

Market opportunities can present themselves in a variety of ways: a customer could ask your company to expand geographically; an employee might offer up specific skills; or a new market in need of service can impose a strong pull. Are you considering adding a new line of work or a new market for your existing line of work? This framework is designed to help.

Growth through market entry provides the opportunity to develop and motivate personnel, expand the brand, better serve customers, and mitigate market risks. Unfortunately, statistics show only one out of five market entry decisions are successful. One of the reasons is that most leaders make these types of market entry decisions only once or twice in their careers; not enough to build experience to identify all the major risks.

Although a standardized decision-making process greatly improves the likelihood of a successful market entry, a survey of sheet metal and HVAC contractors indicates only 6% of contractors have a formal process in place.

You can use this simple framework to organize your decision process and lean on the experiences of over 200 sheet metal and HVAC contractors to increase the probability of success.

First, in order to identify which market opportunities are right for your company, you need to understand your current position to develop an effective orientation with decision-makers as well as provide explanation and justification for the decision. Moreover, data from sheet metal and HVAC contractors show a major predictor of market entry success is unwavering commitment from the top company leaders. An influential company leader will be necessary to ensure a successful outcome. The initial steps involve clearly defining the opportunity and articulating the reasons for considering market entry, how the new market fits into the bigger picture for the firm, and identifying individuals who will ultimately make the market entry decision. After these initial steps, you and your fellow decision-makers are invited to make the first of four Go/No-go decisions to enter the new market.

You can also broaden your perspective by learning from the experiences and lessons of other sheet metal and HVAC contractors who have made similar decisions. The New Horizons Foundation offers a short document that compiles 30 such stories of contractors who added HVAC service, added a new trade, expanded geographically, entered a new market sector, and used a new process. Based on decisions that are similar to yours, consider realistic expectations for your new market (e.g., what can you expect for profits, start-up costs, labor availability, and so on). Several critical lessons can be learned from reviewing previous experiences: ensuring that the new market is being accounted for separately than existing markets; planning a conservative start; recognizing uncertainties in the new market versus the accuracy of your profit projections; anticipating the impacts of the new market on the company as a whole; identifying potential labor risk; planning for any cultural differences; remaining flexible and continuously adapting; committing to the decision; considering barriers to entry; and maintaining clear objectives throughout the process. Reviewing previous experiences and lessons learned will prepare you and your fellow decision-makers to make the second Go/No-go decision to enter the new market.

You will then address Eight Essential decision factors. Developed via an extensive consensus process, the following were determined to be highly important for success in all types of market entry:

1. Strategic/cultural fit of the new market with the company's overarching strategies, competencies, and culture;
2. Experience, abilities, and drive of the person who will champion the new market;
3. Market need, including current size and potential growth/shrinking of the new market;
4. Competition already existing in the new market;
5. Competitive advantage, edge, or niche the company may possess in the new market;
6. Start-up costs needed to enter the new market;
7. Year-to-year profit projections of new market revenues versus costs; and
8. Investment capital readily available to commit to the new market entry.

A good assessment of the Essential Eight serves as a solid foundation for your third Go/No-go decision to enter the new market.

The New Horizons Foundation has developed several tools/guides to use as you work your way through the process. By using those tools to structure your market entry decision, you will have leveraged the sheet metal and HVAC industry's knowledge and experience to significantly increase your decision's probability of success.