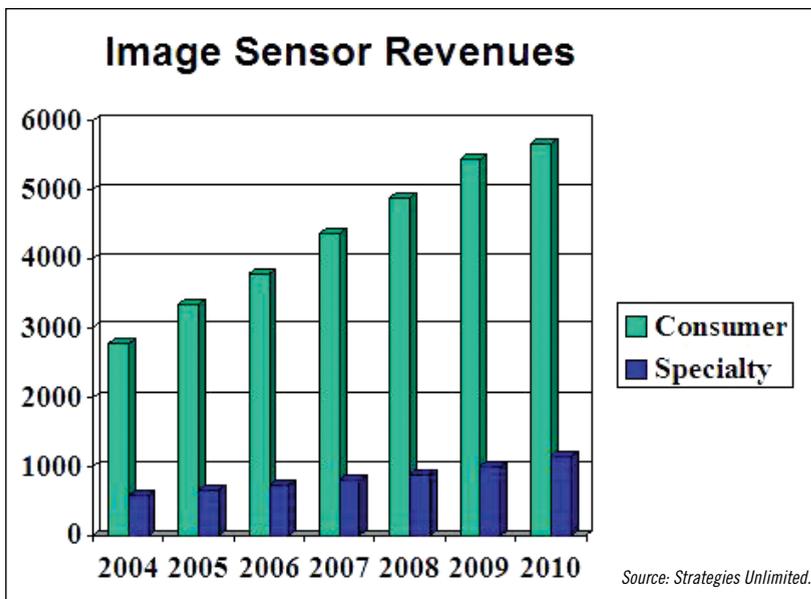


Crossing Over to Success



Moving into new application markets requires careful planning, a technology edge, and sales channels.

- Study the opportunity
- Have a technical edge
- Build your sales channel

These days, success in business is all about growth. Certainly, if you're established in a mature market you can expect incremental growth, but the way to really see revenue jump is to cross over to a new market. It sounds simple in the abstract — if you build it, they will come, right?

Not necessarily.

All too often, companies get ready to dive into a new market based on a single phone inquiry from an interested party, who may or may not ever develop into a customer. Or they'll get seduced by impressive market numbers — just a crumb of a multibillion dollar pie, the thinking goes, will generate a hefty profit. Of course, if the entire market is already subscribed by entrenched suppliers, even crumbs may be difficult to come by.

Studying the opportunity thoroughly, bringing a technology edge as part of your package, and building the right sales channels are all keys to successfully crossing over.

THE LAY OF THE LAND

It's no accident that reconnaissance has always played a key role in battlefield success. The business battlefield is no different. Knowing the market size and shape; identifying the competition, knowing their size, market share, capabilities, and resources; and thoroughly understanding your own resources and value proposition are key tasks to complete before committing any resources to a course of action. Just as you wouldn't rush onto a battlefield without getting as much information as possible, you shouldn't jump to enter a market on the basis of a single inquiry — or even a dozen.

"There's an old adage, it's always easier to get more business from an existing market or application than a new one because there's competition in that market and they're going to protect their turf," said David Klein, principal consultant at TekMark Growth Partners Ltd. (Hudson, Ohio). He advises that companies look hard before they leap. "There is no sense

in going after an application or a market where all [you] would do is get into a price war over a device."

No, the way to cross into a new market is to offer a technology edge. If that edge lets you offer customers a way to improve their own cost model, you might just have the right tools to break in. "If [customers] are fighting over pennies for profit margin and your technology provides them with some advantage in performance, but also provides them with a big cost reduction, then you're more likely to turn heads," Klein observed.

That's exactly what diversified indium gallium arsenide (InGaAs) camera manufacturer Sensors Unlimited (Princeton, N.J.) is doing, according to director of imaging products Martin Ettenberg. The company is going after the thermal imaging market, dominated these days by long-wave IR detectors such as microbolometers and indium antimonide focal plane arrays. "Can InGaAs do everything that those long-wave cameras can do? No. But we do have several big advantages that we play upon; for instance, we can use glass optics, which overall can lower the cost of your system," said Ettenberg.

Klein points to a client in the cryogenic/magnetic space who has recently broadened into porous-silicon optical filters. In this case, they're not taking their technology to a new market, but rather taking a new technology to an old market—the same NASA telescope scientists who buy their traditional product line. "They're already calling on a lot of these principle investigators and researchers," he notes. "They're entering a new market but it's [really] their existing market with a different application."

NEVER WALK ALONE

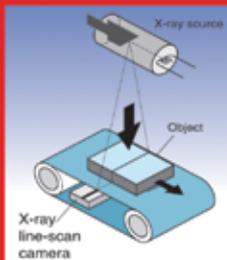
This brings up one of the biggest challenges in crossing application markets — sales channels. "It's all about your sales channels," said Tom Hausken director, components practice at Strategies Unlimited (Mountain View, Calif.). "Without the engineers, you don't have the fancy product, but without the sales person to understand the customers and all these different products, you're lost." If a customer has a choice between a new supplier they're going to need to educate or an existing one who knows the customer's applications and needs, it's a pretty easy guess who's going to get the business.

So how do you build the sales channels? As with many things, it depends. In a developing market you can build your own, but the challenge will lie in getting your sales force committed to building the new market, rather than relying on proven revenue streams. "You're going to be asking them to be doing something different that isn't going to show any results for a long period of time," Klein said. "They're going

to want to be going after what they can get sales from this quarter, because that's what they're measured against." He suggests setting specific targets of, say, developing three new accounts per quarter, and tying them to performance reviews.

In an established market, you may have to go headhunting for the right candidate. A more pragmatic — if ambitious — approach is to go headhunting for the entire sales or-

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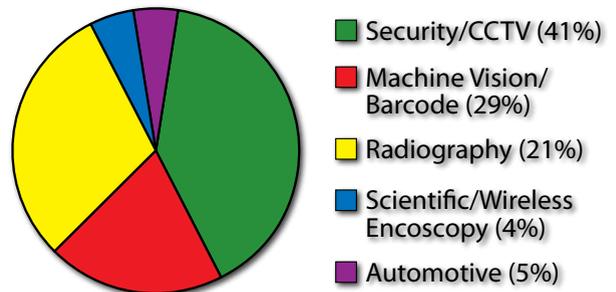
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MANAGEMENT COLUMN

ganization in the form of an acquisition, joint venture, or strategic alliance. There is, of course, always a cost. "What that other company brings is sales, distribution, and the existing relationships, but then you sacrifice margin and little bit of control," Klein acknowledges. And it takes time. "Their sales people are going to be more likely to spend time on your product if they've been adequately trained. [With a joint venture or strategic alliance], you're not going to have to support the customer directly but you're going to have to support that company's sales force, whether you do it or you negotiate with that company to put something in place. It's a pretty involved process."

There are benefits, though, says Steve Hearn of Firstsight Vision (Farnham, U.K.), part of the Stemmer Imaging Group of Germany. "We're trying to find these OEM partners that already have a route

Image Sensor Revenues, Specialty Market



to market. We're working on the back of their success and a sales channel that's already in place." Such an approach, he contends, leaves his company less exposed. "This is a risk management project, really. You have to start off small scale and look at it in the most cost effective way. If we were to go for our own brand in the market with our own range of hardware and software products, that would cost an absolute fortune and most of that would be in generating the brand," he said. This way, they jump off from the branding of the parent company.

Working with distributors is another option. High-speed video specialist Photron Inc. (San Diego, Calif.) works almost entirely with distributors, says manager of sales and marketing Andrew Bridges. They get the benefits of an entrenched sales force and pre-existing market intelligence. "We're represented by distributors with an awful lot of experience," said Bridges. "I think a lot of them are aware of most of the applications, and they're pretty forward in telling us [when] we need to start looking into different markets."

Of course, crossing over doesn't necessarily have to be about selling to a different collection of end users. If you're an OEM who sells to other manufacturers, the best focus may be not so much on broadening your own application areas as helping your customers do so. As the adage goes, helping your customer find a new market means finding a new market yourself. **AI**

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