

Market research and organic growth

Transcript

SPEAKERS:

Wade Kruse, National Managing Partner, Advisory Services

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WADE KRUSE: Let's now take it away from M&A a little bit. Let's talk about the value of market studies in someone's organic growth plans.

CHRIS SMITH: Yeah, good question. In my world of organic growth, market studies are sort of the foundation of stage one growth strategy work, where you're trying to understand what is demand for your existing products and services, but again, if you're going to place a bet of one dollar on the next thing that's not your current product portfolio, what would it be? It's the same motion. It's trying to increase awareness of what all those alternative revenue sources could be and then taking a more disciplined, systematic approach to quantifying it, that before you add that new product or service to your portfolio you have high confidence that if you go at it through an inorganic motion of going to acquire that thing or if you're going to build it out yourself, you know what you're in for.

WADE KRUSE: Right, right. So in the market studies, it's understanding the market. We understand why investment bankers when selling a company want to get that product, to be able to properly position the company. When private equity is investing in a sector, they want to get smart about the sector as well. How about a company who lives in their industry, run by industry professionals? They want to grow. Where do they find the most value in doing the market study?

CHRIS SMITH: Usually there's value when they're entering something they are less familiar with. If they're entering into a new country, a new geography, does the demand for that product or service that is going really well in the United States, does it fare, does it have the same attractiveness in EMEA or APAC like it does on North America? So sometimes it's when you're doing a geo extension. Other times it's more of a product adjacency. If customers really like this product, if you add a service to it, is that as lucrative, is there as much opportunity in adding the service relative to the cost it's

going to take to pull that off as [compared with] just continuing to double down on your existing product? So it's the same motion that a lot of times buy side private equity would be thinking about, is what's the confidence, what's the risk, what's the attractiveness of potentially broadening our perspective of growth and leaving our core revenue source to look at something different?