

# THE PEND PRINCIPLE

INCREASE REVENUE ● BUILD BRANDS

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*The Pend Principle*

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## **The Pend Principle™ (Book)**

### **The Ultimate Strategic Roadmap**

#### ***Disclaimer***

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## **Introduction**

I started developing the PEND Principle™ years ago after working with many different clients and trying to come up with a systematic approach that can be used by all types of clients, whether in existing or startup businesses.

The PEND Principle™ is a system that utilizes the best strategic ways of penetrating a market, while at the same time building a brand position and sustaining the business for long-term growth. This principle also provides a plan that businesses can follow short, medium, and long term.

The PEND Principle™ is a smart and effective way of for business owners to outdo competition through a comprehensive and pre-determined strategy. As a business owner, let's say you have a fantastic product with a terrible strategy, or a not so fantastic product with a great strategy; I'll always bet on the strategic centric business to come out on top.

For a new business, good strategy means starting out on the right foot. For an existing business, good strategy means reviewing the current structure, and formulating a set of strategic tactics and objectives that will put it in front. Most business owners waste essential resources trying multiple strategies simultaneously. The PEND Principle™ will give you a road map to alleviate this waste and provide a robust structure on which to build a large, sustainable business.

This is a templated strategy for business owners to use. By implementing the PEND Principle™ into your business, you will place it in the best possible position to attract new clients, retain existing clients, and guild rapid growth. The PEND Principle™ has been born after years of study, working with businesses, and implementing hundreds, if not thousands of different strategies, across a wide variety of industry and business types, both large and small.

## **What is the PEND Principle?**

The PEND Principle™ is ultimately breaking down your marketing strategy into four key areas:

**Penetration**

**Expansion**

**New Product development**

**Diversification.**

Far too many business owners enter the market trying to make their business be everything to everyone. This waters down the ability to penetrate the market successfully, and means that businesses battle with their competitors head on, instead of finding niches to compete in, while preparing to enter those markets at a later stage.

Once you have achieved a certain amount of market share via the penetration process with your business, you can then expand into other areas. Expansion means extending into the areas that are going to be more competitive. After you expand, you can then move into new product development. New product development will keep

your business fresh and innovative and ahead of your competitors. However, if it doesn't fit your brand, don't expand. It's fine to expand as long as it doesn't water down your brand value. More on this in later chapters.

After your new product development area is in order, you can then move into the diversification model (sub branding), which is where you invest in other brand names that don't fall under your existing brand position. There are many ways to diversify. You can diversify in a way that builds a separate brand or targets a specific target group, whereby you feel you will achieve greater penetration by isolating this group, and developing a branding position around this specific target group.

Alternatively, diversification can mean building a brand new product or type of business that is removed from your current business. Diversification can assist as a risk strategy, whereby you build sub brands in isolation, so that all of your previously laid branding eggs are not sitting in the one basket.

## How does it apply?

What most business owners do is develop a business, which is usually fairly light on with information about how the business will grow, and when. The basic business plan tends to only state the purpose of the business, along with some higher level objectives and forecasts. This may suffice for a bank loan or reference document, however, you will find that this will not actually assist you in business planning and growth.

The PEND Principle <sup>™</sup> prompts a business owner to look at four crucial strategic areas in more detail, and break these down into action areas. You can then formulate a strategy to establish how you will **P**enetrate the market, **E**xpand your coverage, develop **N**ew products, and **D**iversify into other brands and businesses.

You will then establish benchmarks around each of these areas and move through the process as required. By penetrating the market with a niche, non-competitive area, you will be able to acquire customers easily and with more rapid pace, as



opposed to meeting your competitors head on with highly competitive areas.

Expanding over time will allow your business to transition out of the niche marketing and into more generic type marketing and advertising campaigns. The New Product area is designed to always keep your business either enhancing existing products and services, or developing new ones. This avoids the risk of market stagnation and provides a contingency against the product lifecycle.

Diversification allows your business to branch out into other businesses and brands that are non-competing with existing brands. This allows your business to either look at existing segments and create sub brands or develop new brands and categories. Remember, the purpose of the PEND Principle <sup>™</sup> is to have your business positioned as a category leader across all separate business units.

## **Where do most businesses go wrong?**

Most people start up a new business without having any formal business plan. And even when one is written, there is not much information around the strategies that will assist the business to penetrate the market and grow over time.

Business owners that start this way, with little strategy, generally finish the same way—with little market penetration. Most businesses fail within the first few years of operation, largely due to poor planning and implementation. The PEND Principle <sup>™</sup> provides a formula for penetrating, growing, and sustaining your business, from start to finish.

When most people start a business, they also give little consideration to competitors and their brand position. When you focus on your own business without considering important external factors, such as competitor positioning, it leaves your business vulnerable, as you most likely be competing within sectors currently owned by your competition, and will therefore be harder to attain.

After years of working with business owners I seldom recall ever seeing a business plan or corporate strategy that aligned completely with a marketing plan. This is another error that business owners make. You need to align your marketing objectives with your corporate objectives. Otherwise, why even bother the marketing or advertising process? Every step you take in a marketing space needs to have a commercial objective to link to.

Using the PEND Principle™ as a formula for growing your business will also allow you to spread cash flow out over a period of time, and your dollar will go further, as you won't be competing initially for the same market area.

Marketing initially to 'blue water' (non-competing) segments will allow you to spend less on your marketing, and you will then increase expenditure as market penetration develops and grows.

### **Why Strategy Matters**

Business strategy is becoming increasingly important, especially due to globalization and

higher levels of competition. Businesses need to stand out more, so it is not enough now to be another 'me too' in the market place. Business owners need a clear strategy that meets their commercial objectives.

Whether you are a small owner operator, a mid-sized business, through to a listed company, corporate and business strategy, coupling with an aligned marketing strategy will be a key component for your business to sustain itself over the long term.

For a business to maintain focus and grow, there needs to be a clearly defined path to success. In businesses, I have seen where strategy is not the focus, and therefore staff go off in different directions, leaving owners and CEO's feeling frustrated and most importantly leaving businesses unprofitable. Unfortunately, business owners are typically in denial around what the problem actually is. In my experience, it all comes back to effective strategy.

Success doesn't happen by accident. It takes careful planning and foresight into what the most

appropriate strategic moves will be for your business. This is where strategic development using the PEND Principle™ will help. You will know when, where, how, and why to perform a strategic move, as opposed to being either reactive, or implementing ad hoc strategies that have no linkage to performance or revenue goals.

A good strategy will look at both the external and internal impacts of the business, and strategy is always trying to bridge the gap between where the business is presently, and where the business needs to be. A strategy helps the business owner make decisions. What you say ‘no’ to is just as important as what you say ‘yes’ to, and it’s these decisions, good or bad, that will change the course of your business.

### **The Benefits of Having a Road Map**

There are a multitude of benefits for your business having a plan. We have all heard the saying, “if you don’t know where you are going, then any road will take you there.” This is very much a truism for business.

Having a direction allows you to plan correctly in the short term, medium term, and long term. It allows you to project manage timelines, budgets, and resources across your entire business, making it easier to keep focus, and be outcome centric.

When you know the final destination of your business, you can work back, plotting out what task needs to happen at which point. A plan also motivates staff and management, as it means that there is no ambiguity around strategic direction. Having a set path also relieves stress. Most anxiety and stress in business comes from a poor sense of direction, which then leaves the door open for many external and internal impacts to hinder success.

When you know exactly what you will be doing in six months, one year, or even three years, what you focus on will expand, and you will find that opportunities and situations will arise to fulfill your objectives.

What I have found after years of working with a vast amount of businesses is that a pre strategy and a post strategy business are like two

completely separate entities. In pre strategy, the business is “two steps forward, one step back,” and in post strategy there is momentum, coupled with focus, which leads to a successful outcome for all stakeholders.

The bottom line is, you will definitely achieve quicker results with a pre-determined strategy.

### **What are the impacts of business failure?**

One of the reasons I wrote this book was to assist business owners to structure their businesses properly, so that they can avoid the pain of business failure.

Having a business that has failed has far reaching implications. We tend to think of business failure as a single person. We say words like “he lost his business,” or “her business failed,” however the ripple effect is massive.

One of the implications is obviously financial. A business owner is generally left with massive debt and has to sell off assets, such as investments, and sometimes the family home. Along with this, a business owner may need to cash in their

retirement savings, which of course should be the last resort, however this is sometimes necessary.

One of the major impacts is with staff. Every staff member who worked for the failed business now needs to look for work, or needs to have the cash reserve to set up his or her own enterprise. This places a massive burden on the economy, and job markets, and it also impacts on government unemployment resources.

Impacts stretch across family and friends, and the mental and emotional stress that is coupled with a business failure is at times too much to bear for all involved. It is also my opinion that business failure has an impact on areas such as substance abuse and mental health, which then also impacts hospitals.

All of these reasons should display the importance of having businesses succeed and prosper. From my experience dealing with many business owners, more emphasis is generally placed on non-critical areas, instead of focusing on structure and strategy, which will have massive long term benefits.



My objective is to provide business owners with a strategic formula to build within their business, so that important areas are never forgotten.

# Chapter 1

## P<sub>END</sub>

### **Penetrating the Market**

Now, let's have a look at the first stage of the PEND Principle™, penetration. This first part of the process has the objective of gaining market share quickly for your specific product or service.

This is best done by choosing a niche, and establishing a non-competitive environment in which to build market share. Remember, we are not talking about your overall brand position. This is established well before this process. Therefore, if you have positioned yourself as a category leader in women's health clubs for instance, then that is fine. And if there are non-competing businesses in this space, then you don't necessarily need the penetration process. You could then move directly into the expansion process.

However, if there are competing businesses within your category, then you need to find a way of

penetrating the market place, while at the same time not going head to head with your competitor. For instance, using the same example of a women's fitness club, there will be a range of competitive areas that fall underneath this category. Your objective in the penetration process, is to look for differentiations or gaps that you can exploit, which will ultimately give you a competitive edge initially to build market share.

From a brand perspective, the ultimate is to be a category leader in your niche area. If you can't own a category, then create a new one. However, once you create a category, you will still have products and services that need to be sold under this category, and some of these may have competitive positions. The penetration process is focusing primarily on this area, and not on the overall brand position. However, your products and services of course need to align with your overall brand position.

Remember, if you jump into an existing market, especially as a startup, it is going to be difficult to attain any massive market penetration, as this space is already owned by your competitor.

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A clever strategy is to look at niche penetration areas, whereby you can attain market share via areas that your competitor either does not provide, or may provide, however does not promote regularly.

Here are some niche areas that you can review and assess –

- Price (Low, med, high.)
- Location (Are they local, national, international?)
- Age (Who does their marketing appeal to?)
- Type of Products (Are there products that you carry that they don't and vice versa?)
- Distribution Channels (Where do they sell their products?)
- Marketing Channels (What marketing channels do they use?)
- Gender (Are they targeted at men, women, or both?)

- Advertising Frequency (How often are they seen by your market?)
- Offers (What offers do they provide?)
- Sales Process (What sales process do they have? Is it internal, external, or both?)
- Overall Market (Do they target B2C, B2B, or both?)
- Industries (What industries, if any, do they target?)

Make a list of these areas, along with your competitors. Flag which areas ~~are~~ they market. After you conduct your analysis, make a list of the competitive gaps, as in the areas that you are not competing on. This will build the framework for the penetration process, hence penetrating the market. Knowing these gaps gives your business a competitive upper hand. Whether you are an existing business, or start up, you can start the PEND principle <sup>™</sup> at any stage of your business lifecycle.

## PEND

Remember, the penetration process is not a long term strategy. It is designed purely to give you an initial competitive advantage and build market share in a non-competing space. We will touch on how to transition into the expansion process in the next chapter.

### **It's better to be first than it is to be better.**

You don't have to be better to be first in a category. Once you decide on the area that you want to penetrate, the objective is to be the first to target that specific niche at that particular time. Remember, this has nothing to do with your overall brand position, however when choosing a brand position, you should always aim to be the leader in that specific category. What I am referring to here is your competitive advantage when penetrating markets within your brand position.

The whole concept of brand positioning is that you are trying to talk to a specific target or segment in a way that they see your business as relevant to

their specific needs. My suggestion is that instead of going head to head as a No 2, 3, or 4 in a segment that is already highly competitive, be first in a segment that your competitor seems disinterested in or does not perceive as being high value.

Don't get too caught up in the niche areas in the sense that you are choosing this segment to be your total business position. This strategy is only short term. Being a leader in a specific segment will provide you with better return on investment (ROI) on your overall marketing campaigns. Along with this, the penetration strategy will open up the doorway for consumers using and liking your brand, which may not happen if you are lost in the 'red ocean' (highly competitive) area of your other competitors.

After a period, we will move onto the expansion model, which will then provide you with a platform to convert your brand advocates into your other segments that are more widely held by your main competitors. This is a flanking move that will allow you to sneak up on your competitors from a strong position.

## P<sub>END</sub>

If you go head to head with your competitor on segments that they already own, it will simply cost you more money to compete and acquire customers. If you are in a position where you have a massive marketing budget, than you could attempt to go head to head, however the penetration model from the PEND Principle <sup>™</sup> provides a more cost effective way to do this.

And why would you want to, anyway? This way, you will you gain better results with a penetration model, which will then free up your cash flow for the other three areas of the PEND Principle <sup>™</sup>.

The penetration strategy is finite. It may last three months, six months, or one year. This depends on what your competitors area doing and the results you are attaining. It is better to be first than it is to be better, therefore work out what segments you will penetrate and the budget required to do this. From there, you can develop the key strategies that will allow you to own your segments for a period of time.



## **Clever Penetration Strategies**

Once you have completed your competitive gap analysis, review potential gaps that you can take advantage of. Now you need to develop some strategies around those.

For example, if you find that none of your competitors are targeting products specifically for women, and you believe that this is a plausible segment to hone in on, you then need to now develop marketing strategies to align with your targeted segment. Your marketing plan will include a list of marketing channels that will serve you best to target this group, along with the campaigns that sit underneath these, and the timeline plan as to when you will execute.

Do this for each non competing area. Keep in mind that you want to only do this for segments that you believe have a market need, and therefore will allow you to penetrate easily. If there is no need to justify segmenting, or alternatively, not a large enough segment to be worthwhile, then ~~will~~ leave this specific segment out.

As far as plan development, you may want to include this process in your entire marketing plan for the business. I prefer to build individual plans, as this keeps it neater both in my mind and for the various stakeholders in the business that I am working with.

Building campaigns, along with effective marketing channels and communication, is another book in itself. I am only covering this area as being part of the overall PEND principle™ process, and it is another skillset altogether to develop the channels and campaigns that sit behind this process.

## **P**END

Just looking at marketing channels for a moment, the same principle applies when it comes to choosing channels. If you have a competitor who is dominating radio for instance, you may not want to go head to head with your competition on this platform, and therefore you may choose another channel that will still provide you with substantial lead generation.

Another clever penetration strategy you can develop while working through the PEND Principle™ is joint venture arrangements. The purpose of the entire process is to acquire the largest amount of customers in the shortest amount of time. There are most likely partners who are already talking to your specific segments and who have built up a substantial database of possible customers. JV's can be extremely powerful acquisition tools, so once you have developed your niche, make a list of the segments, and align these to potential joint venture businesses that you believe would be a good fit.

For instance, let's go back to the example of targeting products at women. If it was a health product for instance, you may look at women fitness centers, or women's networking groups as possible JV partners. Obviously, it is best to make sure that they meet other demographic requirements, such as age, income and location (if applicable).

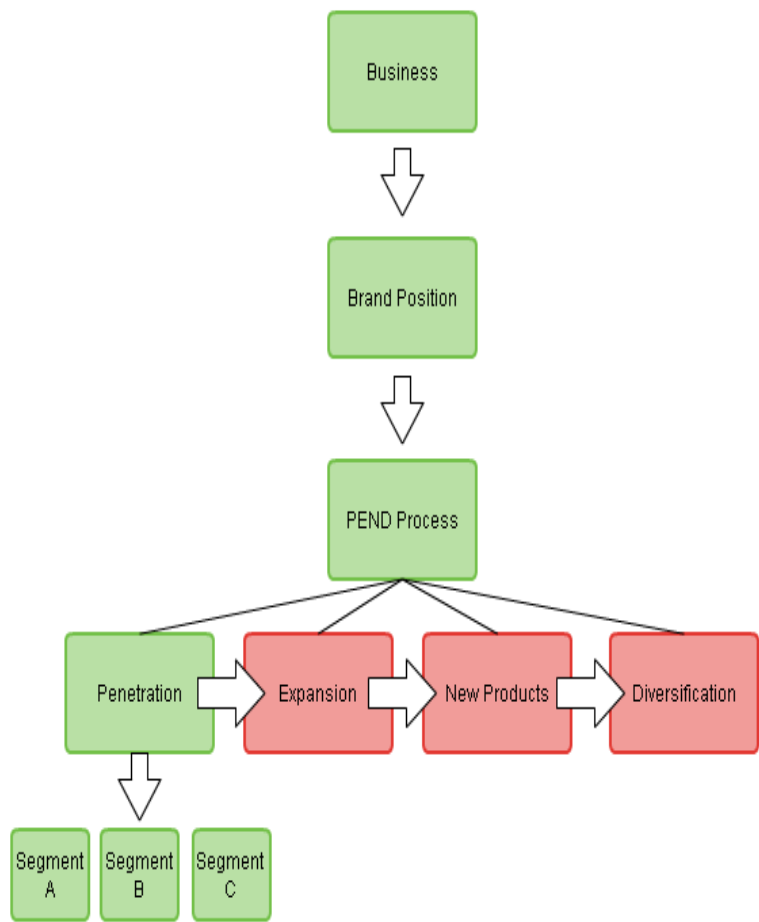
**Position your business as the category leader.**

You should be aiming your business as being the category leader. Again, this is not about changing your overall brand position. This is about initially dominating specific segments prior to taking ownership of other areas that are heavily owned by your competitors.

This will assist you through your marketing process and will effectively relate to these segments that you a) know them, b) care about them, and c) have a solution for a market problem. When it comes to marketing your specific brand name, don't change your brand position to suit the market, otherwise this will affect your overall brand equity further down the track.

What this process also does, is flags any specific segments that may be able to stand alone in part four of the PEND Principle™, Diversification. If you find that a segment could potentially be a sub brand further down the track, you can then look at this in stage four.

*Diagram Example (Brand position vs Penetration position)*



## **Setting Benchmarks**

Once you have established the segments you want to penetrate and established your marketing timelines, campaigns, and budgets, you need to establish what your benchmarks are going to be around measuring this process.

You can do this via setting specific revenue or profit goals or the number of new customers that derive from your penetrating strategy, or you can just set this purely around a timeline. You could say that for the next three to six months, we will just focus on the penetration strategy, measuring the feasibility of the strategy as you go.

Benchmarking is extremely important, because you can't manage what you don't measure. You need to consistently measure the effectiveness of the strategy, which you can do via excel charts, or preferably via a CRM (customer relationship management) system. You need to track the results somehow, which, even without implementing the Pend Principle <sup>™</sup>, is a good

business discipline to integrate into your overall business systems.

The penetration process allows you to focus your attention for a period of time, which means that your marketing and advertising will not be watered down. And it provides the business with a strategic plan moving forward. Therefore you know what your strategy is for the next three to six months, or if measuring by revenue, when you hit a specific dollar or of course customer target.

If for some reason the strategies either aren't working, or are not sustainable, there is nothing wrong with culling particular niches if they are not drawing results, and then moving into the expansion model sooner. However, you really need to give this part of the process a decent amount of time to establish its effectiveness.

## Chapter 2

### P**E**ND

#### **Expand**

Once you have completed the penetration strategy, move onto expansion. In the expansion mode, look at weaning yourself out of the penetration model segments you used to develop quicker market share.

If you hit your penetration benchmarks, or have felt that you have spent enough time in this process, it is then time to expand. This is where you move into more of the generic based marketing and advertising. The benefit of this firstly is that if you were running an offer or pricing discount, which was part of the competitive penetration strategy, through transitioning from penetration to expansion, you start to build back profits into the business.

The penetration process was only in place to build up a brand position through clever, non-competitive segmentation. Once a brand starts to



build some momentum, you no longer need to stick strictly to specific segments, or non-competitive areas.

Customer acquisition can now be expanded out into other areas. However, if for instance you have a segment that is working well, and you know this is bring sufficient ROI, then there is no need to eliminate it at this point. You can keep this in place, however, you are now not only limited to this segment. As you have spent the penetration process building marketing share and brand recognition, you can now freely expand into markets that are more competitive.

When moving into a competitive area, you still need to build a point of difference if you can, however you should now be in a better position to compete. There is nothing wrong with keeping offers in place that are working, however what we are talking about now is the bigger picture strategy.

Expansion is setting up marketing and advertising campaigns that don't need to have such a narrow focus. For instance, if your penetration model was

targeting purely at women, as none of your competitors were isolating this segment, then you can keep that in place if it is working, however you will start to expand into the male markets as well. This is of course only if by doing this, you are not counteracting your overall core brand position.

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Another point is that if you feel like the women's market, in the example mentioned, is sustainable enough in the future, you could even look at sub branding, which we will address in part 4, the diversification model. However, you need to make sure that this is profitable enough to be a stand-alone brand.

Caution needs to be adhered to when you expand into different locations. For example, if you are moving into a new suburb, or interstate, or especially internationally, you will need to go back to the penetration model to make sure that you have a competitive advantage within these areas. Again, after a period, you will transition out of this

and expand into other more competitive segments.

If you are in a business that isn't location sensitive, then this won't matter as much, as you would have covered off competitive gaps in your initial penetration anyway.

### **Why expand?**

The reason why we expand through this process is because we don't want to narrow our focus for too long. Initially, we narrow the focus to penetrate markets within our brand category. It is fine to have a narrowly focused brand, however the categories and segments within the brand catchment eventually need to be expanded upon.

Penetration is not a good long term strategy, however it is a great short term strategy, and the needed predecessor to expanding your business. Expansion, as far as how it relates to as part of this process, is when you start to move into the other areas that you were reluctant too initially. And rightly so! These were far too competitive initially, however your position should have changed if the

penetration process was undertaken correctly, and with the right communication and marketing channels supporting it.

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The market will now know your brand, and even though you may have been choosing specific segments or channels, you would have still been communicating your overall brand position. This means the market is now engaged with your brand in some way, and it is now your job to readjust the campaigns so that expansion can take place.

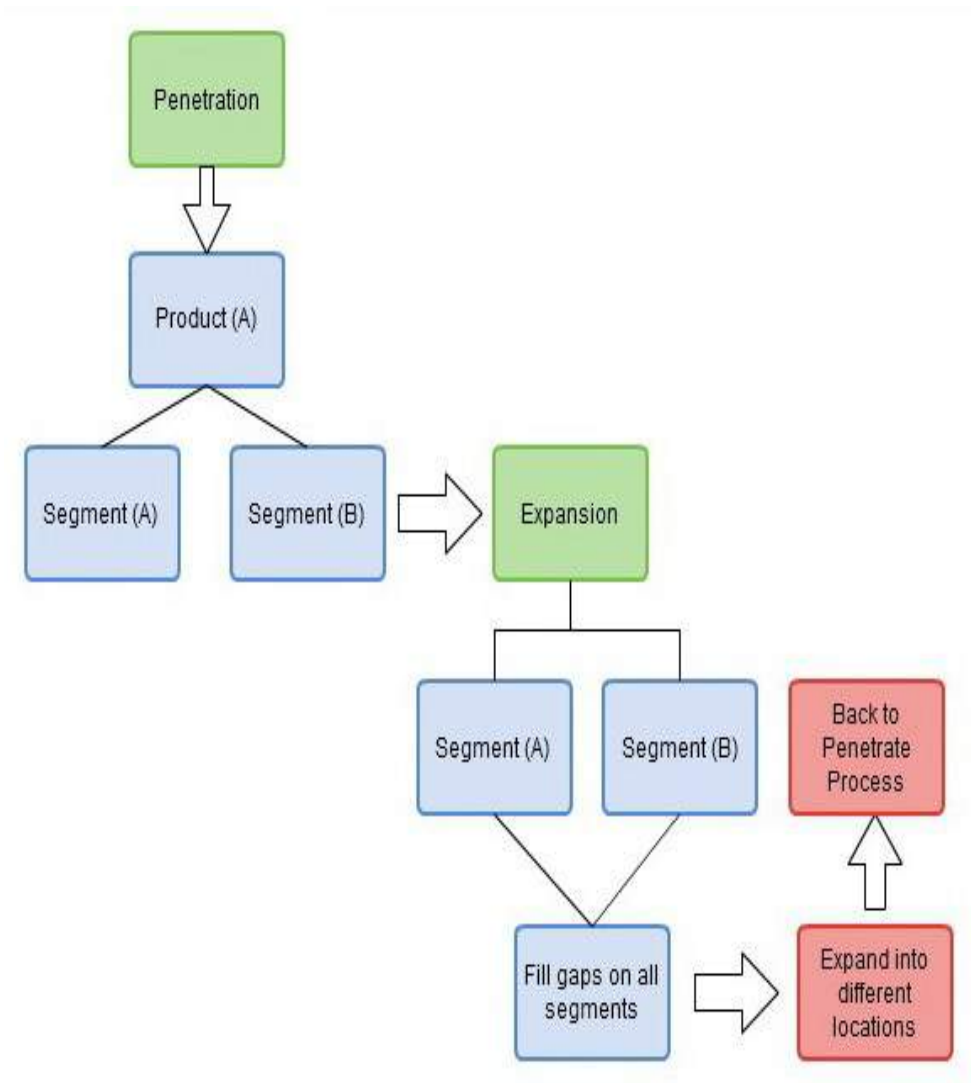
The reason to expand is to make the business more profitable and to slowly develop highly competitive areas. Do this by looking at all the areas you dismissed in the initial penetration model, due to their competitiveness. Now you are free to develop strategies around attracting these segments.

There should be no time limit on the overall expansion process, however the projects within this process need to be time lined. For instance, your expansion model could be to a) move into all

gender segments, b) move into each state, c) move internationally. This entire process could take years, depending on the logistics of the expansion. This won't matter, though, as your business will be growing through the process.

Your expansion strategy may only be to move into the segments you initially dismissed, and remain in the same location, with no view to move internationally. This difference between the two models could be substantial as far as timelines and logistics. There is not right or wrong. It is whatever will meet your business objectives.

If you do expand into different locations, this should be last in the expansion process, as you may need to go back to the penetration model to establish your competitive edge in these regions. However, the expansion into different segments and demographics, or marketing offers can be integrated into the expansion model first, as it is not subject to competitor activity in different regions.



*Example (1) Segment Expansion*

**Expand without damaging the brand.**

In our expansion model, you should be trying to transition from the penetration model into expansion. You are still working in the confines of the original brand position. Never bypass this brand position to attain more market share. That is not how you build brand equity into your business.

For example, if you are a law firm that has a brand position as “First Choice in Family Law,” you will not then expand into commercial law, as this will water down your brand position. This is extremely important, as line extensions into areas outside your brand core position may actually lead to a spike in revenue, however, over the longer term, you will start to confuse the market as to what you are the leader in, which will actually lead to a decrease in sales.

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You are trying to position your brand as a category leader. Through penetration, you are choosing areas within your brand position that your competitors do not own. And in the expansion process, you are starting to move now into more competitive segments with your brand position.

If, for instance, your brand position has no competition, for example, you are the only law firm in your area that provides family law, then you can move straight into the expansion model. This is why the brand positioning is so important. Before you even start your business, you need to know what your brand category and position will be. Your best idea would be to develop a category that no one owns, however if this is not possible, or sustainable, then you need to run with the best possible category, and integrate the penetration process, allowing you to build rapid market share.

### **Your competitors won't hear you coming!**

One of the main benefits of the expansion process is that up until this stage, you have been no real threat to your competitors, as you have been



chasing non-competitive areas through your marketing and advertising.

This allows your business to sneak in under the radar. This is the benefit to not going head to head initially. When you go head to head, you are raising the alarm, and your competitors, if they are savvy, will counterattack, which will then leave your business extremely vulnerable. If you have deeper pockets, then this is not as much of an issue, however, if you are the smaller company, with a smaller marketing budget, you need to think smarter and more strategically.

In the expansion model, if done correctly, you will suddenly be on the radar, however, it will be harder for your competitors to counterattack, as you already now have a foothold, and your brand is starting to make its way onto the mindshelf of your target groups.

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## **Prioritize Your Expansion**

What you want to do when you prioritize your expansion is to look at all the key areas you are going to expand in. However, prior to doing this, you want to make sure that your business has a retention strategy in place, so that you are actually managing your existing customer base effectively. This could be setting up regular communication activities, through to a loyalty program or incentives.

You also want to make sure that you look at ways of increasing the frequency of purchases within your existing clients. Doing this prior to expansion will assist you in generating the most amount of revenue dollars you can prior to expanding. Essentially, you need to get your ducks in a row with this prior to bring on new clients. There is little point bring on mass amounts of clients if you have no process of dealing with existing clients.

Another area to set up prior to moving too far into expansion is your referral campaigns. Referrals are a great way to develop business quickly, not to mention cost effectively, and so this is a great

process to put in place, and this should carry across your entire business, and the entire PEND Principle™ process.

The expansion process is basically moving into other, more competitive areas. To prioritize the way that you could execute your expansion, rate the areas that you will move into in the following way:

- 1) Profitability (How profitable is the area?)
- 2) Timing (How long will it take to go for market?)
- 3) Resources (How many resources are required to cater for this area?)
- 4) Cost (How much will it cost to implement?)
- 5) Feasibility (What is the likelihood of success?)

Rate each area out of 5. Once you rate each area, it will become apparent which expansion areas you could develop first.

For example, if you were targeting men only in your penetration strategy with a male related offer, through expansion, you may want to now transition into both male and female. However, what are the impacts on doing this? Will the male segment be profitable? Can we go to market straight away? Do we have the resources to manage this? Will it cost any more to talk to this market? What is the likelihood of success in this market?

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Make a list of all the penetration areas that you started with. Now make another list of how each of these niche areas can be expanded on, and use the rating system to determine which area you will address first. This will now give you a priority around when to expand into these areas.

### **Set Expansion Measurements in Place**

Once you have prioritized your expansion, you need to measure the expansion and put together a timeline and budget around the project. Along with this, you will need to develop new campaigns

around transitioning from your penetration model to your expansion model. These campaigns will support the communication.

For instance, if you had niche campaigns running around age, gender, and industry, then you would build communication pieces that allow the brand to now move into all ages, both genders, and all industries. Keep in mind, that is only if it is applicable to your brand.

This is just an example, however the expansion must of course align with your overall brand position. Therefore, you won't move into all genders if your brand position is targeted at one specific gender.

Once you have completed this, you then have your expansion model in place. As mentioned earlier, location based expansion needs to be addressed slightly differently, as you will have different competitors, and therefore will need to resort back to the penetration process to build initial market share in specific locations and regions.

# Chapter 3

## PEND

### **New Products**

New Products comes after once you have completed both the penetration and expansion models. Now you can decide on what new products you can deliver to your existing market, while not infringing on your core brand position.

What you need to avoid are line extensions that fall outside your key brand message, otherwise you diminish your brand and its position over time. If you come to a new product area, and you feel that it won't fall under your current brand position, it needs to be moved to your diversification process, which will be covered in the next chapter.

Your new products are ones that you feel will increase revenue, market share, and enhance your overall market position. You can either look at enhancing your existing product range, whether that be taking an existing product and making it

better or more “now,” or you can create fresh products that you either decide to manufacture yourself or buy in as a total product to resell.

Doing this will assist you to grow and will keep momentum happening in your business at all times. As your brand is being positioned as a category leader, the market will want you to be up to date with new trends and new ways of bringing that product to market.

The reason why we bring in the new product area here after penetration and expansion is that we need to be getting the first two areas right before we start to develop new products. Also, product development should be an ongoing area within your organization, however many businesses do not know when to start this process. This is where the Pend Principle <sup>™</sup> can help, as it outlines the process that sits around making these types of decisions.

What you need to do here is develop a new product register that you can populate at different stages of your business. The information can derive from customers, industry trends, and staff.

## **Create Products that Enhance the Brand Position**

Firstly, you need to be strict when it comes to making sure you hold your brand position. The entire purpose for setting up this process in the first place is to drive further market share, which will be lost, if you move away from your brand's DNA. It's all about brand equity.

For instance, you may be researching potential new product developments for your business. Your long term goal is to make your business more valuable. Brand equity creates revenue, profit, along with an emotional tie to your market place, therefore if your product development is not enhancing this, it is for sure hindering it.

## **What's the importance of product development?**

New products help a business to survive and remain competitive. Bringing in new products assist to keep your business relevant and up to date. Product development can be angled toward a new idea, innovation, or it can be upgrading products that are in the market already.



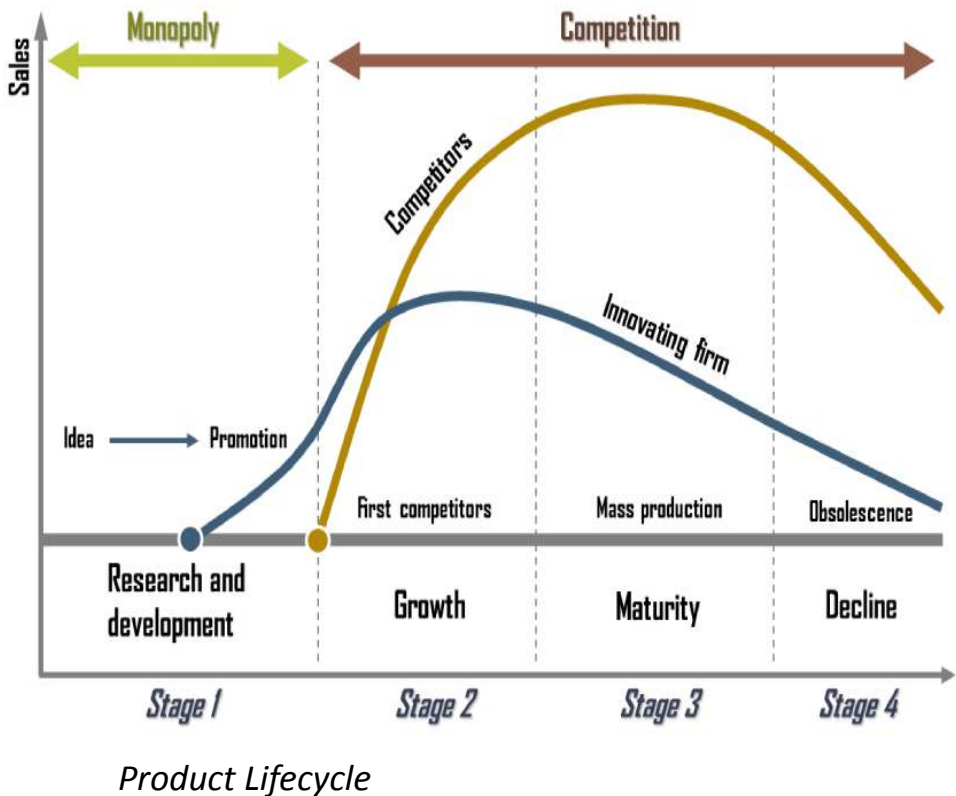
Alternatively, you may have an existing product that can brought to market in a different way.

A good example of this is the transition that businesses made from hard cover books to e-books. Seeing this as a growing trend would have helped businesses to flag this as a potential new product, and then work towards adding this to their armory of product lines. Not recognizing this trend would and has had catastrophic impacts on companies that didn't move with the times.

Companies that don't keep new products top of mind will simply get left behind if a competitor is smart and in a better position to take advantage of new product trends.

The mistake that many companies make with product development is that they choose to develop new products that don't fit their core brand position. And as they are not on the mind shelf for being a leader in this category, a competitor can easily come in and take this market share away through positioning themselves as leaders.

Once the market has made up its mind on what your brand stands for, it is hard to change it, and why would you want to anyway? If you have a new product idea that does not align with your brand, it goes into the diversification process, which we will cover in the next chapter.



On the previous page is a standard product lifecycle diagram. As most products have a lifecycle, you can imagine the impact it would have on your business if you have multiple products in maturity or decline. To keep the business sustainable, you need to continue to enhance or develop new products as an ongoing business process.

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### **What products should you introduce?**

Products need to be matched to market needs. They need to offer a solution or a better way of doing something. A good way to determine whether a product would work well is to conduct a SWOT analysis. The SWOT analysis looks at the strengths, weaknesses, opportunities, and threats of your product, and gives you an indication of the feasibility. Conduct a SWOT for each potential product, and then start to analyze what the most appropriate product will be to implement straight away and which products are for longer term development.

Strengths and weakness of the analysis refer to the internal aspects of the business, whereas opportunities and threats relates to the external impacts of the business. This way, you cover off on all possible impacts on the product, which can either help or hinder its success. Knowing this provides you with much needed knowledge to either determine if it's ~~not~~ the right time to pursue a specific product or to alter something relating to the product to position it for optimum success.

### **Competitor Analysis**

Once you have established what products you want to introduce, and completed your SWOT analysis, now it's time to review what your competitors are doing and see what you might have to change or alter in relation to their strategies . You need to gain some idea of who is doing what in your market place.

With your new product process, you don't need to go through the penetration process, as you would have built brand awareness through your initial penetration and expansion process, and now you

should have a customer base that you can distribute your new products or services through.

You may want to tweak offers in relation to what your competition is doing. If you feel that you are going head to head with a competitor on the new product range, then it is ok to run with offers or point of difference campaigns similar to what we do in the penetration process. However, this is now deemed to be part of your regular marketing campaign activity, as opposed to just picking specific areas to segment and niche.

### **Prioritize Your Products**

What you do when prioritizing products is similar to what you did in the expansion example. First, you look at the five key areas to determine which are the best products to launch with. This prioritization model is based on a formula, however gut feel also can be of importance.

With new products, you will measure it like this –

- 1) Profitability (How profitable is this product?)
- 2) Timing (How long will it take to develop?)

- 3) Resources (How many resources are required to develop this product?)
- 4) Cost (How much will it cost to develop and implement?)
- 5) Feasibility (What is the likelihood of the product succeeding?)

If you believe that a product may not look as good on paper, however, you believe that there is something in the market ~~is~~ missing, and you just believe it will work, there is nothing wrong with launching the product, as long as you have contingencies in place.

For example, don't tie up too much money in R & D (research and development), or in marketing and advertising. Also, make sure you have a justifiable 'out,' should the product not perform. You will need this from both an operational (internal), along with a public relations (external) standpoint.

Trials are all well and good, however, make sure that the investment, or alternatively divestment, of the product will not in any way affect your

brand position. Risk management is an extremely important area for all areas of business, and how it ties in with product development is no different.

Once you know which products you will launch first, you can start to timeline these out. You can be fairly flexible with this process. For instance, you may take into account the seasonality associated with the product (summer, winter, Christmas, Easter) prior to deciding what products to implement.

You need some type of priority structure in place, as this is what The PEND Principle™ was designed for.

### **Set Measurements for Products**

After you have developed your products, prioritized them, and then worked out when you will launch each product, you need to put some benchmarks in place around what you deem to be a successful outcome for each product. Specifically look at the number of units, number of new customers, etc.

What you are trying to achieve is ultimate market penetration, making sure that you make the most out of your new products within your chosen market. The entire PEND Principle <sup>™</sup> process is designed to take the questions away surrounding when you need to enact specific strategies within your organization. Therefore, it is a logical approach that you streamline and nurture your new product area prior to moving into the next part of the process—diversification.

This process is fairly flexible, however its basis needs to be the starting point to why you are doing it. Many businesses perform strategy without really knowing the long term impacts or why the strategy was enacted in the first place. If you reach a point where you feel you have adequately brought your new product/products into the market place, then you are free to move on into the next process.

Diversification can be quite costly, as it basically setting up a new brand. Therefore, you want to make sure that you have progressed your new products to a stage where they can carry on with



little assistance while you are establishing your diversification (new brand) process.

You don't actually need to diversify if you don't want to. I have built this into the process as a way of sharing risk and looking at new market opportunities that are outside your brand scope. However, you can spend the rest of your business life working the three predecessors (penetration, expansion, new products), and you will still be kept busy enough. Every case will be different, therefore the process needs to match your business and personal objectives.

### **Set Product Project Timelines**

One of the important aspects of product management, development, and implementation is setting up a new product project schedule. This includes timelines, budgets, and resources. This is where you can plot out each task that is involved in your new product launch.

For instance, with product launches, there are areas like concept, packaging, logo design, legal, and marketing, just to name a few. Each of these

areas will have subordinate tasks that need to be completed in order to bring the product to fruition.

Project management methodologies have become common place for businesses now, mainly due to their effectiveness. There are some cloud based and desktop based project management tools that will allow you to manage this process. Most have multiple user options, therefore, every stakeholder can view the project status and keep well informed of the overall schedule.

Project management methodology is one of the most effective ways of making sure that nothing is missed in your new product project. Depending on the project management system you use, you can also set up predecessors for each task. This is important, as you can view what tasks need to happen before the next can take place. For example, you will need to have sign off by legal on the packaging wording prior to the finished packaging design. Project management software will manage this for you, so you are not putting the cart before the horse with specific tasks.

I would suggest anyone in business to become familiar with project management methodology and the associated tools that are now in the market. This will ensure your product launch happens on time, on budget, and with the level of quality required.

### **Review Corporate Strategy**

Once you have set up your new product process, it is a good idea to review your overall corporate strategy again to see if there are any new impacts that you had not considered previously.

Here, you are looking at both internal and external impacts that may affect the overall business, not just a specific brand. From an external standpoint, PESTEL is widely used to review this. This acronym stands for political, economic, social, technology, environmental, and legal.

Look at these areas from an external impact to see where the business may be at risk. Along with this, you should also conduct an internal analysis, looking at key areas within the business such as

operations, finance, marketing, human resources etc.

Going through this process, you just want to find out if anything you are undertaking from a marketing standpoint has impacts internally, and also if there are any areas within the business that will hinder your performance, or achieving your corporate objectives.

If you have found that there are some potential issues both externally and internally, you need to then set up any known risks as action points for your business, and build a timeline around when you will implement these. Common sense has to prevail here. Therefore, if you have a major technology gap internally, and for example, don't have the crm solutions to handle an influx of new customers, you will want to sort that out prior to developing marketing campaigns that could lead to a large influx of new clients.

### **New Product Register**

Moving forward, it will serve you well to have a new product register that you are continually

populating. Whenever you come up with a new product idea, most times they are either forgotten about, or it may seem so far away that you can implement it, that you don't even register it anywhere. This is a mistake, as you want to always be pushing your business in different ways, and new product development is a key way to making this happen.

Just because you are not ready to do it at that point does not mean that you should never consider it. Ask your staff, customers, and various stakeholders about this. Most people will have an opinion on a new product that would enhance your brand or alternatively offer a new way of delivering an existing product or service.

It is also a good idea to have a staff register. You could even set up an email address such as [productideas@businessname.com](mailto:productideas@businessname.com), whereby staff can provide these ideas. Staff are often in frontline positions and dealing direct with customers. Maybe a customer has mentioned a new product they have seen, or could have visited an offshore expo, and may have an idea on new trends happening in the industry. Therefore, when you

come to your new products cycle as part of the PEND Principle™, you will already have a plethora of product ideas to work with. Even if it is only one or two, it is a great place to start.

### **Developing Your New Product Marketing Plan**

Once your products are developed and you know what products are going to be in the marketplace, you need to put together your marketing plan. You now need to break this down into each product, and look at the potential target group for each one, along with the strategies and campaigns to marketing these products.

You may want to develop an offer, or come up with a strategy to make sure that these products will have maximum impact once launched. Marketing can be focused initially on existing customers, along with above the line campaigns via both offline and online messages. As you have already spent money to build your existing client database, it makes sense to promote this to them first.

Along with this, marketing to your existing clients gives you a good indication what the response rate will be before you do any above the line marketing. Therefore, based on the reach that you market to, your existing database and the effectiveness of the product penetration will assist you in forecasting this out for your above the line campaigns.

Some of the areas your marketing plan should include are:

- \* Product Breakdown
- \* Target Market Breakdown per product
- \* Marketing Channels (Where should we advertise?)
- \* Marketing Campaigns (What are we going to say, and how are we going to say it?)

# Chapter 4

## PEND

### **Diversification**

So far, we have covered three areas within the PEND Principle <sup>™</sup>, including penetration, expansion, and new product development. Now we get into diversification. This process comes at the time when we have exhausted the previous three options, making sure they are all on track, and achieving results.

This process allows you to move into other business and / or sub brands that fall outside your existing brand position. Remember with the penetration process, you launched into niche markets that were non-competitive, and you then expanded into more of a generic type model after you initially built brand position. Along with this, you then developed new products (if required).

Up until this point, everything is being done under the existing brand position and brand name. With any new product that you had in mind that did not



meet your core brand position, now is the time to develop another brand name or business to cater for the implementation of this.

In the diversification process, the business has the freedom to develop leadership categories in other segments. If you look at some of the most successful businesses today, they have set themselves up as category leaders, whether it's cars, fast food, clothing, etc. The brands that excel own a category within the mind of the consumer.

These brands generally end up being a duopoly in the market place. This means that if you are not number one or two in your category, you will struggle to have a long term existence.

### **Why Diversify?**

Diversification is a helpful branding and marketing tool for when businesses want to move into other products or services that don't align with their current brand positioning areas, whether that be through one business or multiple businesses.

Line extending into other areas that don't meet your brand position can water down the brands

effectiveness over time. You need to stick to your brand position, and therefore if an opportunity comes up to line extend, don't pursue it.

This is where diversification is important. What it also does is allow the business to build risk management into the entire organization, not to mention within their marketing area. Let's say that you sell a line of technology products, and then decide to move into an unrelated position, such as fashion. Business owners will still do this most times as they think that if their brand is successful in one area, they will automatically be able to build the brand across multiple categories.

Remember, every time you set up a business or brand, you want to establish yourself as a category leader. If you can't be the first to own a specific category, try to create one first, as this will ultimately help you through the penetration process. Even if you are the first in your category, you still should look at the penetration process first, to see if you can even narrow the focus down more to penetrate specific segments. As mentioned earlier, if there is little to no specific

competition, you always have the option of moving directly into the expansion model.

As far as risk management, having a portfolio of brands, although seemingly more expensive, will do a few things:

- 1) Allow you to build that specific brand as a category leader.
- 2) Wear some of the risk, should your existing brand receive bad publicity, or go through financial issues.
- 3) Allows you to sell off specific brands / businesses, as opposed to having to sell everything at once.

Over time then, you will have a portfolio of brands that you manage, each with the objective of becoming the category leader in their chosen markets.

### **Analyze your Market**

Once you have decided what brands you are keen on diversifying in, it is important to establish the feasibility of each brand. You can look at this by

using an external analysis model to determine whether you will want to enter into these markets, and will also assist you in prioritizing the brands to launch with.

Once of the tools you can use is the *Porters Five Forces* model. I won't go into it too much detail here, however there is plenty of information available on the net for you to research. Here are the key areas that the Porters Five Forces model looks at.

*Porters Five Forces Model*



This model can assist you to determine the feasibility of an overall industry. I like this model, however you may have your own variation of this, or another way of delivering the same outcome. After going through the process of establishing how much power each of these areas have, you will then have a snapshot of the various impacts that your brand will face once launched.

### **Feasibility (To be or not to be?)**

After looking at what brands will be feasible or not feasible, you can start to prioritize them into both timelines and non-feasible segments. After your evaluation, if you feel that there is a brand that has limited potential, there is no shame in bailing out straight away. Some brands, concepts or ideas just won't work. And now is the time to make a decision on where you will spend your resources.

Alternatively, this is also the time to decide when you will launch each brand. There is a lot of work involved in building a new brand, and therefore you will want to make sure you have the resources in place to make it a success. Some brands may be launched straight away, and others may be five

year goals. The idea with the PEND Principle <sup>™</sup> is to build the process around each strategic maneuver.

Up until this point, you would have been through the various PEND Principle <sup>™</sup> areas. And at this stage, all these areas must be running effectively to even consider starting a new brand. This being the case, if you get partway through this process and you find that the other areas are falling backwards, you need to return to the other areas and get them back on track.

What you don't want is a pile of brands being set up that cannot stand alone. Therefore, the PEND Principle <sup>™</sup> is there to build a robust platform from which the business can support itself and then invest and divest where required. If the initial structure falls over, then this makes the entire business vulnerable.

### **Implementing Your Brand**

This is where project management will be one of the key players in a successful brand launch. There are many tasks involved in bringing a new brand to

market. Some of these tasks include business registration, domain name registration, website development, corporate identity (logo), business strategy, and marketing plan, just to name a few.

If you don't implement a project management methodology around this process, you will find that things will be left out, and that timelines will blow out way past their required dates.

If you have a look at a project this size, there are sometimes hundreds of tasks that make up the project in its entirety. This has various impacts on people, both internally and externally of your organization.

Often communication is forgotten about with a brand launch, and this is an extremely important aspect. Make sure you send out regular project progress reports to your various stakeholders, keeping them informed of the overall project status.

## **Keep a Diversification Register**

Just like we did with the new product register, get into the habit of keeping a diversification register. Staff could have access to this, or you can just keep a record for yourself. I would be reluctant to give this to clients, as you don't necessarily want customers that are fans of an existing brand to know that you are developing other brands. Customers will unknowingly assist you anyway through their purchasing patterns, which will help when selecting specific segments to build a brand out of.

As you go through your day to day business, you will most likely start to register possible businesses or brands that you can move into further down the track. Also, if you have a CRM system in place, this can also supply data around specific demographic, product, and a variety of other information, which could also assist in looking at potential new brands.



It is the process that I want to propose to you, not the content. This will take care of itself over time, and by following the PEND Principle <sup>™</sup>, these prompters will be in place, and will provide the business with guidelines in which to operate.

### **The PEND Principle <sup>™</sup> Process**

This entire process will give you a process to follow as you move through the lifecycle of your business, and also gives you a guide as to when you need to look at certain areas within your business.

Some of the most common statements I hear from clients are “I don’t know when to implement strategy,” or “I don’t know exactly why I am implementing this strategy,” or “I don’t know how to implement this strategy.” The PEND Principle <sup>™</sup> is there to alleviate some of the stress surrounding these areas.

The penetration alleviates the pressure of attaining market share quickly and competitively. Expansion alleviates the pressure around when and how to grow. Prioritizing this area sets up your

overall strategy for years ahead. New products alleviate the stress of becoming stale in the market place and keeping on top of trends in the market place. And diversification alleviates the pressure of risk, whereby it allows you to diversify risk across multiple brands, along with the opportunity of building each brand as a category leader.

I trust this process will work for your business, and that you see its value, whether starting up, or in a mature market. My passion has always been assisting businesses to meet their objectives, and this is exactly why I created the PEND Principle™. Business owners need to enjoy what they do, and having a dynamic, easy to follow process in place means that businesses can concentrate on the high level priorities, while at the same time enjoying the journey.

Please enjoy the PEND Principle™, and I look forward to hopefully meeting you in my travels.

## **About The Author**

Rudi Tartaglia has worked in the areas of marketing and strategic management for more than 15 years. He has experience across a diverse range of industries including retail, franchising, online businesses, financial services, mining, publishing, and health insurance, just to name a few.

Rudi's company, Tartaglia Marketing, was launched in 2006 to provide a range of services including business and marketing planning. Here, Rudi mentors businesses on strategic development and implementation.

Rudi holds six individual business qualifications covering business administration, marketing, management, finance, project management, and training.