

Make your competitors your market

It seems obvious now, but only in retrospect.

Sometimes the path to growing revenue and profit has little to do with pushing harder on traditional sales and marketing tactics. And sometimes being first to market is the least profitable place to be.

Those are the lessons we at Capital Acceleration Partners — an equity sponsor and advisory services firm serving the middle market — discovered in an engagement with an innovative specialty manufacturing company.

The manufacturer was quite successful at penetrating its market with new products and technologies, where it achieved 30 percent market share. But the real money was in the much longer-term, higher-margin replacement market — a market where larger competitors had locked up distribution channels. In that segment, the company had only a 3 percent share.

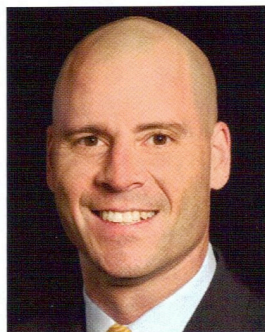
My client developed approximately 90 percent of the innovation in the market, but was only capturing value from a narrow

sliver of the life cycle of each innovation. Meanwhile, the competition had two or three years to evaluate the market acceptance of each development before deciding whether to enter the market.

Our client spent years concentrating on traditional sales and marketing fixes, particularly focusing on growing the third-party distribution and replacement business to drive brand share growth, but neither replacement sales nor profits appeared.

Instead, we suggested adjusting the strategy to leverage its innovations and take advantage of the strengths of its competitors, rather than working against them.

So the company began selling to competitors the one proprietary component in which most of the innovation resided, reducing financial exposure while keeping



competitors out of the knockoff business. Now, it captures profit from each replacement sale and has extended the value from the life cycle of each innovation. By identifying the value of the innovation and shifting focus to manufacturing share, the company has experienced five years of tremendous growth.

So, if your competitors have locked you out of your market, maybe you can make the competitors your market. By refocusing sales and marketing goals away from conventional objectives, we simply tied our client's approach to where it added the most value to the market.

RANDY MARKEY is managing partner of Capital Acceleration Partners (www.capitalacceleration.com) and a member of the Cleveland chapter of Entrepreneurs' Organization (www.eonetwork.org), an international organization of business owners dedicated to helping each other learn and grow.

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