

Strategies for New Business

How Can Companies Win in New Markets?

In an enormously competitive and quick-changing marketplace, companies face both internal and external pressures to grow. While many can meet the growth imperative for a time by using existing assets, success – and even survival – often demands that they pursue opportunities outside their core business.

But building a presence in a new or related market – through new product development, licensing, acquisition, or some other venture – carries significant risk. The assets and capabilities that sustain the core business rarely serve the growth stage of a new business adequately, and investing in new assets requires additional resources, with opportunity costs elsewhere in the business.

Over nearly two decades of innovation and growth strategy consulting, Analysis Group has helped clients develop new businesses that profitably extend or reinvent their core. From planning new market entry to identifying specific acquisitions and recommending organizational and governance changes, we excel in helping companies achieve new growth. We provide clients a clear strategic vision based on rigorous analysis and supported by the right business model.



Before companies can explore new business opportunities effectively, they first need to know where in the value chain new economic value will be captured, and second, how well their current capabilities will meet the new demands. They must be able to anticipate and respond to transitions in the market and be prepared to sell, buy, or develop their way into, or out of, certain segments when necessary. Analysis Group provides assistance to clients at each stage in the growth process, tailoring our work to the specific status of the client's new business initiatives. Our services include strategic assessment of:

Growth goals: What are your specific goals? What options inside and outside your current business portfolio will best meet them?

Growth capabilities: How will you mobilize your organization to seize the new opportunities ahead? What plan will ultimately get you from here to there – and what are the interim milestones?

Growth opportunities: What portfolios of specific opportunities can help you achieve your goals? What financial outcomes can you expect and what barriers must you overcome?

Building a foundation for success in a new business requires thoughtful planning and analysis of each of these elements. Often, our clients have a strategic assessment in place but lack rigorous modeling of opportunities and development of the right execution plan. In other cases, organizations may have taken steps toward execution and then found that their strategy needs to be changed. Our professionals have brought focused expertise to companies at all stages of the growth process, whether the client is articulating a strategy, executing it, or reformulating it.

For more information on how Analysis Group helps companies win in new markets, visit www.analysisgroup.com or contact our Strategy and Innovation practice leaders:

*Brian Gorin, Managing Principal
617 425 8451
bgorin@analysisgroup.com*

*Edward Tuttle, Managing Principal
650 463 2702
etuttle@analysisgroup.com*

● **NEW BUSINESS STRATEGIC ASSESSMENT** Developing new business lines or products may require companies to operate in a context different from that of their current business. Most often, this means acquiring or developing new products or services to sell to an existing or expanded customer base.

Our clients have asked us to provide structured evaluations of growth options, from assessing promising market segments to analyzing the impact of new business development on shareholder value. In these engagements, we draw on our firm's core skills in economic and financial analysis to map the complex dimensions of industries and opportunities, including:

- Value chain and sources of new economic value
- Growth and profitability, both current and projected
- "Hot spots" requiring attention over the near, medium, and longer term
- Competitive and customer dynamics in selected opportunity areas

An important aspect of this work is helping clients assess the "fit" of the new and current businesses. We revisit the current business model, evaluating existing assets, resources, and capabilities; analyze related

business opportunities; determine how well existing assets apply to the new businesses; and analyze financial and non-financial requirements for success. We also identify drivers of success (and failure), drawing on relevant case studies, and provide clients a framework for comparing strategies. Our assessment culminates in a new business strategy that lays out:

- The most attractive positions for capturing value
- Requirements to compete in the new market; risks and opportunities
- The characteristics of a winning business model; analysis of synergies and gaps relative to current assets
- Pro forma modeling of best options

CASE IN POINT. *We worked with the president and executive team of an industry-leading but slow-growing hospital supply business to develop new growth options. After developing a framework and set of financial and strategic metrics for evaluating opportunities, we helped set investment targets that fit within the company's overall financial constraints. Our client has outperformed its peer group and established significant positions in fast-growing new market segments such as medication management.*

Picking Where To Play The profitability of different segments in a value chain varies over time. Picking where to play – not only which market segment and stage in the value chain, but also which elements of a product or service architecture – constitutes one of the most important decisions executives will make.

Analysis Group has provided strategic insights to clients trying to determine the right choices and proper timing for new business investment. Whether clients are placing a long-term bet on entering a new arena or repositioning themselves within an existing segment, we can help them gauge where the greatest value can be captured in the future.

● **GETTING FROM HERE TO THERE** Only rarely does new business growth come from the acquisition of a company with substantial market value, fully developed and ready to compete. Most companies need practical solutions for market entry, starting with a step-by-step process that draws on both internal and external resources.

A new business strategy built on a carefully constructed migration plan will enable the company to respond to market events, overcome barriers to implementation, and act decisively when the opportunity for a dramatic move emerges. Analysis Group helps clients prepare their organizations to move forward into new growth areas by providing:

- Capability gap analysis
- Maps of migration path, timelines, dependencies
- Analysis of financial constraints and alternate strategies
- Financial modeling
- Assessment of intellectual property assets and strategy

CASE IN POINT. *One of our clients, a top five global automaker, had chosen to invest in fuel cell technology to complement or replace its internal combustion product line with hydrogen fuel cell vehicles. We worked closely with the leadership of the fuel cell group and chief strategic planning and R&D executives to develop a migration path that established metrics and milestones for managing the venture. The plan was successfully implemented, with six acquisitions, partnerships, and joint venture agreements completed within the first year.*

● **IDENTIFYING AND EVALUATING OPPORTUNITIES** Given a strategy to enter or expand a new business, we work with clients to identify specific companies, products, or intellectual property assets that can drive the new business forward.

The resulting initiatives might include company acquisition, product licensing, or purchase of technology to develop new products to be integrated into existing platforms. Our capabilities include:

- Primary research – interviews with customers, companies, or industry experts to test market hypotheses
- Secondary research on companies and products in specific markets, including examination of growth rates, profits, and key differentiators
- Opportunity screening to generate, evaluate, and select options
- Advanced financial modeling to value prospective deals or acquisitions

- Portfolio assessment of internal, external, and hybrid options

CASE IN POINT. *We recently helped a global medical diagnostics company to identify licensing and acquisition candidates. We established screening criteria for new business development and developed a transparent, flexible database to highlight rejection criteria and allow reconsideration of any rejected option. Due diligence is now being conducted regarding two opportunities we highlighted, neither of which had been selected in a prior evaluation. ■*