps that you need to fill, either through future hiring decisions or through targeted training and development programs.

**Employee Talent Diagnostic****Ability to Handle Risk and Uncertainty**

1. To what extent do we empower our employees to make decisions affecting an uncertain future?
2. Does our organizational culture allow for mistakes?
  - a. Do our employees agree with this assessment (i.e., how effectively or sincerely do we encourage them to learn from failure?)
3. Do we screen for creative thinking or ability to manage risk in our hiring process?
  - a. If so, is our current method effective? Why/Why not?
4. Do our employees believe that handling risk or uncertainty is a core part of their responsibilities?

**Spirit of Entrepreneurialism**

1. Does our organizational culture encourage employees to take ownership of task completion?
2. Do we reward employees who demonstrate sound business judgment or recommendations?
3. Do we reward employees who perform effectively with limited supervision, are self-motivated, and able to set priorities with minimal guidance?
4. Do we encourage our employees to challenge existing processes or systems?
  - a. Do we have a formal process in place for collecting employees' constructive feedback?
5. Do our employees feel comfortable performing in ambiguous or undefined roles, or are they accustomed to a more structured work environment?
  - a. To what degree does this preference align or conflict with our vertical market entry plans?
6. Do we currently screen for entrepreneurial experience in our hiring process?
  - a. What questions do we ask to screen for this background?
  - b. Is this process effective?
7. Do our employees feel a strong sense of ownership of the company's growth strategy?

**Page 1 of 2***(Continued on the following page)*

**Phases 1 and 2: Current and Vertical Market Evaluation**

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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**STEP FOUR: ACTIVITY ONE: COMPANY RESOURCE ANALYSIS (CONTINUED)****Tool #3: Employee Talent Diagnostic (Continued)****Employee Talent Diagnostic (Continued)****Collaboration**

1. How well do our employees communicate across departments, functions, and business units?
2. To what degree do our employees across functions or business units align around shared objectives?
3. To what degree do our employees across functions or business units align around execution of shared strategies?
4. How well do our employees remain engaged, focused, and productive over the course of a shared project?
5. Do we facilitate consistent information- and knowledge-sharing across all silos?
6. What should we be doing that we are not currently doing to drive greater collaboration?

**Customer Focus**

1. Do our employees consistently listen to the “right” customers?
2. Do our employees reference customer anecdotes or data?
3. Do our employees know how to create a unified view of target customer segments?
4. Do our employees focus decision making around customer priorities and value-drivers?
5. Do our employees follow formal Voice of the Customer collection processes?
6. Do our employees consistently speak in terms of customers’ desired outcomes?

**Conclusions**

1. In which of the above areas does our organization have a talent shortfall?
  - a. In which area is the shortfall most pronounced?
  - b. What is the root cause of these shortfalls?
2. In which of the above areas is our organization most adept?
  - a. Why are these areas our most notable strengths?
3. Which shortfall requires urgent attention?
4. What steps should we take to resolve those shortfalls (e.g., internal training, reallocation of top-performers, new hiring)?
5. What will it cost to resolve these shortfalls, and what can/should we expect the ROI to be?

**Page 2 of 2**

**Reminder! You can apply this guide to the evaluation of your talent pool as a whole, or to the specific evaluation of one department or individual.**



## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP FOUR: ACTIVITY ONE: COMPANY RESOURCE ANALYSIS (CONTINUED)

Tool #4: Organizational Readiness Report Card<sup>16</sup>

## Overview

**What is it?**

A diagnostic tool to help you grade your company's performance against a best-in-class standard for an organization well-prepared to pursue and support vertical market expansion.

**Why should you use it?**

This exercise will make clear any organizational performance gaps or weaknesses that could hinder the success of your vertical market entry, which you can then proactively address. You can also use this report card as a presentation tool, since it draws attention to strengths and weaknesses in an easy-to-understand format.

You may want to tailor these standards to better reflect your company's goals.

**Organizational Readiness Report Card (Sample)**

Criteria	Best-in-Class Standard	[Company] Current State	Implications	Grade
<b>Organization Culture</b>	<ul style="list-style-type: none"> <li>Entrepreneurial, participatory, continuous improvement systems</li> <li>High employee involvement, idea suggestion systems and linked rewards</li> <li>Customer orientation</li> </ul>	No shared accountability; no employee incentives for providing constructive or unsolicited feedback	We risk missing out on opportunities by not encouraging our employees to share process improvement ideas.	C
<b>Process and Organization Structure</b>	<ul style="list-style-type: none"> <li>Disciplined research on product demand and market opportunity</li> <li>Companywide commitment to pursuit of new markets</li> <li>Clear ownership for each phase of the market entry process</li> </ul>	We systematically identify and pursue new market opportunities (efforts are supported across Marketing, Sales, R&D, and other functions)	We have strong processes in place supporting market entry, but if we could improve idea-sharing (see note on culture) our processes might run even more smoothly.	A
<b>Budgeting and Cost Control</b>	<ul style="list-style-type: none"> <li>Stable budgets set with long-term goals in mind</li> <li>Strict cost control measures employed universally</li> </ul>	We determine budget as a % of previous year's sales; allocation is often "first come, first served", so cost controls vary depending on idea or timing	Sometimes market opportunities stay on the table longer than they should, thereby diverting resources from more promising opportunities.	C
<b>Capacities and Locations</b>	<ul style="list-style-type: none"> <li>Expansion decisions made by centralized team</li> <li>Expansion strategy executed by regional offices</li> <li>Regional offices consistently contribute local intelligence to centralized team</li> </ul>	Regional offices inconsistently share local insights or opportunities with the centralized team; communication tends to be one-way	Visibility and communication occasionally suffer and good ideas can get lost.	D

Reminder! To reach the most accurate description of your company's current state, you may want to conduct interviews with key stakeholders across Marketing, R&D, Sales, Operations and other functions. Their varying perceptions and responses can be a compelling place to begin a conversation on organizational alignment.

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP FOUR: ACTIVITY TWO: MARKET FIT ANALYSIS

Tool #1: Market Strength and Breadth Scorecard<sup>17</sup>

## Overview

**What is it?**

A growth opportunity evaluation tool that allows you to assess the fit between one of your company's core products and potential applications in a new market.

**Why should you use it?**

It will help you consider how closely aligned a vertical market is with your company's core capabilities. As noted previously, successful market entries do not move a company too far from its core. This tool will help you evaluate the degree of adjacency, and therefore, the likelihood of success, a new market offers.

**Existing Product Strength and Breadth Scorecard**

**Product Category:** Paper Products (Sample)

**Step One: Score Market Strength**  
(i.e., a product's competitive advantages in its *current* market)

Strength	Existing Products & Scores		
	Microencapsulation	Paper Handling	Protective Coatings
<b>Capability</b> <i>Ability to deliver the product's benefit</i>	9	3	1
<b>Uniqueness</b> <i>Difficulty of competition to replicate</i>	1	1	-3
<b>Cost Position</b> <i>Compared to competitors</i>	9	9	3
<b>Total:</b> <i>Sum of three scores</i>	19	13	1

List all products in your portfolio that you think could meet demand in a new market.

Score each product's strength. (See scoring key.)

Total the value of scores in each column.

Complete Step Two for any product receiving a total score of 12 or more in Step One.

**Step Two: Score Market Breadth**  
(i.e., the applicability of the product's strengths to a *new* market)

<b>Transferability</b> <i>Ease of transferring product to new markets</i>	9	1	NA
<b>Total Market Breadth:</b>	9	1	NA

Any product that doesn't score 12 or more is not evaluated in Step Two.

Score remaining products' transferability.

Mark products with the highest total score for further consideration.

**Scoring Key**

9 = Unique to your organization

1 = Commonly applied across industries

3 = Valuable (but not unique) to your core business

-3 = Currently under-performing

Reminder! To learn more about how you can introduce existing products into new markets, please reference Growth Team Membership's best-practice profile of [Appleton Papers' Mature Product Reinvigoration Process](#).

## Phases 1 and 2: Current and Vertical Market Evaluation

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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## STEP FOUR: ACTIVITY TWO: MARKET FIT ANALYSIS (CONTINUED)

Tool #2: Strategic Options Grid

## Overview

**What is it?**

A chart to help you organize the overall attractiveness of each vertical market you are considering entering. The accompanying scoring guide will help you evaluate each opportunity against a shared set of criteria.

**Why should you use it?**

It will help you build a side-by-side comparison each of your options, drawing attention to the ones that are the most promising for vertical market entry. This format can also serve as an effective presentation tool or meeting guide.

## Strategic Options Grid (Sample)

Market	Option 1	Option 2	Option 3	Option 4
Strategic Attractiveness	2	1	3	2
Financial Attractiveness	3	2	1	3
Implementation Difficulty	1	3	2	1
Uncertainty and Risk	1	1	2	3
Acceptability to Stakeholders	3	2	2	3
<b>Total Score:</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>12</b>
<b>Scoring Key</b> 1=Less Attractive; 2=Moderately Attractive; 3=Very Attractive				

Option 4 is the most attractive vertical market opportunity.

## Strategic Options Grid: Scoring Guide

Score	Strategic Attractiveness	Financial Attractiveness	Implementation Difficulty	Uncertainty and Risk	Acceptability to Stakeholders
1	Not a complementary fit; does not support the company's growth strategy; high level of competition	Small market size and minimal potential for profitability	Difficult to implement with existing systems, resources, and capabilities	Highly uncertain and risky market in terms of potential, ROI, R&D, liability, and whether it supports company's core direction	Low: Idea does not support stakeholders' strategic vision in the near or long term
2	Moderately attractive, bread-and-butter type product; existing product type already in market; modest competition	Moderate market size and potential for profitability; "me-too" product; evolutionary	Not especially difficult to implement with existing systems, resources, and capabilities compared to other markets	Moderately uncertain and risky in terms of potential, ROI, R&D, liability, and whether it supports the company's direction	Medium: Idea has potential to support growth strategy but may also take resources away from more promising ideas; stakeholder support is divided
3	Good fit; helps position company as leader; unique offering; low competition	Large market size and potential for profitability; first-mover product; blockbuster potential	Easy to implement with existing systems, resources, and capabilities	Very certain and low risk in terms of potential, ROI, R&D, liability, and whether it supports the company's direction	High: Idea directly supports the company's long-term growth strategy and has garnered near-unanimous stakeholder support

**Phases 1 and 2: Current and Vertical Market Evaluation**

Step	Market Size and Growth Analysis	Customer Analysis	Competitor Analysis	Entry Feasibility Analysis
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**STEP FOUR: ACTIVITY TWO: MARKET FIT ANALYSIS (CONTINUED)****Tool #3: Business Case Template****Overview****What is it?**

A series of questions that you should answer in each business case you write to advocate for vertical market entry.

**Why should you use it?**

It will help you write a business case that is succinct and targeted to your audience's primary concerns. By applying this outline to each business case you write, you can also enable an easier comparison of the viability of each vertical market expansion option under consideration.

**Business Case For:** [Vertical Market]**Core Message/Key Takeaway:**

*Highlight projected ROI, timeline and costs, and role within your company's larger growth strategy.*

**Strategic Overview**

- 1) Given our current product portfolio and customer base, which new vertical market are we considering to target?
- 2) Are we positioned to reach multiple customer segments within this vertical market?
- 3) What is the size of the market?
- 4) How much demand will there be in the market?
- 5) How closely related is this market to our company's current portfolio of products and services?
- 6) What is our distinctive value proposition?
- 7) Do we have the necessary capabilities and competencies to succeed in the market?
- 8) Can this vertical market entry result in a competitive advantage for us? Or are we making the move because risk a competitive disadvantage if we do nothing?
- 9) Who are the existing competitors in the market, and are there other potential entrants?
- 10) What are the strategies of our competitors within this vertical?
- 11) What are the unmet needs of customer segments in this market? How does our product or service meet those needs?
- 12) What sales do we expect to see for our offering during the first six months, year, two years?
- 13) Do we need to change our branding or communication strategy to maximize the impact of our actions in this market?
- 14) What incremental costs (input, distribution, shared) and economies of scale/scope will we face?
- 15) What complementary assets, such as marketing and distribution, could influence our likelihood of success?
- 16) What are the critical success factors for our product and services in the selected market or markets?

**Reminder!** Successful business cases are (1) simple and clear, and (2) speak to the interests of the executive team. You are more likely to gain traction with senior leadership if you cast the rationale for product investment in terms of tangible, near-term gains that align with your peers' incentives and goals.



# PHASE 3: MARKET ENTRY STRATEGY DEVELOPMENT

Growth Process Toolkit  
*Vertical Market Expansion*





**PHASE 3: MARKET ENTRY STRATEGY DEVELOPMENT****Where Are We Now?**

Completion of the exercises featured in Phases 1 and 2 has enabled you to:

- Estimate the size of existing and new markets
- Predict each market's future growth potential
- Evaluate changing customer needs and purchasing patterns in existing and new markets
- Analyze market saturation and competitor activity in existing and new markets
- Determine whether your organization's resources align with a vertical market opportunity

At this point, you should have a strong sense for your current market's future growth potential, the size of the opportunity offered by a potential vertical move, and the feasibility of capitalizing on that opportunity.

**What Do I Do Next?**

Your next step is to capitalize on the opportunity you have identified by executing a successful market entry. Phase 3 will help you structure ongoing and straightforward communications, build demand for your market entry, and deliver high-quality sales support.

Outlined below are the activities and steps you need to complete in Phase 3. The pages that follow will highlight the information and resources you need to complete each of these steps.

**MARKET ENTRY STRATEGY DEVELOPMENT:  
KEY STEPS AND TOOLS**

STEP	PURPOSE	SAMPLE TOOLS
<a href="#"><u>Communication Planning</u></a>	Announce internally and externally your plans to enter a vertical market	<a href="#"><u>Value Proposition Design Template</u></a> <a href="#"><u>Communications Planning Checklist</u></a>
<a href="#"><u>Awareness Campaign Development</u></a>	Generate interest for your new product through targeted media outreach	<a href="#"><u>Press Release Template</u></a> <a href="#"><u>Word-of-Mouth Communication Guidelines</u></a>
<a href="#"><u>Demand Generation</u></a>	Build demand for your new product through marketing communications and promotions	<a href="#"><u>Media Mix Evaluation Template</u></a> <a href="#"><u>Marketing Channel Reach/Clutter Matrix</u></a>
<a href="#"><u>Sales Preparation</u></a>	Familiarize your sales teams and channel partners with your new product	<a href="#"><u>Sales Support Readiness Checklist</u></a> <a href="#"><u>Market Snapshot Template</u></a>

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP ONE: COMMUNICATION PLANNING

#### Tool #1: Value Proposition Design Template<sup>18</sup>

##### Overview

##### What is it?

A series of questions and two-sentence outline to direct the development of your value proposition, which should articulate the reason for your vertical market entry.

##### Why should you use it?

It will help you write a value proposition that speaks to the specific interests of potential customers within your vertical market. By applying this outline to each value proposition you write, you will also ensure consistency in messaging and tone across all your market entries.

#### Value Proposition Design Template

##### Market:

##### *Step One: Answer the following questions:*

1. What are we selling?
2. Who is the target customer?
3. What is the target market?
4. Why should the customer buy our offering? Consider the following:
  - a. Does it increase customer productivity?
  - b. Does it simplify the customer's ability to complete a job or achieve a desired outcome?
  - c. Does it offer greater convenience to the customer?
  - d. Does it reduce the customer's risk?

##### *Step Two: Fill in the following blanks:*

For [target customer] who [specific needs, buying criteria], we provide [solution name/description] that [specific benefits to customers]. Unlike [our competitors], who [competitors' solutions, features, benefits], our company offers [unique benefits, different-in-kind solution] that [how they improve the customer experience; quantify if possible].

Reminder! An effective value proposition does not rely on multiple adjectives: whenever possible, favor customer voice, data, and anecdotes over flowery prose or superlatives. Your value proposition should also be realistic: while it may be tempting to make your value proposition aspirational, it will be of greater use to your sales team if it accurately reflects your company's positioning within a new market. Finally, involve a representative cross-section of the executive team (Sales, Marketing, Communications, and Market Research, among others) in the design of the value proposition. It will help you ensure commitment to your company's messaging within the market.

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP ONE: COMMUNICATION PLANNING (CONTINUED)

#### Tool #2: Communications Planning Checklist

##### Overview

##### What is it?

A list of questions that you should ask yourself prior to beginning your communications campaign. It will provide you with a clear strategic direction for your campaign that will guide your subsequent channel and campaign strategies.

##### Why should you use it?

The template's simplicity will make it easy for you and your team to sketch, at a high level, your entire communications plan prior to initiating the vertical market entry. It therefore helps prevent any premature or misdirected rush into tactics and reduces the likelihood of unnecessary rework due to unclear direction.

#### Communications Planning Checklist

**Product:** \_\_\_\_\_

##### A. How will Marketing/Corporate Communications support the market entry?

1. What unique aspect of the product might inform or direct our communications strategy?
2. What market factors might influence our communications strategy?
3. What is our marketing objective for this new product?
4. How will we measure communications success?

##### B. How will we define the customer (or consumer) for the purposes of this market entry?

1. What are the specific customer segments we will target with this new product?
2. What do we know about these customer groups at an in-depth or personal level? What are their goals, desired outcomes, challenges, and needs? Who are their key influencers?

##### C. What are our communications goals for this market entry?

1. What do we expect communications to accomplish in the early stages of market entry?
2. How do we expect communications to support the market entry in the long-term?
3. What communications channels should we consider?

##### D. What channels do we think will align best with our communications goals?

1. Why/how do these channels support our communication goals?
2. How will each channel support the entry?

##### E. What is the "common thread" message that will unite all of our communications efforts across all channels?

1. What is the key thought we want to communicate?
2. What are the primary benefits we will convey?
3. How will we make our message believable? Is it a rational or emotional message?

**Reminder!** Responsibility and accountability for effective communications should rest with the executive team (as opposed to delegating to brand managers or corporate communications exclusively). This exercise is specifically designed to drive a holistic approach to planning and focus energy on an integrated communications plan right from the start of your market entry.

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT

##### Tool #1: Press Release Template<sup>19</sup>

###### Overview

###### What is it?

A template to help you write a press release announcing your company's vertical market entry.

###### Why should you use it?

Following a template for press releases will (1) make it easy for you to issue the announcement and (2) standardize announcements across all market entries, creating message consistency for your company and your brand.

#### Press Release Template (Sample)

Headline stating company name and news

**Appleton Develops Microencapsulation Technology for Procter & Gamble**  
**CITY - DATE** - Appleton has signed a supply agreement with Procter & Gamble to provide microencapsulated specialty chemicals. Appleton's initial project with P&G involves microencapsulating the fragrance for Downy® liquid fabric softener.

The specific news you are announcing today

Explanation for vertical market entry; insertion of additional product information

"Our work with Procter & Gamble leverages our extensive knowledge of microencapsulation technology and our ability to apply that expertise to develop product solutions with customer-specified properties," said Kent Willetts, vice president of marketing and strategy for Appleton.

"We are excited about the opportunities to explore new markets and develop relationships beyond the paper industry where we can leverage our core competencies. Our goal is to be the partner of choice for technology collaborations related to microencapsulation."

Appleton is the world's largest producer of carbonless paper and the only producer of the NCR PAPER\* brand of carbonless paper. The company is also a leading developer of unique capsule chemistries and applications for encapsulated materials.

Appleton has its own development projects underway that involve encapsulating dyes, adhesives, sealants, inks, and toners.

About P&G

[Procter & Gamble is...]

About Appleton

[Appleton creates...]

Insertion of standard company information here

Insertion of contact information for main point of contact

**For more information, please contact:**

[Contact Information Here]

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT (CONTINUED)

#### Tool #2: Expansion Announcement To-Do List

##### Overview

##### What is it?

A list of all the elements you need to assemble for a broad announcement of your market entry. It will help you manage progress toward the discrete steps comprising the start of your communications campaign.

##### Why should you use it?

Any awareness campaign will begin by informing the media of your news. This checklist will direct those early efforts and ensure that you kick off your campaign with a comprehensive, well-timed announcement. Finally, this tool also functions as a high-level dashboard for you to evaluate progress across all activities.

This activity list is for illustration purposes; you may need to tailor it more specifically to your needs.

#### Market Entry Announcement To-Do List For Market:

Activity	Status	Start Date	Due Date	Owner
<a href="#">Development of value proposition</a>	Done	April 15	May 1	Jake
<a href="#">Press release</a>	Done	May 25	June 1	Jake
Twitter announcement	Done	May 25	June 1	Jake
Communication with bloggers	In progress	June 1	August 1	Katherine
Live podcast	Done	May 25	June 1	Jake
Company background sheet	In progress	June 1	June 15	Dan
All materials linked to press section of web site	Not yet started	June 20	August 15	Dan
All other updates to web site	Not yet started	June 20	August 30	Dan
Nomination of press point of contact	Done	April 15	May 1	Dan
<a href="#">New agency signing</a>	Done	March 1	April 30	Katherine
Production of new creative materials (e.g., collateral, digital and print ads)	In progress	May 15	June 5	Katherine
Distribution of talking points to Sales, Marketing, and Communications	Done	May 1	June 1	Cynthia
Preparation of FAQ's	Done	April 30	May 15	Katherine
Attendance at key market events (e.g., conferences, fairs)	In progress	June 1	October 1	Cynthia
Collection of endorsement testimonials from high-profile influencers or experts	In progress	May 1	August 1	Cynthia



### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT (CONTINUED)

#### Tool #3: Agency Evaluation Scorecard

##### Overview

##### What is it?

A weighted scorecard that helps you: (1) articulate and prioritize compatibility requirements for any agency partnership, and (2) evaluate each agency option according to those parameters.

##### Why should you use it?

You need to evaluate the qualitative elements of any potential agency and consider how those elements might affect your ability to move into a new market successfully. The upfront effort will enable you to focus on best-fit options early – and minimize the cost and difficulty of firing and rehiring another agency down the road.

Note: These criteria and scores are for demonstration purposes; you'll want to tailor for your own needs.

#### Agency Evaluation Scorecard (Sample)

Agency:

Market:

Key Criteria	Weight	Yes	No	Unknown	Score
Account team has experience in specific vertical market	10			X	0
Account team has worked with us on successful market entries in the past	10	X			10
Deep market and industry expertise	10	X			10
Willingness/ability to partner with other agencies (e.g., boutique digital firm)	8		X		0
Familiarity with target customer segments	8			X	0
Willingness to collaborate with client on creative development	8	X			8
Affordability	10			X	0
Recognized leader in the field	4	X			4
Track record of strong customer service	6		X		0
Understanding of our brand values	10		X		0
Has managed award-winning campaigns	2			X	0
Demonstrated expertise in specific/relevant geographies	10	X			10
Low account team turnover	4			X	0
<b>Total</b>	<b>100</b>	<b># YES RESPONSES: 5</b> <b>#NO RESPONSES: 3</b> <b># UNKNOWN RESPONSES: 5</b> <b>COMPETITOR COMPATIBILITY SCORE: 42%</b> <b>(42 out of 100 possible points)</b>			

(Directions listed on next page)

**Phase 3: Market Entry Strategy Development**

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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**STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT (CONTINUED)****Tool #3: Agency Evaluation Scorecard (Continued)****Directions**

1. List out all agency criteria that your organization deems as crucial to the success of a successful vertical market entry execution.
2. Weight these criteria on a scale of 1 to 10, assigning points values that total 100. The higher the score, the greater the weighting.
3. Check “yes”, “no”, or “unknown” for each attribute.
4. In the scoring column, assign the number of weighted points for a “yes” response and 0 points for a “no” or “unknown” response (e.g., if a criterion is worth 5 points and the agency meets the criterion, you would check the “yes” box and then place a 5 in the “score” column).
5. Final score equals the total value of “yes” responses.
6. Anything you score as “unknown” should be revisited – by the time you are finished filling out this scorecard for each agency under consideration, you should have no “unknowns” left.
7. You will need to determine a minimum percentage of compatibility for an agency to still meet your criteria (e.g., anything scoring less than 75% - 75 out of 100 total possible points – does not qualify for further exploration). For any score that comes in under this amount, you will need to either remove that vendor from consideration or conduct additional due diligence to fill in unknown area (since an “unknown” can become a “yes”, thereby improving a total score).

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT (CONTINUED)

#### Tool #4: Word-of-Mouth Communication Guidelines<sup>20</sup>

##### Overview

##### What is it?

A set of guidelines that can help you open communication with early adopters or key influencers within a new market and convert them into active proponents of your product offering.

##### Why should you use it?

Word-of-mouth testimonials can help you build awareness of your product in a way that no conventional advertising can match. By tapping into this type of network and using it to your advantage, you can establish your product with a high level of resonance at relatively little cost.

##### **Guideline #1: Identify highly-networked early adopters loyal to your brand**

*The survey questions listed below will help you uncover more about how your early adopters feel about your company and how willing they would be to spread awareness about your entry into the market or your product offering in general. (Note: In addition to surveying customers, you also need to provide simple and systematic ways for them to regularly volunteer feedback – e.g., user group hosted on your company's Web site).*

- ☐ Would you currently recommend our brand or any of our products to individuals within your network (e.g., friends, family, colleagues, customers)
- Yes
  - No
  - Don't know

You may be able to capture testimonials for future use.

This input can help you craft more tailored marketing communications.

- ☐ If "yes":
- What do you specifically appreciate about our brand or our products?
  - What do you specifically say when you make a recommendation?
  - Can you quantify the value you receive from our company's products?
  - How often, and in what forums, do you recommend our brand or our products?
  - Based on your previous experiences with us, would you be willing to tell your network about us?

- ☐ If "no" or "don't know":
- What could we do to improve or change to earn a recommendation from you?
  - If we could alter your opinion about us, would you consider recommending us to individuals within your network?

This input may provide you with an opportunity to repair fractured relationships.

(Continued on the following page)

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP TWO: AWARENESS CAMPAIGN DEVELOPMENT (CONTINUED)

#### Tool #4: Word-of-Mouth Communication Guidelines (Continued)

##### **Guideline #2: Maintain continuous communication with your early adopters**

Listed below are several steps you can take to help your customers understand and spread the word both about your core offerings and your new product.

- ☐ Populate your Web site with articles, product reviews, links to related resources, and upcoming events that relate to your specialty or industry area.
- ☐ Establish a user community: online bulletin boards, email discussion groups, blogs, or in-person events can all serve as effective forums for engaging your most loyal customers.
- ☐ Treat your most loyal customers differently: a separate community for these individuals will help make them feel as though they are a part of an exclusive group who receive special benefits; be sure to give these few all the materials they need to spread the word about your new product.
- ☐ Invite customers to help you develop a community program; watch for the individuals who are eager to help.

##### **Guideline #3: Leverage networks to break through the clutter**

The following checklist can structure your efforts to build buzz about your new product through word-of-mouth channels:

- ☐ Assess current buzz regarding your company and/or market entry by searching social networking sites, blogs, and reviews.
- ☐ Identify network hubs for the new market and assess the strength of your relationships with individuals running those hubs.
- ☐ Feed information about your new product to your key influencers and solicit their feedback in turn.
- ☐ Build a narrative around your company and/or product offering that will resonate with your influencers.
- ☐ Design an innovative customer experience that will generate buzz in the user community (e.g., invite early adopters to the plant or headquarters).

##### **Guideline #4: Tie your market entry to a cause embraced by your early adopters\***

The activities listed below can help you identify an issue of emotional significance to your customers that could be linked to your market entry efforts:

- ☐ Research societal issues that affect significant numbers of your target customer segment.
- ☐ Determine if your company can support a charitable cause that addresses any of those issues.
- ☐ Identify points of overlap between a given issue, its related charitable causes, and the identity of your brand and your new product.
- ☐ Consider marketing communications focused on contextualizing your value proposition within your company's larger efforts to champion causes that resonate with your most-valued customers.

**\*Note:** While corporate social responsibility and marketing initiatives may have points of overlap, we recognize that they coexist most effectively when the cause and the brand have a long-standing relationship (e.g., Ben & Jerry's brand ice cream and the environment). Customers can sense disingenuousness, so we caution against championing a cause based solely off word-of-mouth appeal.

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP THREE: DEMAND GENERATION

#### Tool #1: Media Mix Evaluation Template

##### Overview

##### What is it?

A framework for considering the viability of various marketing channels for your new market entry sales strategy.

##### Why should you use it?

It will help you generate demand for your product offering by spreading awareness through channels most regularly visited by your target customers. It will also help you evaluate the channel effectiveness based on alignment with your communication goals, focusing your media spend and marketing activity right from the start.

#### Media Mix Evaluation Template (Sample)

**Product:** Financial Services Product A

**Market:** Higher Education

**Target Customer Segment:** Young Professionals

The objective is to determine how well each channel supports the goal.

	Channel Effectiveness*								
Communication Goal	Print	Radio	Outdoor	Sponsorship	Direct Mail	TV (network)	TV (cable)	Web Search	Social Networking
Communicate core product characteristics	High	Medium	Medium	Low	High	Medium	Medium	High	Medium
Generate interest in/demand for the new product	Medium	Medium	Medium	Medium	Medium	High	High	Medium	High
Differentiate product from the competition	Medium	Medium	Medium	Medium	Medium	Medium	Medium	High	High
Encourage customers to forward product information to others	Low	Low	Low	Low	Low	Low	Low	Medium	High

##### \*Channel Effectiveness Evaluation Key

**High:** Fully supports communication goal

**Medium:** Somewhat supports communication goal

**Low:** Insufficiently supports communication goal

Reminder! This exercise may prove particularly helpful if you are coordinating a market entry with a geographic expansion effort, since media effectiveness will vary significantly by location, language, or culture.



### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP THREE: DEMAND GENERATION (CONTINUED)

#### Tool #2: Promotions Evaluation Template<sup>21,22</sup>

##### Overview

##### What is it?

Similar in format to the [Media Mix Evaluation Template](#), this is a framework for evaluating the effectiveness of sales promotions that could support your market entry.

##### Why should you use it?

Part of your demand-generating activity will be to create a short-term incentive to try your product. This exercise can help you focus on those promotions efforts best-aligned with your product, customer, and campaign goals.

#### Promotions Evaluation Template (Sample)

**Product/Market:** Microencapsulation/Fabric Softener

**Target Customer Segment:** Tier-1 Channel Partners

The objective is to determine how well each channel supports the goal.

	Promotions Effectiveness*							
Promotions Goal	Coupons**	Rebates	SPIFFS**	Trade Allowances**	Dealer Loader**	Trade Contest	Loyalty Reward Program	Trade Discounts
Generate qualified leads for the sales team	High	Medium	Low	Low	Low	Low	High	Low
Improve channel partner profit margins	Low	Low	Low	High	High	Low	Low	High
Set sales rep incentives to sell in new market	Low	Low	High	Low	Low	Medium	Low	Low

##### \*Channel Effectiveness Evaluation Key

**High:** Fully supports entry goal

**Medium:** Somewhat supports entry goal

**Low:** Insufficiently supports entry goal

##### \*\*Notes on Terminology

**SPIFF:** The sum paid by a vendor to a distributor's salesperson to motivate him or her to sell the vendor's products

**Trade Allowance:** The allowance or refund given by a manufacturer to a retailer or distributor who participates in a sponsored advertising or promotion campaign

**Dealer loader:** Gift (e.g., premium, discount on inventory) offered to a partner as a bonus for purchasing the manufacturer's merchandise

**Trade Discount:** A discount from the list price of a commodity allowed by a manufacturer or wholesaler to a merchant

Reminder! Promotions goals and options listed above are for demonstration purposes and may require some tailoring to your organization's specific needs. While this example is written for a B2B company, a B2C organization may want to evaluate the effectiveness of other promotions methods such as point-of-purchase displays, in-store signage, sampling, promotional pricing, or demonstrations.

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP THREE: DEMAND GENERATION (CONTINUED)

#### Tool #3: Marketing Channel Reach/Clutter Matrix

##### Overview

##### What is it?

A framework for determining whether your new market entry communications strategy is well served by a given channel's **reach** and **clutter**.

##### Why should you use it?

You need to assess the match between your plans for new market entry and the resources required to communicate effectively through a given channel. Such a perspective will help you understand the strengths and weaknesses of each channel you evaluate and enable you to make more informed media mix decisions.

#### MARKETING CHANNEL REACH/CLUTTER MATRIX

REACH*	High	<b>Golden Opportunity</b> Potential to reach a high number of customers with a high level of communications resonance (Example: Twitter)	<b>Crowded Space</b> Potential to reach a high number of customers but with variable message recall (Example: TV)
	Low	<b>Possible Winner</b> Potential to target a specific customer group with a high degree of resonance through an emerging channel (Example: Wolfram Alpha Search)	<b>Loser</b> Potential to connect with customers on a memorable level is low; consider removing these channels from your media mix (Example: Direct Mail)
		Low	High
CLUTTER*			

##### \*A Note on Reach and Clutter

Frost & Sullivan defines "reach" as the ability of a marketing channel to communicate with customers and "clutter" as the measure of noise within that channel.

*(Directions listed on the following page)*

**Phase 3: Market Entry Strategy Development**

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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**STEP THREE: DEMAND GENERATION (CONTINUED)****Tool #3: Marketing Channel Reach/Clutter Matrix (Continued)****Directions**

1. Plot each potential marketing channel you are considering according to responses given for the questions listed below.
2. Rank each response to those questions based on a High, Medium, Low scale. Take the average for each category and plot on the grid accordingly.

**Questions****A. Marketing Channel Reach**

1. To what extent can you expect to provide customers with information about your market entry and/or product offering through this channel?
2. How attractive is this channel within the context of your company's communication strategy?
3. How would you rank the power of this channel relative to alternatives?

**B. Marketing Channel Clutter**

1. How likely would it be for customers to *forget* a message conveyed through this channel?
2. How likely would it be that your message would *compete directly with others* conveyed through this channel?
3. How likely would it be that your company's message would be *drowned out by channel noise*?

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP FOUR: SALES PREPARATION

#### Tool #1: Sales Support Readiness Checklist<sup>23</sup>

##### Overview

##### What is it?

A list of tools or resources that you should prepare prior to announcing a new market entry to the sales force and/or your channel partners.

##### Why should you use it?

The more you can prepare your sales team or channel partners to win over new/untapped customers to your product line, the more successful your market entry will be. It is therefore critical that your sales teams feel confident that they can achieve their sales targets within the new market. This checklist will help ensure that you provide comprehensive support resources that will minimize their concerns and ease their transition into the new market.

#### Sales Support Readiness Checklist (Sample)

**Product:**

**Market:**

This checklist is for demonstration purposes; you may need to tailor it to the needs of your sales team.

Support Tool or Resource	Status	Start Date	Due Date	Owner
Pricing Tools	Done	June 5	June 30	James
Training and Certification	In Progress	June 1	July 31	Dan
<a href="#">Market Snapshot Template</a>	Done	May 5	May 31	Dan
Customer FAQ's	In Progress	May 15	August 15	Katherine
Objection-Handling Script	Behind Schedule	June 5	June 5	Jake
Solutions Brief	Behind Schedule	June 15	June 2	Katherine
<a href="#">Value Proposition Statement</a>	Done	May 1	May 15	James
Product Brochures	Done	June 5	June 30	Jake
Demo Script	In Progress	May 20	June 15	Katherine
Channel Partner Email Template	Done	May 11	May 23	Dan
<a href="#">Competitor Comparison Chart</a>	In Progress	June 2	June 5	James
Product Positioning Worksheet	In Progress	June 3	July 14	Jake
Customer Testimonials	In Progress	May 1	September 1	Dan
Win/Loss Feedback-Sharing Mechanism	In Progress	June 1	September 1	Katherine

## Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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## STEP FOUR: SALES PREPARATION (CONTINUED)

Tool #2: Market Snapshot Template

## Overview

**What is it?**

A one-page reference guide for your sales force that details all relevant market information (e.g., pricing, target customers, top competitors, core features and benefits).

**Why should you use it?**

It will help ensure that your sales force is prepared to sell within the new market from the very beginning. By providing your sales team with an easy-to-reference list of primary talking points, you can shorten the learning curve and improve sales reps' comfort level meeting with new customers.

**Market Snapshot Template****Market:**

*Step One: Provide detail on each of the categories listed below.*

**Product Line Description: (tailored to new market)****Tag Line:****Market Maturity:**

- ☐ Growth rate
- ☐ Existing solutions
- ☐ Trends
- ☐ Technological changes
- ☐ Consolidation
- ☐ New entrants
- ☐ Total available market

**Target Customer:**

- ☐ Demographics
- ☐ Pain points
- ☐ Needs
- ☐ Decision making patterns
- ☐ Key purchase influencers
- ☐ Sales cycle

**Top Competitors:**

- ☐ Product
- ☐ Market position
- ☐ Ability to compete
- ☐ Pricing

**Pricing:**

- ☐ Location of pricing tools/scales
- ☐ MSRP & street prices for each country worldwide
- ☐ Discounting policy

**Features & Benefits:****Unique Selling Points:**

*Step Two: Distribute your company's [value proposition](#) to all sales reps:*

For **[target customer]** who **[specific needs, buying criteria]**, we provide **[solution name/description]** that **[specific benefits to customers]**. Unlike **[our competitors]**, who **[competitors' solutions, features, benefits]**, our company offers **[unique benefits, different-in-kind solution]** that **[how they improve the customer experience]**.



### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP FOUR: SALES PREPARATION (CONTINUED)

#### Tool #3: Competitor Comparison Chart

##### Overview

##### What is it?

An easy-to-use template illustrating the differences between your company's product offering and that of competitors.

##### Why should you use it?

It will help your sales team manage customer conversations regarding competitor alternatives and present your solution in the most favorable light possible. It can also help you standardize communications regarding your product's core features and benefits across the sales force, and it will work equally well for internal sales reps and channel partners.

#### Competitor Comparison Chart (Sample)

##### Product: Financial Services Product A

These features are for demonstration purposes only.

Feature	Competitor 1	Your Company	Competitor 2
Unlimited service	✓	✓	
Choice of payment options		✓	✓
Choice of investment accounts	✓	✓	
Tax deferral options	✓	✓	
Minimum rate of return guarantee		✓	✓

Reminder! This chart will work most effectively with a comprehensive list of product benefits. The more you can make the case for your product's strengths and competitors' weaknesses, the easier you make it for the sales force to consistently and easily answer questions regarding your product's core strengths.

In addition, you will likely find that this tool's effectiveness goes beyond new market entry and will work equally well within your current markets or as a support resource during a new product launch.

### Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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#### STEP FOUR: SALES PREPARATION (CONTINUED)

#### Tool #4: Sales Feedback Collection Template

##### Overview

##### What is it?

A form you can use to survey your sales team on your product line's performance in the new marketplace. It will work equally well with your direct sales force and channel partners.

##### Why should you use it?

It will help you identify areas of concern that need to be addressed (in the near term as well as in future market entries). Importantly, this survey will also help you maintain open communication with your sales force and gauge their commitment or resistance to selling in a new market. It's important to frequently share this feedback with the sales force in a format useful to them.

#### Sales Feedback Collection Template

Market: \_\_\_\_\_

1) Please rate the customer's response to the following aspects of [Product]:

	Very Positive	Positive	Neutral	Negative	Very Negative
Overall Reaction					
Reaction to Price					

2) What is the probability of closing this sale?

0%	25%	50%	75%	100%
----	-----	-----	-----	------

3) Please rate the customer's response to the following attributes of [Product]:

Rating Scale: 5 = Very Positive; 4 = Positive; 3 = Neutral; 2 = Negative; 1 = Very Negative

1. [Attribute] _____	5. [Attribute] _____
2. [Attribute] _____	6. [Attribute] _____
3. [Attribute] _____	7. [Attribute] _____
4. [Attribute] _____	8. [Attribute] _____

4) How did this customer learn about [Product]?

- a) Trade journal
- b) Communication from you
- c) Recommendation from friend or colleague
- d) Other:
- e) Don't know

5) What objections or questions did you encounter that you were unprepared for?

6) Which sales support materials did you find most helpful?

## Phase 3: Market Entry Strategy Development

Step	Communication Planning	Awareness Campaign Development	Demand Generation	Sales Preparation
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## STEP FOUR: SALES PREPARATION (CONTINUED)

[Tool #5: Sales, Customer, and Marketing Performance Dashboard](#)

## Overview

**What is it?**

A performance dashboard template to help monitor your internal sales and distribution partners' performance.

**Why should you use it?**

It will help monitor your traction in the marketplace and communicate results to the executive team.

## A. Sales Performance: Key Metrics (Sample)

Metric	Target	Performance	Trend	Action Items
Revenue growth/total sales year-over-year	18% growth in first year	20% growth in first year	Increasing	Isolate drivers of high performance
[Applicable product] sales as percentage of total sales	5% of total sales	3% of total sales	Tracking to hit goal	Continue with plan
Average margin	7%	8%	Above expectations	Continue incentive program
Market share	15%	12%	Trending upwards	Continue with plan
Shortage/excess of product inventory	Zero variance	\$150K USD inventory excess	Over-forecasting; need to adjust	Invest in new forecasting software
# sales reps dedicated to selling [product line in new market]	8	8	On target	Continue with plan
# sales reps certified to sell [product line in new market]	8	6	Tracking to target	Continue with plan
Average length of sales cycle	3 months	4 months	Sales taking too long	Isolate/analyze deal barriers
Average deal size	\$40K USD	\$45K USD	Above expectations	Continue incentive program
Win rate	20%	12%	Below expectations	Conduct win-loss analysis

## B. Customer and Marketing Performance: Key Metrics (Sample)

Metric	Target	Performance	Trend	Action Items
Number of customer complaints	0	7	Above acceptable rate	Isolate causes of dissatisfaction
Customer attrition	0	10%	Above acceptable rate	Design retention incentive program
Number of repeat buyers (i.e., retention rate)	100%	20%	Below target	Track number over next quarter
Number of inbound product inquiries fielded	1000	1500	Above target	Continue with awareness campaign
Number of sales qualified leads generated	80	70	Tracking to target	Continue with plan
Aided/unaided product line or brand awareness	100% customers surveyed recall product	50% of customers surveyed recall product	Below expectations	Reprioritize Market Research pipeline
Marketing budget allocated versus spent	\$1M USD to launch	\$1.2M USD to launch	Above target	Tighten budget for next quarter

# END NOTES

## Growth Process Toolkit *Vertical Market Expansion*



## END NOTES

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