Companies are becoming increasingly focused on short-term gains and quarterly results and as a consequence they prioritize market research projects with short-term objectives when identifying growth opportunities. Such market research projects often use an approach focused on the existing product portfolio or existing customers where markets traditionally are determined either by product category or by customer base. This strategic market approach could possibly miss opportunities as such projects tend to be niched towards specific solutions instead of assessing the general picture.

At the same time, it is becoming increasingly important for companies to be able to take a step back and assess where the environment they operate in is headed. Business environments are changing faster than ever and managers need to be aware and act accordingly in order for their companies to remain competitive and not be outrivaled by new competitors with novel, better suited solutions. Consequently, managers seek alternative approaches to market research when identifying growth opportunities.

Managers are faced with the dilemma of delivering short-term results without failing to recognize trends and long-term growth opportunities that could be crucial for their companies’ future. With the complexity of determining and measuring long-term growth opportunities as opposed to short-term opportunities, managers often prioritize market research projects focused on delivering short-term gains. However, if managers had access to a tool that could simplify the process of determining opportunities based on a firm’s business environment it could help solve their dilemma.

The Outside-in Approach

The authors of the Master Thesis *Strategic Market Research using an Outside-in Approach*, have developed a framework called the *Outside-in Approach*, see figure 1. The primary focus of the developed theoretical framework is to allow managers and market researchers to perform market research based on the firm’s business environment in a structured and simple way to identify growth opportunities and make sure no opportunities are missed. The framework is divided into four phases; *Define the Market*, *Determine Market Attractiveness*, *Qualitative Assessment*, and *Business Opportunity*. It includes a selection process after each phase so that research efforts can be used more efficiently and be focused on more attractive markets. By following the model from top to bottom, managers and market researchers can get a good understanding of the ongoing trends in their business environments and determine growth strategies accordingly.

A more detailed description of each phase that was developed through the master thesis process, including use of existing theory, will be presented below.

**Define the Market**

The first phase in the theoretical framework is to define the market. Instead of using traditional definitions based on product category or type of customer, the authors suggest defining markets by geographical area and industry classification.
Statistical data on macro factors is of great importance when analyzing the trends of a firm’s business environment. Such data is often organized by country. Therefore, national boundaries serve as good delimitations for the geographical area to examine. Further, the use of an industry classification helps define markets based on companies with similar demands. The industry classification complements the geographical criteria and the *Outside-in Approach* uses the Industry Classification Benchmark developed by Dow Jones and FTSE.

**Determining Market Attractiveness**

The second phase in the theoretical framework of the *Outside-in Approach* aims to determine market attractiveness. The objective is to rank markets in a very simple manner according to criteria for market attractiveness. The ranking will then help managers and market researchers to select more attractive markets for further studies and deeper analysis.

The ranking is based on a weighted scoring of the criteria for market attractiveness. These criteria are *Market Size, Market Growth, Strategic Fit, and Profitability*. Market size is defined as the value of production for all companies combined in a market for a given year. Market growth is defined in terms of a historical compound annual growth rate, CAGR, for a given time period. Strategic fit is based on the strategic relevance of a market and profitability is defined as EBIT/sales for all companies combined in a market.

The markets receive a score of 1, 2 or 3 if they are assessed to have low, medium, or high attractiveness for a given criteria. The criteria are then weighted with focus on growth (30%), strategic fit (30%), and profitability (30%), and give size a lower weight (10%). This promotes high-growth, high-value markets with high relevance and will ensure that managers and market researchers can identify attractive markets for further studies.
After the scores and weights are determined, the weighted rank is calculated and a sufficient amount of markets are selected for further studies. The Outside-in Approach includes two selection processes in this phase to increase efficiency and enable the identification of highly attractive markets before initiating a deeper analysis.

**Qualitative Assessment**

Qualitative assessment is the third phase in the theoretical framework of the Outside-in Approach. Here the focus is on a more detailed analysis of the attractive markets. The authors suggest using two well-established management tools for the qualitative assessment; the PESTEL framework and the Resource Based-view. The PESTEL framework allows managers and market researchers to identify key drivers of change from a macro perspective in a systematic way. The Resource-based view complements the PESTEL framework and allows managers and researchers to analyze an organization’s internal resources and capabilities and match them to the organization’s external opportunities. The Resource-based view could therefore be considered helpful when elaborating on the strategic fit of the attractive markets for the Company.

**Business Opportunity**

In the final phase of the theoretical framework for the Outside-in Approach, the focus is on determining coherent business opportunities that managers can pursue. This requires an in-depth understanding for the technical processes that are driving the demand of the potential customers. Technical processes can be either company specific or general for an industry. The market research study in terms of macro-environment trends is largely complete at this stage and the remaining task could favorably be the starting point for a continuation project.

For this, and a true completion of the Outside-in Approach, managers need theories and frameworks regarding how to achieve growth and where a company can add value. The authors suggest using Ansoff’s product/market growth matrix when determining growth strategies and using the theory of value nets to understand where a company can add value.

Ansoff’s product/market growth matrix presents four clear alternatives on how to achieve growth and the theory of value nets help managers understand where its products can add value in the potential customers’ value net.

**Conclusions**

The Outside-in Approach can help managers solve their dilemma of having to deliver short-term results without failing to recognize trends and long-term growth opportunities. The framework is easier to apply in companies that:

- Emphasize the strategic importance of understanding the trends present in their business environment.
- Are internally organized in accordance with its markets.
- Are located in geographies with publicly available macro data.

The Outside-in Approach could possibly be a helpful management tool when identifying growth opportunities. However, there are some critical steps that could affect the outcome of the market research.

The first phase of the Outside-in Approach aims to define the markets which will be investigated throughout the market research. The outcome of the market research can vary greatly depending on how the definition is done. The definition suggested by the Outside-in Approach, using national geographical borders and the Industry Classification Benchmark, ensures a coherent and logical market definition that can be applied in any country or region of countries. Using this definition also ensures the comparability between different regions and different market research studies.

In the second phase of the Outside-in Approach, the goal is to determine the attractiveness of the markets using a weighted ranking scheme based on criteria for market attractiveness. This is a simple but effective method. Using the correct criteria is however essential to this step. The authors’ suggested criteria, market size, market growth, strategic fit, and profitability are all great indicators for a market’s future potential and attractiveness. However, throughout the project the authors
realized that a criteria considering future growth projections from industry analysts would have been a great complement to the suggested criteria.

The third phase of the Outside-in Approach analyzes the external environment of the attractive sectors and tries to match them with the organization’s resources and capabilities. This phase is concluded to be highly subjective and the outcome will most likely be affected by the team performing the research, the project stakeholders, and interview respondents. The key to this phase is to keep the purpose in mind when performing the analysis. Further, the focus should be on, within reasonable limits, “what can be done” based on external opportunities rather than “what cannot be done” based on the organization’s resources and capabilities.

Managers are recommended to consider the Outside-in Approach as an alternative approach to market research when identifying growth opportunities. Hopefully, the framework can become an established alternative to market research focused on a specific product and existing customers.