



# Strategizing New Market Entry for Cybersecurity





# Introduction

The cybersecurity industry is one of the fastest growing in the world today. Thanks to the widening net of cybercrime, the industry is expected to grow 12-15% annually through 2021<sup>1</sup>, exceeding over \$1 trillion cumulatively from 2017-2021. It is no surprise then that new cybersecurity vendors join the existing 1,600 every week. But even the fast growth and high demand of this industry does not guarantee newcomers seamless entry into new markets. Over the past 12 years, we've noticed cybersecurity firms meet the same few hurdles with telltale predictability.

It's easy to assume that the success of a cybersecurity product in one market will translate to success in another. However, vendors who leap before they look into a new market will find out too late that their product is ill-equipped to meet its actual areas of need. In order to avoid this predicament, vendors must arm themselves with a comprehensive sales strategy. Before you can secure customers, you need to understand the ins and outs of your target market. You should know who the customers are, why they are buying and what problems you should be helping them solve. It's the kind of knowledge only years of experience in a given industry can bring.

In this paper, we will answer your most pressing questions about breaking your cybersecurity product into a new market and help you devise a workable sales strategy. We will discuss:

1. **Common reasons vendors fail at new market entry**
2. **Steps to market entry success**
3. **How experts can help**
4. **Questions to ask yourself before entering a new market**

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<sup>1</sup> Steve Morgan, "2018 Cybersecurity Market Report", Cybersecurity Ventures, May 31, 2017. <https://cybersecurityventures.com/cybersecurity-market-report/>

# Why Businesses Fail at New Market Entry

Many businesses start to consider New Market Entry when they have reached Total Addressable Market (TAM). This means that they have exhausted every available revenue opportunity within a market and can no longer acquire more of it. When this happens, the natural conclusion is to test their product out in a completely new market. While this is a logical step to take, there's far more to it than simply migrating your success to a new arena.

Vendors often end up in a state of bewilderment because a product that was in high demand in one market is suddenly a hard sell in another. In addition to not netting the results they once enjoyed, they are also taking resources away from proven markets and draining them in untested ones. As a result, they end up not earning revenue from their new ventures or from markets where they previously saw success.

When they finally seek the opinion of a third party after exhausting all available avenues, they must ready themselves to hear some difficult truths. Here are some reasons new market entry does not work out as planned.

## Not Knowing the Market

A lack of understanding of how the market works is a common Achilles heel for vendors attempting new market entry. It's not enough to do well in a proven market or to have a founder who is a household name in another industry. Neither are adequate value propositions for a totally new clientele with different needs from the ones your product has been serving. Your transportation mogul of a founder is unlikely to make waves in the federal sector, where he is a virtual unknown.

Not understanding why people are buying in your new target market, what pain points they are trying to alleviate, what price points are attractive to them and whether your certifications matter is a sure recipe for failure. Cultural differences are also an important consideration; you need not even change industries to run into obstacles, just geographical regions. Case in point, US behemoth Best Buy floundered in foreign markets due to its inability to adjust to regional preferences<sup>2</sup>. It continued to set up the megastores favored by Americans, disregarding the European and Chinese inclination to shop in small, conveniently located retailers. It is no small wonder it was eventually forced to close its overseas branches.

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<sup>2</sup> "10 Successful American Businesses That Have Failed Overseas", *International Business Guide*, September 12, 2013. <https://www.internationalbusinessguide.org/10-successful-american-businesses-that-have-failed-overseas/>

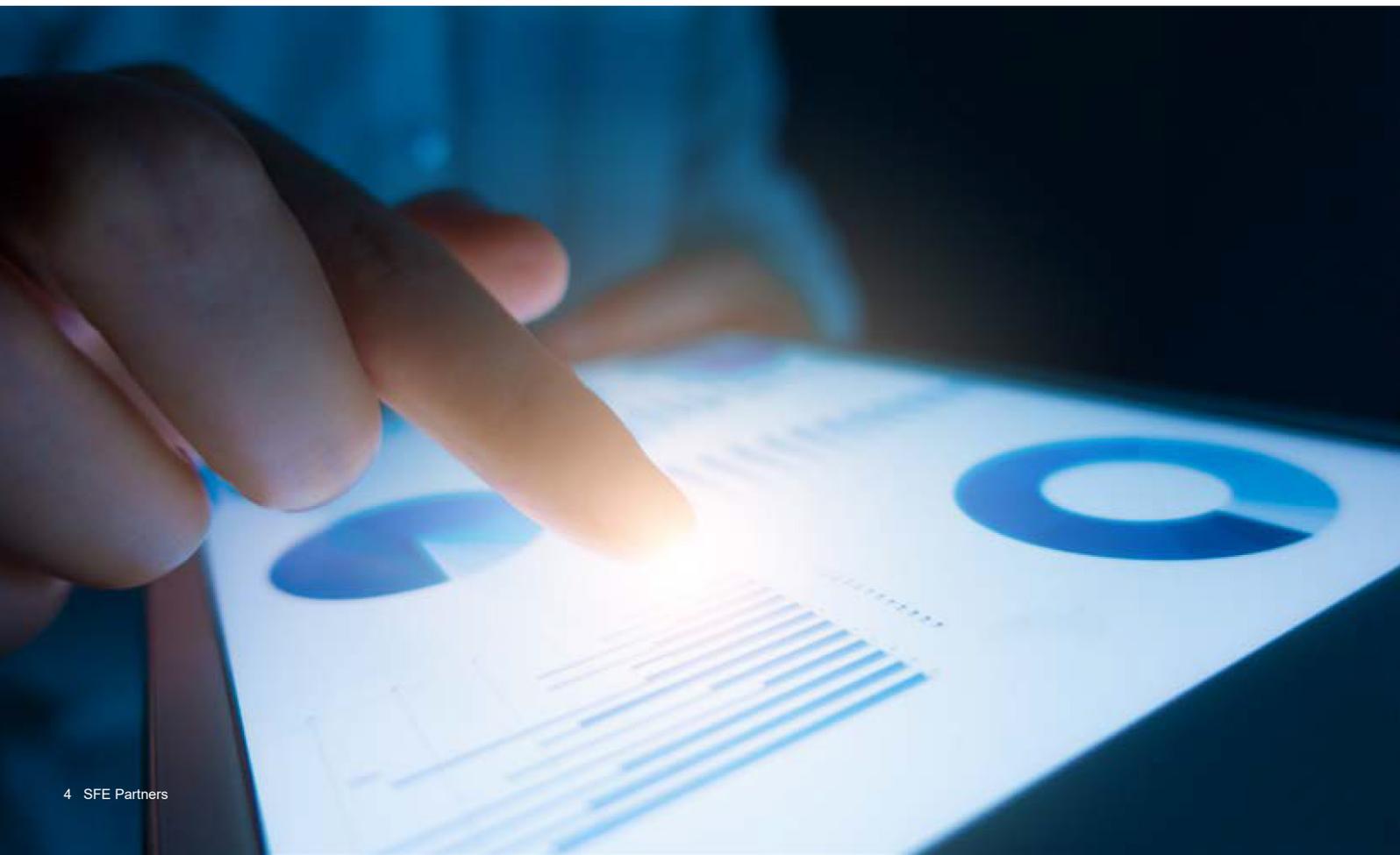
# Why Businesses Fail at New Market Entry

## Not Knowing Yourself Well Enough

Another reason you may struggle to make headway in an untested market is that you don't have a good grasp of who you are. You don't know why consumers are choosing your product over the competition and what value you are adding to an industry. You don't have a clear message to communicate to your target audience. A lot of the reason for this is that there may never have been a need to answer these existential questions. In your proven market, all you had to do was keep making money and acquiring customers whose needs align perfectly with your product. Then when you attempt to branch out into a new market, you may find yourself at a loss to explain who you are and the value you bring to a different set of buyers. As a result, you are unable to effectively engage their new audience, no matter how good your product actually is.

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# Steps to Market Entry Success

Despite the challenges we've just outlined, there's no reason not to reap the tremendous rewards inherent in brand new markets. As you know, the moment is ripe for cybersecurity products, whose work is critical in this age of information. There is also the potential to reinvent the industry by identifying a new niche and filling it with a specially tailored product. If you come up with a solution that removes identity fraud forever, you've changed the entire security landscape as well as placed your name in the annals of business history.

But before you tackle the more grandiose aspects of your venture, there are some smaller initial steps to take. Here's how you lay the groundwork for successful market infiltration.

## Deepen Your Market Understanding

Conducting due diligence on a new market is a crucial step for any vendor that plans to enter it. Each new market comes with its own set of requirements and complications. The transportation market may not need as many complex, airtight security measures as the Federal sector. Chinese consumers may not be as taken with your eloquent salespeople as your US customer base, preferring instead to purchase through local retailers.

Gain insight by gathering as much feedback as you can. Pay attention to what consumers are telling you about the value your product brings to them. Are they buying your product because of its powerful technical capabilities or because it makes them feel cutting-edge and stylish? Would another market use your services for the same reasons? Another important step is to enlist the expertise of a third-party consultant, who will point out blind spots or opportunities you may not have been aware of.

Once you've mastered these market-specific differences, you know what you and your product have to be to gain traction. Now, you can come up with a basic formula for success.





### Devise a sales strategy

Now that you've gathered the information you need, it's time to fine-tune your approach. A good first step is to define what failure looks like to you. Sometimes, it doesn't just equate to zero sales, it could simply be not meeting your targets. If your goal was a \$50 million revenue and you're only bringing in \$7 million year after year, you're a long way from succeeding at new market entry.

When you've clearly defined failure to yourself and your team, you can then take active steps to avoid it and to amend your approach when you fall short of your goals.

You also have sufficient knowledge to alter your image to suit your consumers. You'll have some idea of whether you can coast on the technical capabilities of your product or whether you'll have to update your brand messaging to suit the values of a new clientele. You'll also know what areas you should be pouring your resources into, whether you can enter your new market or test out your business model in a low-revenue, low-risk environment like education. Slowly but surely, you can put the cogs and wheels of your sales approach in place.

Be aware that any strategy you come up with is not set in stone, but subject to the whims of the market. You should always remain attuned to climate changes so that you can adjust your strategy when needed. An expert with intimate knowledge of the market's ebb and flow is your most reliable guide through the uncertainty.

## Replenish your resources

A strategy is little more than a nice thought if you don't have the means to carry it out. A large part of your resource pool is budget. Can you shoulder the costs of infiltrating a previously untested market? Your resources are also your people. You must have the sales staff with experience in your chosen field or the flexibility to learn how to reach it.

Then, you must decide how many marketing measures you need to undertake. Do you need more white papers, landing pages, a stronger social media presence? Whatever your sales strategy is, there needs to be a strong support structure in place to keep it from collapsing on itself. If you're unable to determine if you have sufficient resources for your undertaking, it may be time to bring on a pair of expert eyes to help you define them.

## Take some creative liberties

When you've put a solid foundational strategy in place and know what your limits are, you can afford to creatively test them. After all, success in the marketplace also requires standing out from the competition. Buyers are drawn to services that shape their industry and solve problems they never knew they had.

Take Airbnb as an example. When they first entered the hospitality market 10 years ago, there were some competitors who offered affordable lodging in a stranger's home. So it was a given that consumers were seeking cheap, temporary housing. However, no one had thought of bringing in a whole new demographic into the existing market. By hooking user profiles to their Facebook profiles, they created an unprecedented level of trust between hosts and guests, attracting consumers who would never have considered couch-surfing. It's no wonder in 2017, they had 4 million available rooms—that's more than the world's top 5 hotels combined<sup>3</sup>.

What previously unexplored niche could be waiting for you to fill it? The possibilities are endless.

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<sup>3</sup> Nate Redmond, "Why Most Investors Get Market Size Wrong Over and Over Again", *Forbes*, May 4, 2018. <https://www.forbes.com/sites/valleyvoices/2018/05/04/why-investors-get-market-size-wrong/#34aa4c805b83>



# How a Third Party will Help



It's far easier to plan necessary steps than to execute them. You may be able to access marketing insight, but do you always know what to do with it? Alternatively, you could be toiling away at a resistant market, unaware that there is a better one out there for the product you're selling. That is why we recommend being open to feedback, especially from informed viewpoints. An experienced third party would have access to the wider perspective and deeper knowledge of the market that your organization may not. With the guidance of an

expert eye, you'll be able to avoid the common stumbling blocks we detailed above, as well as confidently put the steps to new market entry to action.

Here are the quantifiable differences third-party expertise will make to your attempts to conquer a new market.

### You'll gather the right data

The first thing a third party may do is look at your sales process and existing customer base. In addition to looking at your internal data, it will speak directly to your clientele to determine why they're buying your product. Perhaps they'll say that they are admirers of your founder, who is on several boards in his industry and is a household name in his field. If so, the third party will know to delve deeper for better reasons to purchase your product, as a renowned industry figure won't translate well into a new market. It's crucial to develop a consistent and fundamental understanding of your product's appeal. That way, you'll have more than just your own data to inform your decisions, but the collective feedback of an entire market.

### You'll know what to do with the data

The true value of third-party expertise is not in data gathering, but in data interpretation. It's difficult to know what to do with an influx of information, a lot of it technical and difficult to place into a wider context. An expert will be able to interpret the feedback you're getting from the market and advise you on what your strategy should be going forward. Maybe you'll need to update your brand messaging for a different audience or build a sales team with a whole new skillset to tackle new market entry. Alternatively, your product may fill another niche better than the one you're targeting. There is also the possibility that you're not ready for new market entry in your present state. The guidance of a third party is a sure way to mitigate the risks of new market entry.



# Should You Get in Touch with Us? Find Out Now.



Entering a new market is an exciting, potentially lucrative step for any cybersecurity firm that has reached TAM. But it is also a challenging one that will require time, resources and money. While you won't be able to forgo the costs of new market entry, you can minimize the risks. The most failproof way to do this is to solicit some expert opinions on your endeavor. A pair of expert eyes will empower you to make the best business decisions at your disposal. You'll know when you're ready to invest in new market entry, what new market you should enter and what resources you'll need before you begin.

At SFE Partners, we distinguish ourselves from other consulting firms with our experienced sales arm. With 20 years of experience in the cybersecurity industry, our sales consulting team is able to validate the advice we give you with real market knowledge. With their expertise, we will devise sales strategies backed up by hard tactical data, not mere gut feeling

Don't wait until you've tried and failed in a new market. Prime yourself for the big move by reaching out to us and letting us come up with the best sales strategy for you. If your new market entry initiative dies before it starts, it could well be a huge loss for a cybersecurity niche waiting to be filled.

How do you know if you should reach out to a specialist for help? Our questionnaire will help you perform an honest assessment of your readiness for a new market.

## Should You Get in Touch with Us? Find Out Now.

1	You know why your customers are buying from you	Y/N
2	Your brand messaging is strong and translatable to another market	Y/N
3	You know why you're targeting a particular market	Y/N
4	You've received feedback encouraging you to attempt new market entry	Y/N
5	You have a clear sales strategy in place	Y/N
6	You have the resources at your disposal to tackle new market entry	Y/N
7	If you don't, you know what resources you need more of	Y/N
8	You have a product that will bring in new buyers and revolutionize the business world	Y/N

If your answer to one or more of these questions is no, it's a clear signal that you and your organization could benefit from expert consultation.



## **Ensure the Success of Your Sales Team**

Whether you're a founder or investor of a scaling sales organization, our expert advisors are here to help. Contact our team to find out how you can achieve more manageable, more repeatable, and exponentially more profitable sales as you grow.

Call SFE Partners at **(781) 460-2100** or visit us at **[sfepartners.com](http://sfepartners.com)**.

## **About SFE Partners**

Headquartered in Boston, MA, SFE Partners is the leading advisory firm for business leaders. From structuring the sales organization to defining core processes, selecting the right tools, and setting measurable and achievable goals, our approach is designed to install and motivate a growth-minded sales team. We offer a full range of sales services for go-to-market, scaling, M&A, and new product launches. More than 250 companies from around the world have chosen us for their sales consulting and outsourcing needs.



**ASSESS. BUILD. TEST. DELIVER.**

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