

How to assess a new growth market

Many successful business owners that want to grow look for ways to expand into a new market. It's important to weigh the cost of entering a new market (especially if it's an export market) with the potential returns. A new market can be a new customer type you have never targeted before in your current region, or the same type of customer in a new area.

The easiest potential for growth is to take the successful business model you have developed and duplicate it in another area.

Is expanding your market reach viable?

It's important to determine if you should invest time and resources in trying to obtain a share of a new market. Assessing growth potential in new markets requires some common sense, critical thinking and analysis.

The best thing to do first is to make sure that there's a sustainable demand for your product or service:



- ★ Use your existing business information such as demand compared to population to assess the potential
- ★ If you have competitors in the new market, spend time researching how they're doing
- ★ Consider if you'll need to change your product or service for the new market.
- ★ Determine the market size – what is it currently, and do you think there's potential for it to grow?
- ★ Calculate your projected market share – how much of it do you estimate you can obtain?
- ★ Identify the market segments – are there multiple segments and do you plan to compete in all of them?
- ★ Calculate your margins – what kind of profit margins can you expect?

Conduct a new market Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis

At this stage it would be useful to complete a SWOT analysis on the wider aspects of any new market. This is especially important for any impact on your existing business, and anything in the future that you need to take into account.

Market potential

One of the main factors to take into account is what kind of potential the market has to accept a new player. You could be entering a market on a short-term basis to take advantage of a demand with a specific time frame, but it's often better to seek longevity for sustainable business growth. Ask yourself:

- ★ Is there an urgency to the demand? Is your product or service something people want right now, or will they continue to need it in the future?
- ★ Are you occupying a specific niche? If so, is it likely to be time-specific, or will it endure?
- ★ How quickly can you bring your product or service to market? Is there a time issue that would mean speed's a necessity?
- ★ Once you've entered the market, how much effort will it take to continue selling?
- ★ Do you have the necessary customer support after the sale?
- ★ Do you have existing employees that can work in the new market?

Testing the market

It's always a good idea to trial your products and services in a new market before investing time and money in committing to it. You can do this by:

- ★ Exhibiting at relevant trade shows. You'll not only get an idea of demand, but you can collect customer feedback and use that to amend your product or service for the new market.
- ★ Visit customers in the new market. Find out what prospective customers are looking for in your industry. What draws them to certain products or services?
- ★ Conduct a trial or pilot by starting small and start trading in the new market. Limit your risk by short term leases, small production runs, offering only a few products or services. Once demand is proven you can scale up

Summary

One of the keys to business success is constantly seeking to grow, within your overall business strategy. Re-visit your business plan to identify how your new market sits alongside all the other parts of your business to check it's aligned, and complete a new cash flow forecast . Think creatively, and develop a clear strategy to reach your objectives.



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