

EXPLORING NEW MARKETS EFFECTIVELY

Susan M. Anderson
Director, Global Business Development

The ChemQuest Group, Inc.
Cincinnati, Ohio

***Modern Paint and Coatings –
“Paint Doctor”***

January/February 2003

Q. As a company's primary market matures and company growth ebbs, how can new markets be found for its technology?

A. As markets mature and growth ebbs, a company can choose several paths to sustain growth. Among them are domination of the current market through capture of competitive business, development of new products that offer either cost or performance advantages, and introduction into new markets for the current technology. When a company has developed unique technology or processing capability that appears to have application to different industries than its incumbent field, it is tempting to forge ahead, trying to assess and generate interest, with just a cursory understanding of the new market dynamics and requirements. This can be costly, not only in terms of time and investment in further research and development, but also in potentially damaging to what could have been a legitimate opportunity to diversify, through inability to meet important, but not obvious, customer expectations.

This is particularly relevant to raw material suppliers that participate well in one industry and want to improve growth and profit by expanding into new markets with their technology. It is tempting to expect that success easily transfers to new related industries. A hypothetical example might be a resin company that has developed a process for making unique polymers for paint and has captured significant share in the market. The company has good market position but the economic challenges of the past year have increased competition and dented profitable growth, so new business development is necessary. The Adhesives Market can be enticing to such a company for several reasons. The industry growth rate has historically been, and is expected to be, above GDP. The market is fragmented with many profitable niche applications. The market is dominated by four diversified global companies and drops off quickly to a plethora of small to medium size regional formulators.

So what are the pitfalls to just forging ahead? Well, there are many but here are a few:



- Many formulators have cut back on resources significantly and are less likely to show interest, even in a new technology, without an enticing value proposition that is targeted to pressing needs.
- The adhesives industry has lagged the paint industry in regulatory requirements, particularly VOC and therefore technologies that have filled a need in the paint industry may not generate the same value or excitement. In fact, the adhesives industry has historically been dominated by water-borne technology and still is today.
- The technical and sales service requirements of many of the profitable segments in Adhesives can place a heavy burden on a supplier organization for a relatively small sales volume.
- It is important to understand the risk and reward ratio because each application varies in terms of substrate, process, end-use performance requirements, and value-in-use of the adhesive,.

Forging blindly ahead can result in either missed opportunity (because chosen customers fail to grasp the value proposition) or in lengthy development programs that result in disappointing payback dollars and time. In the worst case, the development effort might never result in a product commercialization.

Q. So what is a “Better Way”?

A. Gaining knowledge of the end-use market segments – size, and profitability, trends and drivers, key formulators - plus their market segment positions and growth strategies, value-in-use of the adhesive formulation, and critical success factors – will narrow the target markets and aid in choosing viable partners that have potential to mesh with your company’s goals and capabilities. For example, the packaging film laminating market may appear to be interesting on first glance. However, upon further investigation, you will find that formulators that have captive resin capability dominate this market. There is little profit margin available to fund the purchase of the polymer from the merchant market.



Once target segments have been chosen, determining the major facets of customer needs and acceptance of your technology as an alternative to incumbent resins will not only provide parameters for product development and testing, but also act as a framework for successful market entry. It will also give you a more realistic view of the investment your company must make to become a supplier to the market. Among the important determinations some are obvious essentials. These are application criteria, key performance specifications and test methods, service and support requirements, and unmet needs. However, others are just as important but less obvious. Some of these are latent unmet needs, degree of standardization versus customization (many adhesives are customized per customer). Others are customer costs to qualify a new supplier or raw material, and to modify existing formulations, other barriers to entry (strong relationships with current resin and additive suppliers, process equipment in use, etc.), and key technology influencers throughout the value chain.

Arming yourselves with this information will help you to make an efficient, cost effective and successful entry into a new market – such as Adhesives.



About The Author



Susan M. Anderson

**Director, Global Business
Development**

The ChemQuest Group, Inc.,
an international strategic management
consulting firm specializing in the
Adhesives, Sealants and Coatings
industries, headquartered in
Cincinnati, Ohio.

Susan joined The ChemQuest Group in 1997 after thirteen years with Zeneca Resins where she held numerous positions including Business Manager, Architectural Coatings, Business Manager, Adhesives & Sealants, Business Manager Graphic Arts, and General Sales Manager. During her tenure at Zeneca, she gained considerable experience in managing strategic planning teams, organizational change, and sales and marketing teams. Prior to Zeneca she spent six years in sales for Morton International Inc. and five years in product development and tech service for the 3M Company. She earned a B.A. in Chemistry and in Mathematics from Augsburg College.

Contact Sue at (781) 837-0222 or sanderson@chemquest.com

.....

**Questions or request for additional copies of this paper may be
directed to the author at:**

**The ChemQuest Group, Inc.
8150 Corporate Park Drive
Suite 250
Cincinnati, OH 45242**

(513) 469-7555

(513) 469-7779 – FAX

www.chemquest.com

