Three strategies for growing in adjacent markets
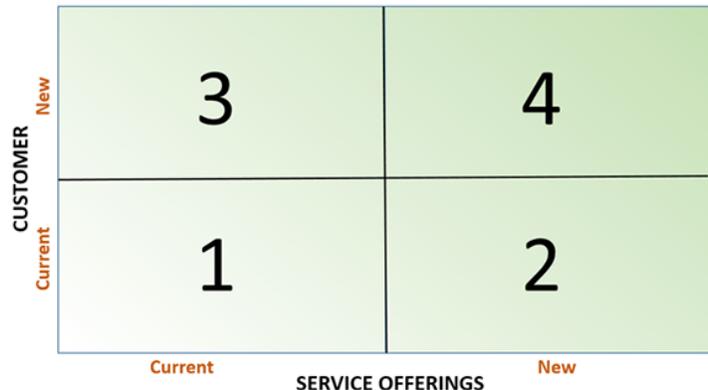
By Bob Lohfeld

Normally, the easiest way for government contractors to find new revenue is to prospect in adjacent markets, and the closer these markets are to your existing business base, the more successful you are likely to be.

Prospecting does not mean going around giving capability presentations to everyone in government who will listen. Instead, it is about figuring out how you can apply your company's expertise to help government leaders in adjacent markets be more successful in accomplishing their mission. Here are the guidelines that I like to use when following this strategy.

Set your market growth strategy

I like to set up a growth strategy as depicted in the chart, which divides customers and sales offerings into four quadrants. Quadrant 1 represents your core business and core customers and can be the easiest quadrant for growing new business, especially if your current customers' budgets are increasing.

Quadrant 2 is the second easiest to sell into. It is your current customers, but here you offer to sell them new services or products. It is the second easiest because you already have a trusted relationship with these customers, contract vehicles in place, and (presumably) you are doing a good job for them. Often this quadrant is referred to as the *up-selling* quadrant since you are selling new services to your current customer base.

The third quadrant is selling to new customers the same or similar services that you have been providing to other customers. This is the second most difficult quadrant to sell into since you don't have a trusted relationship or existing contract vehicles with these new customers. However, you do have a track record with past performance references.

The fourth quadrant is the most difficult quadrant because in this quadrant you are selling new services or products to new customers. Here, you don't have a track record and you don't have trusted relationships. When the battle cry for business expansion is follow the money, you will often end up in this quadrant.

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Growing business with existing customers

The easiest path to business growth is to expand sales through satisfied, current customers, so the first prerequisite to business growth is to do an outstanding job for your customers. Make sure you know how you really stand with them, and make sure your company executives visit your customers to get an honest and independent assessment of how well you're really doing. Of course, if services are not meeting expectations, your first priority is to get performance back on track.

Your project/program managers or other customer-facing company executives who have responsibility for contract performance best handle growth in quadrants 1 and 2. Because your operations team understands the mission and challenges your current customers face, they should be able to explain how growing or adding new services or technologies can help your customers be more successful in accomplishing their mission.

As their current contractor, you have the high ground to see what your customer needs and access to explain how your company can help. Focus your discussion about your additional services on customer outcomes, and don't give a generic capability presentation. It is all about outcomes.

Unfortunately, many project managers have little or no training in business development and are reluctant to reach out to grow your company's share of the market they have at hand. Clearly, some business development training will go a long way toward making your project managers successful, especially if it is backed up by an incentive program that recognizes and rewards their accomplishments.

Train your project managers to understand that their most important task, aside from doing an outstanding job for the customer, is to be curious about the customer's mission and alert to opportunities to help or to solve problems. Don't hesitate to bring in another member of your company to offer help. Providing assistance from one of your subject matter experts or bringing in a company executive can go a long way here. Make sure you have a way to close a deal if your customer wants to buy. Closing might include adding work to your current contract, issuing a new task under a task order contract that you hold, using a GSA schedule, using a set-aside strategy, etc.

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Growing business with new customers

Expansion into quadrants 3 and 4 begins with market research to identify agencies that plan to contract for work that is similar to the work you have performed previously. Pulling this data together is not too difficult since it is readily available from the government and from sources like [Bloomberg Government](#) and [Deltek's GovWin IQ](#). A list of government acquisition sources is also available on the [APMP-NCA website](#).

Use this data to help you focus your business expansion on the right government agencies. Most businesses don't have the resources to expand broadly across the government market, so you have to focus your expansion efforts carefully on selected agencies.

Once you've selected the agencies, the next step is to gain more understanding about the mission, programs, and people within the selected agencies because everything you are going to do to sell into these agencies should focus on how your firm can help them accomplish their mission.

When we do market strategy and pipeline development, we always package the results in three parts:

- The projects.
- The people you need to talk to.
- Your company's expertise relevant to their mission.

The more you know about their mission and the better you understand the needs and desires of your prospective customer, the more successful you will be in selling into this quadrant.

Business developers usually lead the charge in this quadrant, but it doesn't have to be done by these people. If you have past customers who have moved to your target agencies, contact them. If you have program managers who have worked in these agencies previously, then follow those relationships to get some traction. Hiring former government executives from these agencies is another strategy, hiring a consultant, or teaming with companies who are already doing work for the target agency can get you started. There are multiple paths into an agency, and your mission is one of understanding and fact-finding.

Gaining business in quadrants 3 and 4 at some point will transition from prospecting for bid opportunities to pursuit once you find an opportunity that is a good fit for your firm. Pursuit should follow a rigorous process called capture management, and I have written about this process extensively in prior articles, including *[20 BD habits to kill off in 2015](#)* and *[Six tips for building your new business pipeline](#)*.

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If market expansion strategy puts you solidly in quadrant 4—new customers and new services—the best way to expand successfully is to buy another company that is already in this market and can provide your firm with a foundation for further growth. Most large businesses do strategic acquisitions just for this purpose because growing organically into these markets is too slow and too difficult without preferential contracting advantages that are offered to smaller businesses.

Putting it all together

To have a successful business expansion strategy, your operations team needs to be trained and focused on expansion in quadrants 1 and 2, your business development team needs to be focused on selected customers in quadrant 3, and your corporate development team needs to be working on acquisitions to expand in quadrant 4. If you are a pure play business developer and your company has assigned quadrant 4 to you, then recognize that you are working in the missionary corner of the quadrant. That is the quadrant where you spend your life walking around in the wilderness hoping to convert a few souls. You should probably dust off your resume because success in this quadrant without doing acquisitions is a long shot at best.

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