

Strategies for Penetrating New Markets

Rather than incur the risk and cost of inventing or amending existing products and services, companies can expand their sales outward to penetrate new markets or new segments of current markets.

This strategy is particularly useful for small businesses that have saturated their local markets and can now grow by reaching out to new buyers they have not targeted before. The world is a big place. Reaching beyond your own backyard can be highly profitable if you successfully handle the corresponding increase in production.

Consider these ways of achieving increased market penetration:

Segmentation – Your current target market focuses on only one segment of a wider population who could be attracted to buy your product or service if you pursued them as a target as well. Some means of doing this are: Communication and behaviour

- *Extend current segments* – Your market research may reveal types of customers who could be purchasing your wares but who currently are not because their needs are not being met. Instead, expand your target to deliberately include them as a focus.
- *Re-focus current segments* – If you find portions of your existing target market declining or harder to reach, search for other segments which may be growing and which your product could be re-positioned to capture. For example, as sales of one baby shampoo fell along with the birth rate, the product was re-targeted at aging boomers with sensitive skin.
- *Find new segments* – Your market research may reveal new applications of your current products which you had not thought of before. One skin cream was originally sold as a skin cleanser for young women but the manufacturers found older women were using it as a moisturizer and added this segment to their marketing campaign.

Geographic expansion – One of the most obvious ways to increase sales is to extend your current target market into new regions, especially ones where you expect little competition. This assumes your business is not too geographically isolated such as ones tied to tourism.

- *Media advertising* – Placing ads in select newspapers and magazines with wide distributions will reach a large audience of prospective new buyers, especially if these publications target the same market as you do. Similarly, local television and radio station advertising in towns or cities containing your target market may prove cost-effective, especially in late night or other time slots.
- *Mail-order catalogue* – Some small business producing a wide range of related products could publish their own product catalogue and solicit mail-order sales. Mailing lists of thousands of different market segments and profiles are available for sale to support this strategy.
- *Consider alternatives* – Instead of taking on additional capital investment yourself, consider other ways of expanding through association with others such as franchising, licensing or networking.

More locations – Perhaps, your company could benefit from opening more stores, warehouses or factory locations to bring you closer to new market opportunities. This is a common strategy used by small business retailers that have captured the available market in one location and seek to duplicate their success in another neighbourhood or another region. Some ways to do this are:

- *Minimise overhead* – Rather than reproduce your whole operation at a new location, keep the head office at the old location and only reproduce the essential warehousing, production, or selling functions needed to operate a skeleton facility at the new location.
- *Use temporary locations* – If feasible, test out your new location by erecting a temporary presence, such as by using a stall, kiosk or portable trailer. Temporary office space could be rented before securing a long term lease or some staff could work from home.
- *Expand existing space* – Do not overlook the possibility of simply taking over neighbourhood space or land and growing larger at your current location. Get to know the terms of neighbouring leases and know when they expire so you can negotiate with the landlord in advance. Such expansion maximises economies of scale at your current location for rent, insurance, utilities, and staffing. The savings could fund larger refurbishment of the current location and increase your ability to draw customers in.

Internationalisation – In the past, many small businesses were often slow to seek out export markets and international buyers. This was understandable: foreign languages, cultural differences, tariff barriers, slow communications and other hindrances created real and perpetual barriers to international trade. But in the last decade, the proliferation of English, the emergence of inexpensive telecommunications technology and the spread of free trade practices have opened overseas markets tremendously to small business.

© 2009 “Start Small, Grow Big” Barbara Mowat and Ted James, with the contribution of William Erichson on Chapter 6, “Financing A Growing Business”. All rights reserved. Reproduced with permission. No part of this work may be reproduced, distributed, amended, modified, edited, transmitted in any form, or translated in any way without the prior written permission of the copyright owners.
www.ImpactCommunicationsLtd.com.