



Market Diversification - Strategy for Success

Market Diversification will be the deciding factor for many companies

Recent years have been difficult for many companies in declining markets. As the laws of supply and demand take their toll on sales revenues, companies are forced to consider market diversification to survive and grow. Flexibility becomes a key to success.

The challenges for companies that wish to diversify are significant. Many companies getting involved in market diversification are experiencing difficult times and need to move quickly to offset declining sales revenues, however are hindered in doing so due to declining resources and cash flow. Companies are also faced with having limited experience in the new markets as well as limited experience in obtaining new customers. Many businesses grew for years by selling to the same few large accounts, which led to a sales force that is skilled at managing existing accounts but has minimal hunting skills or desire.

This paper provides a market diversification process outline for small and medium sized companies.

What is Marketing Diversification?

Market diversification is the process under which a company enters a market different from its core business. It involves deciding where and how to sell more of the same products to new markets as well as selling new or tailored products to new markets.

Primary market diversification benefits:

1. Reduce risk against economic downturn in a single market
2. Avoid cyclical or seasonal single market fluctuations
3. Grow the business





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The product of market diversification is a portfolio of products and services that address the needs of multiple markets. Diversified firms also have high customer diversification, which in turn serve a wide variety of markets. Serving a diverse range of customers and markets not only insulates the firm when a particular market contracts but is also an effective short term and long term growth strategy.

The Market Diversification Process:

The market diversification process involves 3 basic steps:

1. Commitment and Adaption
2. Select and Prioritize Diversified Target Markets
3. Launch a Market Communications Program

Commitment and Adaptation

Commitment to diversify is an important critical success factor in successful market diversification. Diversification involves flexibility, risks and patience. Selling into new markets takes time and is not an overnight fix. It involves many unknown factors related to market acceptance, competition and specific customer needs. If the upper management team is not fully committed to diversifying into the new markets it can easily derail the diversification process.

The company must also be willing to adapt its long-standing policies and processes. As a company enters new markets, it is likely that its pricing structure, product line, sales strategies and distribution policies will need to change.

Select and Prioritize New Diversified Target Markets

Diversifying firms typically will generally want to diversify into high growth markets that utilize their existing core competencies and infrastructure, and require minimal retooling and retraining. Below outlines primary factors to consider when choosing new target markets.

Assess Market Potential

Cursory select potential target markets where your products may provide a good fit. Initially this can be at a high level, such as aerospace, alternative energy and medical devices. Next, focus on your potential value and product offering to each market.

Market Diversification Process

Commitment & Adaption

Diversified Market Selection

Market Communications Plan

Diversified Market Selection

Market Potential

Market Suitability

Market Prioritization



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Estimate the annual total sales revenue of your product in the prospective market. Basic items to address:

- ❖ Market needs, size and growth
- ❖ Competition and brand loyalty of existing customers
- ❖ Break-even analysis, attainable market share and sales/margin projections

This information can be obtained via market research, surveys, analysis and test marketing.

Assess Market Suitability

Determine how well the prospective market aligns with existing strengths, competencies, resources and timelines. Basic items to address:

- ❖ SWOT analysis
- ❖ Resources and capital investment
- ❖ Market entry barriers, risks and growth timeline

SWOT (strengths, weaknesses, opportunities, threats) develops an overview of a company's strategic situation and forms a basis for matching the company's strategy to its situation. SWOT concentrates on the issues that potentially have the most impact and is useful when a limited amount of time is available. SWOT helps to focus activities where the company is strong and where the greatest opportunities lie.

Factors to include in SWOT:

- ❖ Core competencies and skill sets
- ❖ Equipment (manufacturing, computers, software)
- ❖ Product offerings and critical feature set
- ❖ Sales force and sales channels
- ❖ Collaborators (distributors, suppliers, alliances)

Ease of market entry is an important factor in making good strategic decisions. Competitive differentiation tends to diminish quickly in markets with low barriers of entry, while companies competing in markets with high barriers of entry have fewer competitors and tend to develop high operational efficiencies. Market entry barriers include industry certifications, capital investment, manufacturing ramp-up, market-dominant competitors, buyer switching costs and sales/distribution channels.

Prioritize the New Target Markets

Use structured market research and surveying to assess how well the needs of each prospective market align with your capabilities. Survey a sampling of executives in the prospective target markets on their specific needs, pain points, hot buttons and competing alternatives. Assess the value you can bring to the marketplace and how and why you can be successful.

Rank and prioritize the prospective target markets for your products and services.



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Develop and Launch a Market Communications Plan

For your top-ranked diversified target markets, develop a Market Communications Plan that provides focus for your message, identifies the audience you intend to reach, and how you can best deliver your message. The goal is to develop an action plan that will maximize product/service sales for a given marketing budget and timeframe. This can be accomplished with a cohesive, integrated campaign that ensures your advertising and communication efforts inform, educate, persuade, and remind your customers what you want them to hear.

The figure below illustrates the basic elements to consider in the Market Communications Plan and how they interact with each other.



Your market communications tactics should utilize a multi-touchpoint approach involving Internet marketing, business telemarketing, press, ads, articles and events. Reach your focused target audience through multiple media channels to communicate your message and call-to-action.

Basic strategy is to establish an initial customer in the new target market and to then leverage your successes with that customer. Continue expanding your presence within your initial customers and in the new market by further tailoring your product offerings to the market's needs.



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Market Diversification Success Story

A.B. Myr Industries designs and manufactures industrial paint finishing systems. For most of its 80-year history, ABMyr relied on Big Three automotive sales exclusively. Then business turned drastically downward. In just a year and a half, the automotive market slowed and stable long term accounts were slashed. Co-owner Richard Marshke said, "All of the carmakers started bringing in foreign suppliers."

In response, ABMyr hired Onset Marketing in 2003 to help them diversify into non-automotive markets.

Onset Marketing's marketing diversification plan has been the key to ABMyr's success. "If we depended on auto, we'd be out of business," Marshke said.

The Turn-Around Plan

Together ABMyr and Onset Marketing switched the company's client base from 96% automotive to 50% non-automotive. ABMyr now serves a variety of industries including agriculture, industrial, machinery, heavy truck and others.

Rick Aquino, ABMyr Vice-President Sales, says "Onset Marketing helped us diversify our firm and took us from a reactive to a pro-active sales methodology. This provided us strong market positioning and brought a whole new set of customer opportunities to our doorstep."

"Onset Marketing helped us strengthen our technology branding and developed some very effective sales materials and tools," Aquino said. "This really helps us leverage our products and compete with larger companies."

The strategy has been extremely successful. Annual sales in new markets have consistently increased since 2003 when Onset Marketing began working with ABMyr Industries.





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Market Diversification Summary

This paper provides a general outline of the market diversification process. No two market diversifications are truly alike. Our team at Onset Marketing enjoys working with companies to explore and strategize diversifying to new markets. Please give us a call at 248-596-9788 or email Service@OnsetMarketing.com to get started.

About Onset Marketing ■ ■ ■

Onset Marketing is a full-service strategic marketing firm. We use a holistic fast track approach to help companies diversify in new markets and build presence in existing markets. We develop Diversified Strategic Marketing Plans that identify target expansion markets and formulate market penetration action plans. The Onset Marketing team has implemented hundreds of successful marketing programs that resulted in increased sales, profits and successful product lines.

Our principals each have over 20 years of diversified marketing/sales experience. We blend the expertise of marketing and sales strategists, writers, graphic and web artists, media relations, tele-prospectors, event experts and creative minds to deliver strategic and tactical marketing solutions that give our clients the edge they need to compete in today's dynamic world. We are experts at reaching senior decision makers to generate sales leads and schedule sales appointments for complex products and services. We use field-tested marketing methodologies and have a growing list of satisfied clients.

More info at www.OnsetMarketing.com or call 248-596-9788.