

New Markets and Long Term Growth

Owners of medium-sized private firms can be called lucky not to be haunted by short-term results like the CEOs of most publicly traded companies. However, if they escape the tyranny of the stock market, it doesn't mean that they should ignore the ultimate goal of every business decision they make: **to maximize the long-term value of their company.**

In mid-market enterprises, decision makers are often acutely aware of the threats to the long-term survival of the firm. Slow growth and low profitability, a stagnating economy and ever rising costs might keep them awake at night, along with the thought that major changes to their business model will be costly, risky and painful.

On the other hand, can they afford to keep doing the same in a fast changing world? Where will the operating cash flow of the next ten years come from?



Aiming for a higher company value

Because they lack the financial means and expertise that global players use to develop and implement innovative strategies, smaller enterprises should give preference to **gradual and consistent changes, focused on significant long term results.**

While there are many paths to transform a company – new management, partnerships, innovation, additional credit... – most of them are fraught with risks.

Capturing new markets is one way to ensure your company's survival over the long term. If this new market is a very large one, like the USA, its *successful* penetration may not just generate additional resources but could also profoundly change the way your company is being run, bringing it to a higher level of strength and expertise.

The establishment of your business on solid foundations in the United States, a country of 50 states spanning three time zones, could be a game changer. Even limited additional growth, year after year, may have a significant impact on your cash flow and reserves, on your firm's valuation and capacity to attract more funding.

Any ambitious business leader worth its salt knows all this, of course, and might interject, with a grin, that the above reasoning depends on the word "*successful*" mentioned earlier. In most cases, and certainly when the company has set aside appropriate resources, the success of the venture depends far more on preparation and sound thinking than on luck and chance encounters.

"Make-no-Mistake" Strategy

A good strategy should be based on careful analysis and sound principles. What are these principles?

1. What sort of distribution channel: super highway or country road?

Using the metaphor of Stephen Wunker, author of *Capturing New Markets*, powerful sales channels can be compared to super highways leading to well defined destinations. These big distributors are the right way to market your products if such products are well known and accepted, and if the market environment is unlikely to change. In all other cases, if your market requires education, if few distribution partners offer a complete solution to clients, if very few customers are aware of your value proposition and if changes in the market are likely to occur, then you should avoid the super highway and take a country road instead.

Taking the country road means that you will take the time to discover how the market works, you will be directly involved in sales and rely less on outside partners.

Let us assume in the following points that you have chosen the country road.

2. Focus on the market rather than on competitors

You know there is a market, but the market doesn't know you. Your primary objective is to figure out how and why customers buy, to discover what they know, don't know and should know. You need to identify and meet potential clients and understand what makes them tick. Your entire focus should be on the targeting and dissemination of your message, your value proposition. That leaves little time to worry about competitors.

3. Gain a foothold

The United States are an unusually large market. This could mean two things:

- a. You could spend a lifetime without anybody ever noticing you.
- b. You could aim for a small market first, and move to other markets later, based on your experience.

The key to success in the US marketplace is scenario b. Just like on D-day in Normandy, your key objective is to create a beachhead, to ensure your survival, to gain acceptance in a niche market. Do not try to satisfy a wide range of customers from all over the continent. Chasing too many rabbits will cost time and money, and will do very little to your brand recognition. Deepen your knowledge of a limited market. Once successful, you will have plenty of opportunities to grow, replicate and diversify.

4. Be flexible

The analogy with the highway and the country road is still relevant. It doesn't pay to take the fast lane to the wrong destination, or to a major traffic jam. It pays to take the time to understand the market you have selected, the way it lives and evolves, and to analyze your position in it. Soon enough, you will see an opportunity and, if your company is flexible, you will be able to seize it: a new partner, a few changes to your products, a sales channel with complementary products or services, a creative marketing approach... These are the charms of the countryside you don't see from the freeway.

5. Keep your fixed costs low

Nothing kills a new project faster than heavy upfront investments and commitments. Hiring staff, renting space, building up stocks, marketing campaigns, lawyer fees... and before you have made your first successful deal, most of your resources will be gone, or tied up. The success of your venture in a new market comes down to knowledge. It is therefore crucial to accept that, at the very start, your knowledge is too shallow to risk your company's valuable resources. Use your funds as you make progress, and have identified more of the variables. Do not commit before you know for sure.

The more we talk to experienced business leaders, the more we work with clients, the more information we gather, the more we are comforted in our belief, summarized on our [Gateway USA](#) page, that your approach to the US market should be based on a detailed preparation, a flexible strategy, and gradual steps.

We wish you all a stimulating "back-to-school" period, a usually (apart from the recurring traffic jams) exciting time when budgets and strategies for the coming years are debated and prepared.

With best regards,

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