Recipe for Success when Entering a New Business Segment…?

Entering a new business segment is a strategic issue of great importance and can be daunting for many managers.

How should one successfully leverage elements of the business model while keeping the current business intact?

Creating and offering new products to a market provides numerous challenges for a company. The situation becomes even more complex when the product diversification implicates the entry into a new business segment entailing a to the company unknown ecosystem, different competitors and new customer needs. What business model elements can a company leverage in this new business segment and which need to be adapted?

Numerous theorists have attempted to describe how to create successful strategies. Some stress the importance of internal resources of a company, while others suggest keeping a constant focus on the market and the therewith associated customer demands and competitors, leveraging the strength of a business ecosystem or designing unique business models. However, few theorists have tried to combine the internally focused resource based view, demand side perspective, business ecosystems and business models and none have applied a combination of these when trying to generate a strategy for entering a new business segment. As entering a new business segment is highly complex, why not try to take all these different parts into consideration and create a useful tool for managers entering a new business segment? This is attempted in a recently published master thesis in industrial engineering.¹

A self-designed theoretical model including all the above described elements was applied to a high-tech company currently trying the enter a new business segment. This together with the consideration of previous occasions where the studied company had either more or less successfully performed product diversification induced a strategic process enabling a company to adapt and leverage its current business model and ecosystem to a new business segment. The process describes what elements should be considered in what sequence, in order to identify what parts of a current business model and ecosystem that could be leveraged in the new business segment and what parts should be adapted. For example the studied case company could definitely utilise its technical knowledge in the new business segment, but needs to adapt and refine its value proposition due to the product being so disruptive that customers simply do not understand the new functionalities.

While the success of the studied company’s new business segment entry cannot yet be assessed, the application of the model and the derived process definitely shed light onto some issues of interest and evoked fruitful discussions. The outcome of the company’s market entry and future applications of the process to various companies could determine whether a recipe for success regarding entering a new business segment finally has been discovered.

Cornelia Ehrenberg & Oliver Mittel
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