

Deciding the vertical industry, geography, company size, functional group and position titles to target in focusing your finite resources for SALES GROWTH.

The Target Market Paradox: Narrow Your Focus & Increase Your Sales



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Much has been written over the years about the importance of target market analysis and execution. Borne out of my extensive experience with start-up companies, I offer the following pragmatic perspective on why this work is so vital. I have lived through the pain of not effectively addressing the criteria below.

One of the most crucial decisions that start-up companies or established divisions launching a new product need to make is where to target their sales and marketing efforts. Specifically, to decide the vertical industry, geography, company size, functional group and title(s) of where to focus finite resources. This is doubly important for organizations that have created something that doesn't currently exist – there is no category or context within which a prospect can evaluate it. For example, a past sales consulting client had created a robust online calendaring SaaS (Software-as-a-Service) solution that had broad applicability in both the business (B2B) and consumer (B2C) markets. A huge challenge that they faced was making the hard decision to focus on a specific segment of either the B2B or B2C markets.

The tendency of many companies, young and old, is to avoid the decision to target a specific market, but rather to try and be “all things to all people”. It has the false feeling of appearing less risky. Nothing can be further from the truth. This fatal decision has been the death knell of many start-up companies and new product attempts. This go-to-market strategy is doomed to failure and will end in poor sales results, frustrated senior management, wasted sales, marketing and product development resources, a demoralized team and misused time and capital.

Here are a few important criteria to consider when making the target market decision:

- ***Nice-to-Have vs. Need-to-Have:*** Does the target prospect view your offering as something they *must* purchase in order to build their business or is it an innovative/cool/exciting product that isn't viewed as compelling enough to purchase and implement? A telltale sign of a *Need-to-Have* offering is that during the sales process, prospects develop a sense of urgency to purchase and implement the solution. Several years ago I did a sales and marketing consulting project for a startup of world-class software developers who had built some very elegant software. Unfortunately, sales were dismal due to the fact that the software solved a problem that was not viewed as critical, urgent or major.
- ***Early Adopter Behavior:*** There is inherent risk in purchasing something new that doesn't have reference customers, analyst reports and a track record of results. Is the prospect that you are targeting willing to take this risk? Can you find examples where they have done so in the past? I can't stress enough the importance of validating that your initial target market will be willing to take the leap of buying and implementing your offering. Failing to honestly answer this question has been the downfall of more than one start-up.
- ***Resistance to Change:*** In my experience, change is the biggest competitor to getting a new product purchased. The hard question to be researched, analyzed and answered is whether the target prospect will be willing to change what they are doing (including reprioritizing already-stretched resources) in order to purchase, implement and enjoy the benefits of the new offering?

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- **Addressable Market Size:** Are there enough prospects in the target market to enable meaningful sales traction, in the form of revenue, reference customers and critical sales, marketing and product management learning?
- **Reachable Prospects:** Very simply, can you contact – via email and phone – the target prospects so that you can engage them? It is extremely difficult to build market awareness, do lead generation and execute selling efforts if you can't build a robust contact database of the prospects in your target market. One of my recent consulting clients had a compelling solution. Unfortunately it was next to impossible to reach the business executive who would most benefit from the offering. This made the marketing and sales efforts extremely painful and frustrating.
- **Benefit Recipient:** Is there a disconnect between who has to be a part of assessing and purchasing the offering vs. who will benefit from its use? Will the functional group that must play a major role in the buying process benefit from your offering's value? I ran Sales for a start-up that had an enterprise software offering that required substantial involvement from the IT organization in order to get it evaluated and implemented. However, the benefits were realized by Marketing and Operations. This reality made our sales process much more complex, frustrating and time and resource intensive.
- **Decision Making Process:** How will the decision to purchase and implement be made? Who has to be involved in the decision? In today's matrixed organizations, stating "the COO makes the decision" is naïve and oversimplified. The truth is that increasingly buying decisions are made by small groups of executives. Therefore, throughout the sales process it is critical to understand the specific steps that are necessary, by whom, for the buying decision to be made.

In closing, I encourage you to have the discipline and courage to honestly answer the questions above. As you get initial feedback on your new offering, via customized demos and functional overviews, don't be lulled into the false belief that selling it will be easy because they said "This is fantastic – what an innovative solution!" That statement can make you feel good, but it won't help you make payroll.