



## Finding New Customers in New Markets

By Charlie Alter

Finding new customers in new markets is a major element of any profitable business growth strategy. However, many companies struggle with how to do this successfully and as a result they keep mining the same markets and the same customers, even if neither are profitable anymore.

### How to Find New Markets

The first step in finding new markets is to identify the most profitable markets that you currently serve, because these existing markets can lead your business to identify profitable new markets to explore.

Start by forming a small internal team consisting of the people who are responsible for the following jobs: direct sales, marketing, finance, production and engineering. Challenge this team to complete a table like the example below by analyzing all customers for the last three years that collectively generate 80% of your company's total sales. Use estimates for Margin, Hassle and Potential factors rather than laboriously analyzing each account. You want to do this analysis as quickly as possible and be reasonably accurate.

Customer Name	Total Sales for Three Years	Primary Location	Primary NAICS or 6-digit SIC Code	Products or Services Sold	Margin 1 - 3 1 = best	Hassle 1-3 1 = best	Potential for the Future ++, +, 0 -, --
Atlas Products	\$4,550,000	Fostoria, OH	333132: Oil & Gas Field Equipment	Engineered Components	1	1	++
BNC Systems	\$4,200,000	Portland, OR	3327123 Glass Container Mfg.	Controls	2	3	+
Whirlpool	\$3,750,000	Clyde, OH	335221 Household Cooking Appliances	Mechanical Assemblies	2	2	-
Viking	\$2,250,000	Oxford, MS	335221 Household Cooking Appliances	Dampened Hinges	1	2	++
Dana	\$1,375,000	Toledo, OH	336350 Auto Power Trains	Metal Stampings	3	3	--
Artisan	\$1,250,000	St. Louis	333294 Food Processing Equipment	Engineered Components & Controls	1	1	++



## The Next Step

Now that your team has analyzed each of your largest customers over the last three years, they can begin to explore which ones are really your Most Valuable Customers (MVCs) and which market segments appear to have the greatest potential for sales growth in the future by doing the following:

1. Trim the list down to those customers that ranked #1 in Margin and #1 or #2 in Hassle.
2. Next, identify which of these customers are expected to have good potential for growth in the future (++ or +).
3. This short list of customers represents your most profitable current and future markets.
4. The critical next step is to look for “Adjacent Markets”, that are similar to the best ones you current serve. To do this, look at the NAICS list, which you can find at <http://www.naics.com/search.htm>, and search for markets near or “adjacent” to your current markets that may have potential to explore.

## Examples of New Markets to Explore

Using the table below as an example, the markets you might explore could be the following. You should do your own in a similar manner.

Current Most Valuable Market	Adjacent Markets to Explore
333132 Oil & Gas Field Equipment	3331231 Mining Machinery Manufacturing or 333120 Construction Machinery & Equipment
335221 Household Cooking Appliances	335222 Refrigerator & Freezer Equipment 335224 Laundry Equipment
333294 Food Processing Equipment	333295 Semiconductor Machinery Manufacturing

## Identifying the Best Customers

The best strategy to find new customers is to identify the characteristics of your current MVCs and then use that to guide your efforts to segment the prospective customers in the new markets you’ve identified.

Start by meeting with your team again. Review the analysis they did on your current customers that yielded the data on your most profitable current markets. Make a list of those customers that your team rated #1 on



both Margin and Hassle. These are likely to be your MVCs. Work with the team to describe the characteristics of each of these MVCs and then find those that appear to describe most of your MVCs. These characteristics are likely to be some of the following:

- Size: total sales and number of employees
- Single vs. multiple plants (identify how many)
- Ownership Structure: family-owned, privately held, part of a larger company, publicly traded, etc.
- Attitude
- Core values
- Low volume to niche markets vs. high volume to many markets
- NAICS or SIC codes
- Geographical location

### **Finding the Best Customers in New Markets**

The next step in this process is to pick the target market segments you want to explore. Using the example above, you might choose 333131 Mining Machinery Manufacturing and 333120 Construction Machinery. The steps your team should follow next are:

- Purchase a Dunn and Bradstreet Marketplace listing of the companies in each of these NAICS codes or find something similar at your local library or MEP Center
- Segment this list, either by the geographic locations you feel you can best serve or by where the most companies are located
- Purchase the full company information listings on each location
- Segment this list by your MVC characteristics

Voilà, you now have the beginnings of a prospecting list for the new market segments you have identified.

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