TAKIN' CARE OF BUSINESS

New markets are not just an option

One of the riskiest things a business can do is launch into new markets, a risk that may be second only to not launching into new markets. I've long been a believer that standing still is just waiting to get run over, yet you see the "If it's not broke don't fix it" mentality in many businesses, big and small.

The common alternative, "If it's not broke, break it," misses the point. I had an antique record player that was probably made in the 1920s or 1930s. Hand cranked, about the size of a small dresser, it played the old school records like it was brand new. It would probably be simple to make new ones just like it, but there just isn't a lot of demand for that in a world where you can play any song you want on the phone in your pocket or simply say "Alexa, play 'Takin' Care of Business.'" There would be no point in breaking that beautiful old record player – nor in making and trying to sell new ones. And if you do try to sell them, you better get it on Amazon.

A better slogan might be "If it's not broke, it's obsolete. Or about to be." In my 40+ year career I've seen the "latest, greatest" products and services come and go (anyone remember floppy discs?), along with the methods of producing, selling, and distributing them. I've also seen businesses that are slow to adapt, and pay the price.

WHAT IS A NEW MARKET?

In short, a new market is any potential opportunity for new sales and profitability. People can tend to think of new markets as being previously untargeted geographic areas or demographic groups, and it can be that. But it can also be innovative new products or services, more convenient delivery methods, targeted pricing, better packaging, or just about anything else that appeals to consumers enough to bring in business.

One of my favorite examples is Sunsweet Ones. Sunsweet Growers (my last employer and a Morrison client since Day 1) is the world's leading marketer of dried fruit, and perhaps best known for its unique style of pitted prunes. Getting prunes into the snack market was a challenge due to the sticky nature of the fruit and the way they are usually packaged. So Sunsweet came up with a way to individually wrap prunes so one can toss a handful into a pocket, purse, or backpack. They immediately had a hit on their hands and to my knowledge no one has been able to match it. And yes, you can get them at your local supermarket, the Sunsweet website, or on Amazon.

WHY SEEK NEW MARKETS?

There are many reasons to get into new markets. Here are a few:

1. **Staying relevant.** Consumer tastes and preferences change, they always have, and that's not going to stop. If you don't provide what people want, where they want it, delivered and packaged the way they want it, someone else will and you will lose the market. Innovation is a survival skill.
2. **Product or service differentiation.** Whatever you do has to stand out from the crowd in some way or there will be limited appeal. People need a reason to buy your product as opposed to others, and to buy it again. It could be the nature of the product (e.g., taste, quality, organic, gluten free), ease of use, unique packaging, delivery options, pricing, or anything else that will appeal to consumers. It may even be a need people didn't know they had, like pre-mixed margaritas in a can.
3. **Profitability.** All the popular virtue signaling about purpose aside, a business won't survive if it can't make a sustainable profit. And don't think that if it works today it will work tomorrow. A sustainable business must always be on the look for the next best thing.
4. **Competitors.** This may not be the best or most preemptive reason to consider new markets, but the possibility of competitors eating into your sales and profitability can be a wakeup call. The best advice is not to fall asleep in the first place.

1. **Survival.** This should probably be number 1. One of the most telling examples of this is Eastman Kodak Company. Kodak pretty much owned the camera and film business until it was decimated by its reluctance to embrace digital photography. In short, they were afraid to cannibalize their core camera and film business; bad call, because it didn't stop anyone else. And here's the kicker: a Kodak engineer actually invented the digital camera in 1975 but the company didn't introduce its own digital camera for 20 years. It wasn't a fear of new technology; it was a fear of messing with a "successful" business. The problem is that if you don't mess with it, someone else will.

WHY NOT JUST STAY THE SAME?

By my observation, some of the most common reasons for not pursuing new markets are:

1. **Fear.** One may not describe it that way, but some folks are just leery of change. It may be a version of the "If it's not broke" theory, but it is often just a real adversity to change. This can be a hard one to overcome, but key decision makers and project participants have to understand that change is coming with or without them.
2. **Cost.** The desired change may be (or perhaps just be seen as) too pricey. In fact, some new market efforts may be more than a company can afford but you still have to stay relevant and differentiate yourself. Find another way to do the desired project or find a different one, but if all you can do is stand still you may want to consider selling your operations while they still have value.
3. **Apathy.** This can range from "Everything is working fine as it is" to "We've got other things to do," but it is critical to make looking down the road and keeping an eye out for new markets a priority. If you don't stay on top of things you can be sure someone else will.

This does not mean you should pursue every option, but you should be alert for opportunities and be willing to assess them.

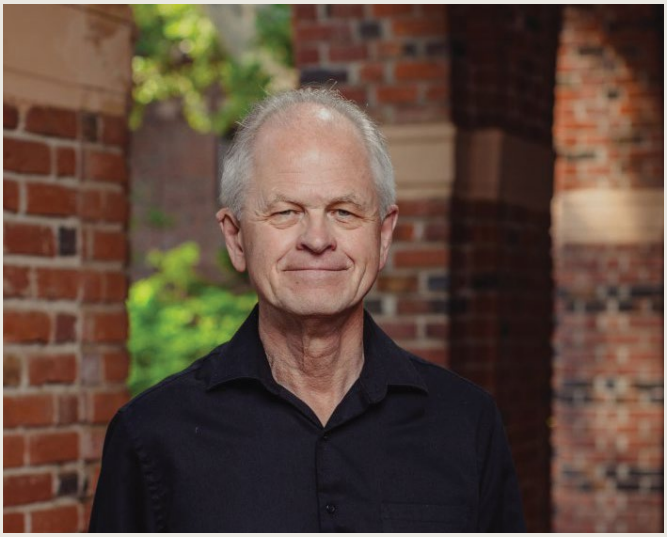
HOW?

There is no one answer to this, in part because there are so many possibilities for new sales and profitability as described above. But here are a few points to keep in mind.

1. **What appeals to your target consumers?** This is step 1. You may have a great idea but your consumer has to think so too. Your target may be the same consumers you have now (e.g., new flavor options for a current food product) or a different group altogether (e.g., a new geographic region or a product or service that is significantly different than your current offerings). Think it through, putting yourself in the place of the consumer. If you have a complaint line or a product/service support center, check with them. "Problems" can be an inspiration for improvements, and even new market opportunities.
2. **Research, research, research.** Explore every aspect of a potential new market. It usually starts with the potential for demand but should include manufacturing, marketing, distribution, pricing, packaging, current and potential competitors, profitability, and everything else required to get the full picture. You may be able to do much of this internally, but don't be bashful about getting outside help. Many of our clients use Circana (formerly IRI) or similar organizations for general market intelligence. Organizations like Risk Management Association can provide financial statistics of similar companies by NAICS code. There are many consultants and other resources for the various aspects of a project; don't be bashful about reaching outside in critical areas in which you have little internal expertise.
3. **Involve all of your business functions.** It is a common mistake to turn over new market assessment to one function within the company. If it is primarily a marketing project (e.g., marketing existing products to new demographic groups), it may get little input from operations, finance, etc. If it is the development of a new product, it might be turned over primarily to operations. That's fine to a point, but it's a rare new market project that shouldn't involve input from multiple functions within the organization. I joke that if a yogurt company offers 47 flavors in 16 sizes, with granola at the top or granola at the bottom, fruit at the top or fruit at the bottom, and seven packaging options, it is dominated by its marketing function. If it is all one gallon tubs of vanilla, it is dominated by operations or accounting. Look at new markets from all around and consider every angle.
4. **Assess the risks.** Though it may seem like a buzz kill, assess the likely risks. Some buzzes need to be killed, and Morrison feasibility studies always include a detailed risk assessment. Several years ago we looked at a potential new market introduction that was going to be focused largely on the packaging (this was not the Sunsweet Ones project). It turned out there were only two USDA approved sources in North America, one of which was in Canada that had only been in operation for 18 months. We were able to find approved sources in Europe which, while pricier, were at least available if necessary. Always involve all functions within the company, outside resources as needed, and a good lawyer before launching into new markets.

TAKIN' CARE OF BUSINESS

As the song says, "I'll be takin' care of business, every day. Takin' care of business, every way." The job isn't over when you get into the new market. It's a rare project that goes exactly as planned and it's critical to monitor every aspect and make timely course changes as needed. The best marketing plan won't work if production doesn't. The best product won't sell if distribution fails. And you likely want to be turning a profit. Morrison has led, coordinated, and performed research for new market ventures since our inception and can assist in planning, coordination, and oversight of projects, as well as performing feasibility studies (e.g., for financing or grant purposes), including detailed financial projections. We'd be happy to discuss any possible new market you may be considering, and how we might help.



ABOUT THE AUTHOR

Brent Morrison, the Founder and Principal of Morrison, brings over four decades of experience in executive and advisory roles across various industries. He oversees strategy, infrastructure, and client services at Morrison, specializing in business planning, strategy, management, and financial analysis.