



*An Introduction to
Market Development Principles
P3-M1*

For Healthy Food & Drink Products

 **Interreg**
Atlantic Area
European Regional Development Fund



 **A H F E S**



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1. Introduction

The training module is primarily aimed at SME's starting to expand their business, but should also prove useful to companies building on top of the markets they already service.

It takes a step-by-step approach to the market development journey.

Beginning with the decision of
"If now is the right time for your company to expand"

Then moving on through the next steps required on the Market development process.



Market
development

Definition: Market Development

**A step-by-step process
to expand the reach into a
different segment or unexplored market.**

Seeking for new buyers to pitch your products to, or a different segment of consumers in an effort to grow the business and increase sales.

Questions to ask before you begin your journey

Is the business idea itself scalable?

Is your business adding something?

Is this the right time?

Are there support systems in place?

Do you have the right resources in place?

Is there a plan in place to support expansion?

What's your end goal?

Can your business support scalability?

What is your growth opportunity?

Can your company grow faster selling to current customers or new ones?

What new products can you sell to existing customers?

Which new customers should you target and what should you sell them?

You will need to ensure you have the capacity to:

Produce increased units

Take on additional staff required

Manage the increase on the production line

Grow the transport network to deliver these products

Manage the financial strain

Market Development Strategy

Overview

Some see it simply as the idea of change through time.
If you are in business after time you simply grow organically.

For others it's a planned action.
A growth strategy that involves selling your existing products or services to a new group of customers.

It begins with market research where you:

- (a) Carry out a segmentation analysis of your existing market
- (b) Shortlist those market segments which you feel you should pursue
- (c) Consider the two crucial factors
 - *products - what you'd like to offer in the future*
 - *markets - where you'd like to sell in the future*

2. Why Develop New Markets ?

- Increase profitability
- Increase sales
- Grow the company
- Become more innovative
- Generate economies of scale
- Gain new knowledge
- Reduce dependence on the home market



For many companies growing is a natural part of the journey when you start a business.

You may have outgrown your local market or your products may be more suited to Artisan markets and require a bigger geographical area to achieve profitable sales levels.

For others it may simply be a natural progression to look further afield for new opportunities.

Why Grow?

Core reasons

1. Increase sales

The company may have exhausted opportunities in its domestic market and may have little choice but to look further afield for growth

2. Increase Profit

Increased sales do not always translate into increased profits. However, even with tighter margins, profits can be improved by selling into much larger markets

3. Grow the Company

Revenues and cash flows required to support this may not be available from the local market. Greater regional or national sales are therefore almost a necessity

4. Reduce Dependence

SMEs find themselves in a position where they are reliant on a small number of customers. Expanding into National markets reduces this exposure

Developing New Markets

- You may need to adapt some of the suggested strategies to suit your particular circumstances. For example, you may want to explore:
 - *Acquisitions*
 - *Franchising*
 - *Strategic partnerships*
- You may also want to construct your own unique combination of strategies.
The best approach will usually be the one that suits your overall strategic plan.
- Focus on finding an option that could yield most results from the least amount of risk and effort.
- Keep in mind that, to succeed, your growth strategy has to be deliberate.
- Success will require a great deal of research and thorough planning for business growth.

The benefits of trading across a bigger markets

Gaining new knowledge

Companies trading in just one market naturally develop the skills and knowledge required for success on that market.

Exposure to new customers and competitors in export markets can bring the knowledge and skills necessary to do this

Economies of scale

While sales across a bigger area may not be as profitable as those on the home market, the overall increase in production they generate can be used to drive economies of scale which results in a rise in profitability, competitiveness and capability

Becoming more innovative

Learning the skills and techniques required to succeed in other markets greatly improves a company's overall innovative capacity.

Achieved by adapting products and packaging to meet the particular needs of individual and bigger markets



3
Identifying
Market
Development
Opportunities

Extensive market research is an absolute prerequisite before you begin.

Because a product is successful in one market - does not mean it will be in another



Identify new opportunities

Analyse new opportunities in your business by understanding your demographic better.



Understand everything from:

- Distribution channels
- Direct competitors
- Analysis of market segments
- Other potential sales channels

There are likely dozens of new opportunities you could pursue immediately with the proper amount of analysis.

Market Segments

New geographical areas
New demographic segments

You may want to look at customers typically served by your competitors, or customers currently not served by anyone

New customer needs
New customer preferences, interests and lifestyle

Once you identify the target segment, you should create a promotional strategy and find ways to attract and sell to customers within it

Research the competition

When going to market, you need to research the competition.

Know the information which could be of benefit

Take a look at their prices.

Where do they get their supplies?

Who distributes their goods?

Learn from any mistakes your competitors have made

You definitely want to know what their customers are saying about them

See what they're doing that is working and if what they're doing makes sense for your business



Pick the market that interests you most, also the one with the fewest barriers to entry

Desk Research - Internet

The websites of your competitors and those of relevant retailers or foodservice operators will also provide valuable insights.

Websites of major retail chains or specialist shops will give you an indication of the range of products in your category, how they are packaged, pack sizes, flavours and price points.

It can also identify gaps on the shelves and where your products might fill that gap.

In Market Business Contacts

Early stage research can uncover a range of good quality information which can indicate the existence of an opportunity or not, or if such an opportunity is worth pursuing.

For instance, can you meet the price expectations of the market while generating sufficient margin to make the enterprise worthwhile?

The type of data to be gathered can be broken down into a number of key areas:

Market issues

These include issues such as regional locally based stores that you have no links with.

Strong local competition in your sector

Overall economic issues including consumer spending power and regional economic variations should also be analysed.

Market structure

Variations in market structure even between neighbouring countries.

Some may have a retail segment dominated by a small number of key players while another may have a highly fragmented foodservice sector.

Routes to market

It is important to consider how difficult it is to physically get products from your location to a customer in the chosen market.

Look at existing transport links between the two regions.

Distribution channels vary from market to market as will the means of accessing potential customers.

The type of basic data which should be sought and will be readily available includes:

- Economic trends
- Competing products and prices
- Population and demographics
- Trade statistics
- Logistic costs
- Delivery time lines
- Regional competitors



If research shows positive results it is then time to look more closely at the market

This will inevitably require a market visit and investment in quality in-market research

You may be able and have the time to do this yourself or you can employ Business Development Managers or consultants to undertake this research on your behalf

Marketing, sales and other experts may be required at this stage and their time will not come cheaply

It is essential to define in advance the type of market intelligence you are seeking and to set clear budgets

4. Market Development Strategies

Pricing

You could implement competitive price structures with offers and discounts or, to command a higher price, provide a product with more value than the competitor's

Branding

You could create a new brand for products aiming to reach a target market or a specific customer segment

Sales

You could target a different demographic segment or type of customer to create new leads and opportunities. Example alter an existing product or develop a new one for the untapped market

What are the three major growth strategies?

Market Penetration

Sell more of the same things to the same market.
The risks are usually low as you focus on capturing a bigger share of your current market with the products you already have.

Market Development

Where you try to sell an existing product in a brand new market.
For example, you may want to segment your existing market or reposition your product in it, or target an entirely different geographical area.

Product Development

You are introducing a new product into your existing market. You're effectively selling something different to the same customer, potentially encountering greater risks.

Your Market Development Plan

Having decided that growing your market is the next step for you, and you have identified a suitable market to target, the next step is to develop an strategic plan.

An plan will be similar to a business plan in that it will include an overall strategy and objectives, a background analysis, and sections covering marketing, budget, action steps, implementation schedule, targets, and of course market information.



Market Development Planning

Measurement

The plan should set benchmarks and targets against which actual performance can be measured

Complexity and Detail

The degree of complexity of the plan will depend on whether the company intends selling directly into a market or indirectly using distributors or agents

Live Document and Active Plan

The Market Development plan will grow and become more comprehensive as time goes on

Market Development Plan

The best plans are dynamic in nature and are compiled at least partly as a result of the research being carried out into the target market or markets.

The plan should also be capable of adaptation and alteration during implementation as actual market conditions on the ground are taken into account.

It is therefore best to try to keep the plan as simple as possible in order to avoid unnecessary rigidity. It should be capable of changing in response to the company's real experiences and learnings in the market.

The plan should therefore grow and become more complete as time goes on.

The plan should set benchmarks, timeframes and targets against which actual performance can be measured. **Without these milestones it will be impossible to judge.**



Build a Market & Business development funnel

The Marketing and Business Development Funnel depicts the journey that a business takes when assessing new locations.

The journey typically begins with an initial evaluation, that identifies your new market as a prospect.

It culminates with a decision as to whether the location meets the criteria for investment and next stage development.



KEY QUESTIONS

Which market (or markets) is being targeted?

What type of market research has been carried out?

What were its findings?

Which products are to be sold?

Are product modifications required?

Who are the target consumers for the products?

What are the specific challenges and constraints?



KEY QUESTIONS

How will each of these challenges be met?

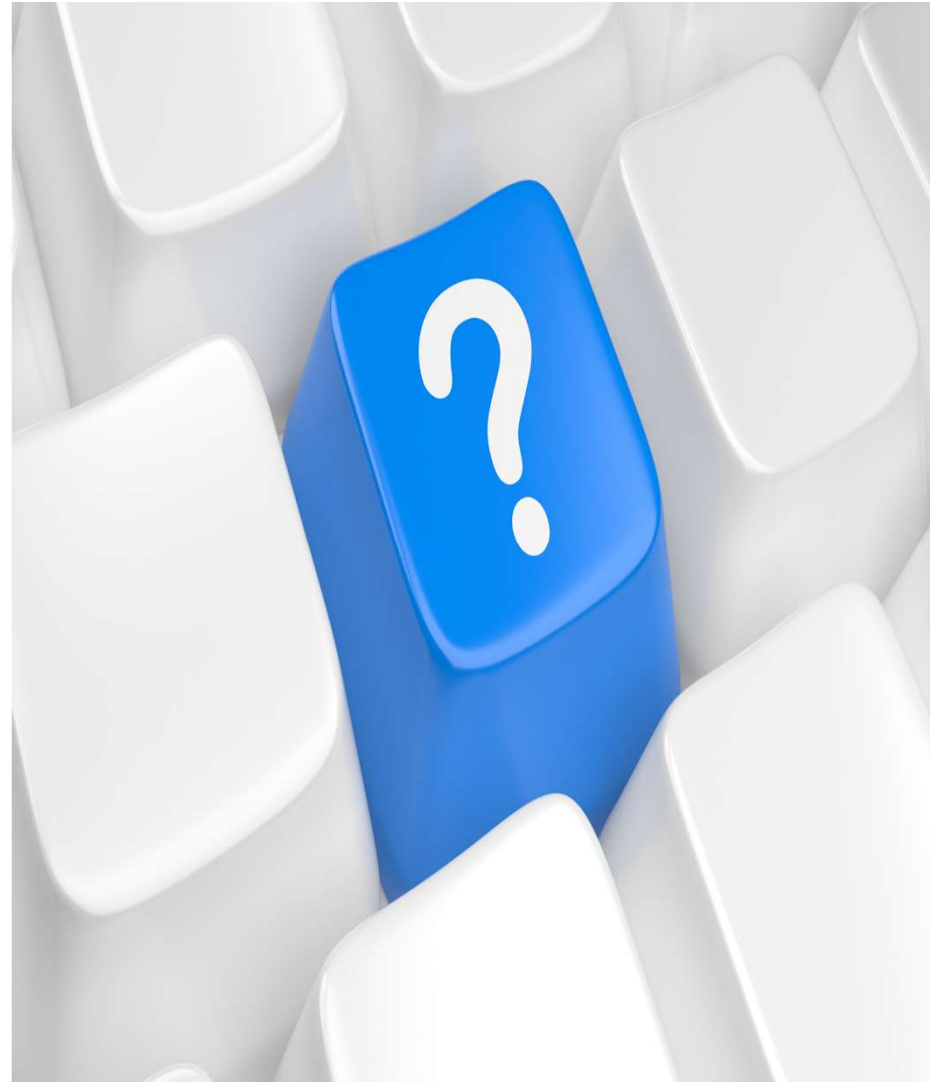
Who will be responsible for meeting them?

What is the chosen route to market?

How will it be accessed?

How will the product price be set?

What are the steps to enter the market?



KEY QUESTIONS

What budget is set aside for the market development effort?

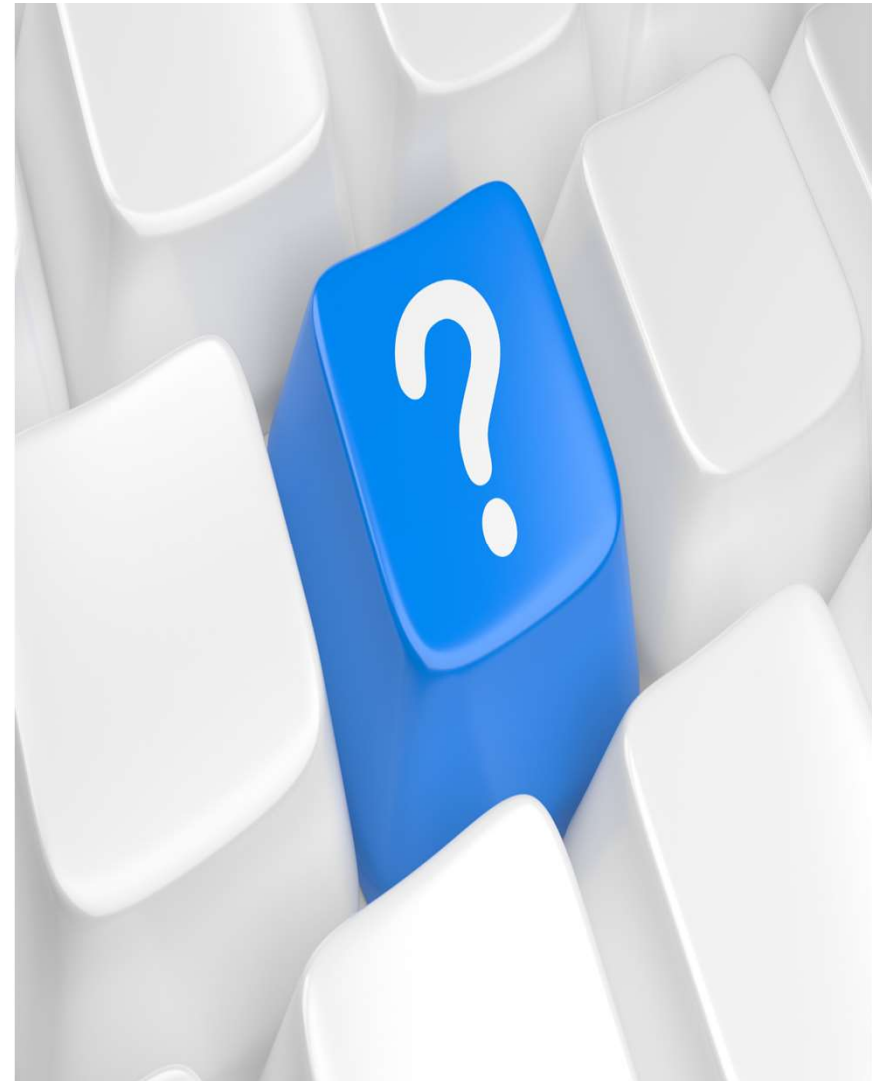
What personnel resources will be devoted to it?

Will it be necessary to increase production?

If so, by how much?

What are the performance targets?

How will performance be evaluated?



A plan based on the questions above will increase the overall chances of success but will not guarantee it.



What it can do is provide focus to alert you when things are going wrong.

This will allow changes to be made to avoid making costly mistakes.



Getting Your Products To The Customer

Remember making that first sale or reaching an agreement with a distributor is just one step in the export process.

You then have to fulfil the order and actually get the goods to the customer or distributor.

This can involve a number of other parties along the chain and close attention to detail is required to ensure that everything goes smoothly.



5. Choosing Your New Market Development Route

The most important decision to make at this stage is whether they will sell directly or indirectly into a new market

- (A) Direct Sales involves selling direct from the producers location direct to the customer
- (B) Indirect means working through an agent or distributor

Organic Market Development

Here are three examples of growing your market from within your existing set up – using smaller incremental steps to grow

(a) Customer loyalty

Loyalty programs are great ways to increase market share.

It costs up to three times more money to acquire new customers, than it does to sell something to an existing customer.



It might also help you attract new ones as well.

If there's a clear incentive to spend more money with you, it'll pay off in the long run.

Building a customer loyalty program will help you retain customers and grow sales.

(b) Diversify your offer line up.

Look into diversifying your product range

What complementary products can you offer in your business?

Identify new opportunities within your market segment

Uncover the pain points or emerging opportunities

What else can you sell to your customers?

Where else can you add a new dimension to your offering?

(c) Leverage new and global platforms

Move across to ecommerce business for selling products.

Find a platform that's reached saturation and use it to grow your business quickly.



A sample of the Ecommerce Options



Facebook

Sell directly to your customer base



Amazon

Increased geographical reach



Shopify

Your in control- creates your own website or links to existing site

Strategic Market Development

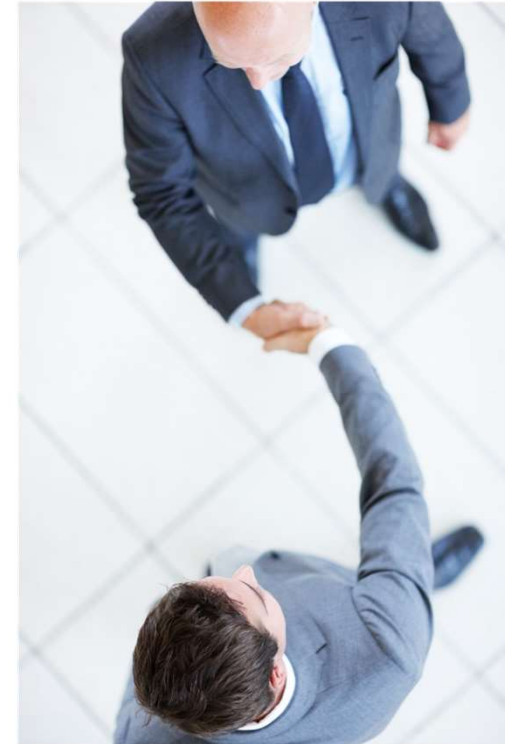
Developing new markets in big steps -
Entering into contracts that can dramatically
step things up

Form strategic partnerships

Strategic partnerships with the right companies can truly make a world of difference

It could allow you to reach a wide swath of customers quickly

Look out for companies that are complementary to your own. Contact them and propose opportunities for working together



But... Identifying those partnerships might be easier said than done.

Acquire Other Businesses

Sometimes, acquiring other businesses is a very quick way to expand into new markets.

If you can find competitors or businesses within your sector that can complement your own, you could use them as platforms to scale fast.

Take a look within your industry or market place and to find potential for new opportunities to develop or exploit new markets.

Franchise or Licensing deals

Franchising

If you have a successful business, and you're really looking to grow quickly, consider franchising it.

Although franchise costs are high and moving to a franchise model is complex and takes a lot of marketing know-how, it could make all the difference if you're truly looking for quick growth.

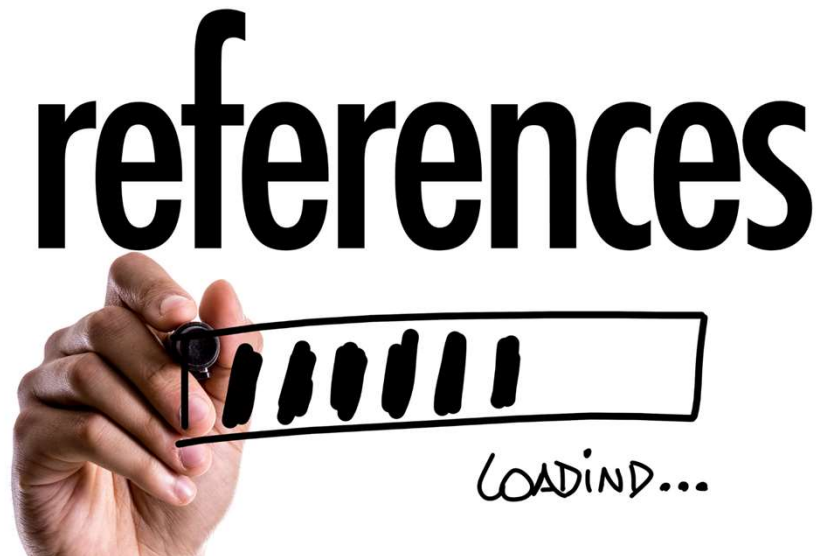
Licensing

If you have a product that you can license to others and share a revenue of, that's an ideal way to grow quickly

Taking a popular or successful product and bringing it to a company with a large footprint can help you achieve market saturation quicker.

CHOOSING THE RIGHT ROUTE TO MARKET IS KEY, BUT IF REQUIRED, CHOOSING THE RIGHT PARTNER IS CRUCIAL

It is essential to seek references from other businesses working in the area, as well as taking legal advice before entering into any trade agreements.





Distributors

Takes charge of sales, marketing, promotion, logistics within a market

Offer ready market access and take a lot of the risk out of new market development

Have reach in their own markets and can put new products on shelves or on restaurant tables

There are some downsides of course for example, High margins (regularly 30%) and long credit terms

These can be justified if they achieve their sales promises but there can be difficulties if they do not

Distribution agreements often involve long exclusivity terms with few performance penalties

Distributors sometimes make agreements in order to control competition in a market

If you use a Distributor seek references from other businesses and take legal advice before entering into any agreements



Agents

Halfway house between a distributor and having your own in-market presence

Agent acts on behalf of the company, finding customers and selling products to them

Once a sale is made the order is then passed over to the company who dispatches it and invoices for it

The agent receives an agreed commission for their services, (typically 5% -15%)

Care has to be taken when appointing an agent to ensure that they have the right contacts with the customer

The advantages and disadvantages of using an agent versus a distributor have to be assessed very carefully



Agents

An agent's commission may be significantly lower than a distributor's margin

But remember that you are responsible for all logistics and other in market cost of sales

You are also exposed to payment risk from multiple customers

Legal and other advice should be taken before reaching an agreement with an agent

.....and their credentials should be checked

Useful Tips When Picking An Agent Or Distributor

- Consider hiring a sales consultant in the market to advise you on your options
- Look for recommendations from other exporters first
- Find out who the key distributors are for the customers you wish to sell too
- Look at the distributors website to check prices and the product ranges they offer
- Consider working together on a trial basis for a fixed-period
- Always try to minimise the agent or distributors period of exclusivity
- Talk to your lawyer before signing any agreements

International Expansion

Can you expand internationally?

Can you take your existing offers and scale them internationally?

What would it take to do business in Canada or Mexico or Asia?

If you have a converting offer, international expansion could be a quick way to grow.

This sort of Market development will incur costs, but, the potential for profits can be rewarding



7. Marketing - Across a Wider Region

INTRODUCING A NEW BRAND OR PRODUCT TO A MARKET IS NOT EASY

Building awareness with trade customers can be done in several ways.

Advertising in relevant publications and attendance at exhibitions can be effective

Ensure your target customer base knows that your products have arrived

Advertising

When considering advertising, the first thing to do is research the target market thoroughly to assess how best it can be addressed.

The Online Channels

Localise your website for the market & use social media to promote and engage with the target region

Direct Trade & Consumer

This should only be considered when your product is actually on sale in a market.

In many cases local distributors and agents will bear a share of advertising costs.

Build an Contact List

One of the most best and most effective ways to grow a market quickly is to build an contact list.



Social media and direct email are the best examples of this.



Social Media For Market Development

If you can communicate directly with your consumer base then you can,



Seek & Find



Delight & Inform

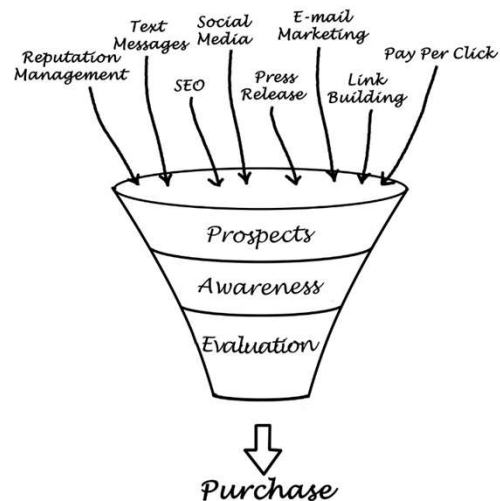


Engage & Convert

***You should tread carefully ...
Gentle engagement is the key and not the hard sell.***

This can be seen as a turn off, and reason to unsubscribe or delete emails without opening them.

Create a Webinar



As an extension of the Social media campaign, Webinars are a great way to promote any company or product.

It can also help you grow your market share relatively fast.

Webinars provide an effective tool for literally taking any product to market and reaching a wide audience quickly.

The webinar medium is great for captivating audiences to clinch sale after sale, automatically.

Remember consumers will only visit or watch your webinar if they believe it will provide value to them.

New Information on for example,

- Health benefits
- Cooking process
- Diet information

Consumers will not join a webinar for the hard sell

Exhibitions and Trade Fairs

Trade shows are often the best way to meet buyers and research new markets

A presence at a trade fair can also be a very cost effective means of selling and promoting your business to key customers





7. Managing The Finances

The Market Development journey involves significant costs for a business and these need to be factored in from the very beginning.

The Costs

Initial costs

- Market research
- Visits to the market
- Staff training
- Specialist advice
- Product development
- Early stage marketing costs

Ongoing costs

- Costs associated with longer production runs
- Investment in new plant
- Hiring additional staff
- New packaging development
- Marketing
- Logistics costs
- Reduced margins on promotional products
- Agents - Consultancy - In-market representation
- Bank and finance costs
- Legal fees

Financing Options

Factoring

This involves the exporter “selling” its outstanding invoices to a factoring company which takes on all of the payment risks but also takes a substantial discount in return

Credit Control

Tightening up on this area can improve cash flows and help provide the additional resources required for the export effort



Credit Insurance

One way of dealing with the risk of non-payment is credit insurance.
This is an insurance policy taken out by the business to protect against non-payment.

Safety First

The best way to reduce the risk of non-payment is to be absolutely sure who you are doing business with.
This might narrow your potential customer base somewhat but having a customer who doesn't pay is far worse than not having a customer.

LEGAL & REGULATORY CONSIDERATIONS

**When signing any new agreements,
if you have any doubts always get legal advice**

**Initial advice on all these areas is available from
Chambers of Commerce, Government Agencies
and Trade Associations.**

Here are links to other AHFES training Modules to help build your Market Development strategy

The AHFES training modules and Programmes are built to give the companies a more in-depth knowledge about how to approach innovation and internationalisation, so they can be more competitive and thrive in the market.

It is very useful, and desirable, to combine the tools and information in each training programme in order to achieve better results.

P1-M1 Consumer Insight

[English](#) [Spanish](#) [French](#) [Portuguese](#)

P2-M3 Creating A Product Strategy

[English](#) [Spanish](#) [French](#) [Portuguese](#)

P1-M2 Market Understanding

[English](#) [Spanish](#) [French](#) [Portuguese](#)

P1-M8 Tailoring Your Products to Suit Specific Markets

[English](#) [Spanish](#) [French](#) [Portuguese](#)

P1-M6 Defining Your Brand Values

[English](#) [Spanish](#) [French](#) [Portuguese](#)

Please click the link in your desired Language. Ctrl + Click to follow the link



We hope that you have found this training module a useful and helpful support to your healthy food and drink innovation.

This training module is one of a number of training opportunities, organised into themed training programmes to support SME's (small & medium sized enterprises) in the participating regions of Wales, Northern Ireland, Ireland, Spain, Portugal and France to successfully bring new and reformulated healthy food and drink products to market.

The training was created by the partners within the AHFES project which is a quadruple helix Atlantic area healthy food eco-system for the growth of SME's funded by the European Union under the Interreg Atlantic Area Funding Programme.

This programme promotes transnational cooperation among 36 Atlantic regions of 5 European countries and co-finances cooperation projects in the fields of Innovation & Competitiveness, Resource Efficiency, Territorial Risks Management, Biodiversity and Natural & Cultural Assets.

For more information about other training available [please click here.](#)



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