



**HARVEST**  
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Turning Vision into Value



#### Harvest Partners

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## Special Edition *Breakout Growth*

In 2009 Harvest introduced the concept of Breakout Growth to its clients as a means of achieving dramatic business results and shareholder return. However, Breakout Growth is more than a concept; it is an idea that companies of most sizes can execute on. To achieve it, the organization's mindset, business culture, management approach and business development skills need to adapt to one singular goal - a Dramatic Positive Shift in Market Share.

This newsletter is dedicated to the topic of Breakout Growth. Our clients and market clamor for it, although they may call it by different names. And most struggle with how to attain and measure it. Therefore in 2010, Harvest is taking on the mission of explaining Breakout Growth, and helping companies of all shapes and sizes understand how they can pull it off. Through the year, our newsletters will provide examples of how companies are attaining Breakout Growth, as well as methods and best practices for you to consider applying to your business. Meanwhile, if you have any suggestions or questions, please let us know.

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David speaking on Breakout Growth at the BBJ (Birmingham Business Journal) Growth Expo Conference, November 10th, 2009.

### I. Breakout Growth: What Is It?

By: David Karabinos

Feel free to download our [White Paper on Breakout Growth](#). Here are some selected excerpts:

"So what's the big deal? Why is Breakout Growth important?"

"First, if successfully executed, it gets you into the BCS, or Bowl Championship Series. This metaphor implies that you will find yourself as one of the top competitors in your space, if not one of the top two, which should be your goal.

"Second, it will keep you from failing. Sure, you can grow yourself into trouble. Unchecked growth can cause a lot of problems that could conceivably lead to failure. But that's a scenario we would all like to be forced into managing. Growing will prevent failing.

"Third, having a crystal clear breakout growth strategy will keep you and your team focused on what is important. As you will learn in a moment, focusing on the customer, their pain and how and what they buy is what you should be paying attention to day in and day out, and losing sleep over every night.

"Last, it creates real shareholder return and wealth - faster. If your growth curve consistently exceeds your competition, then you are in play for an attractive exit or other liquidity scenarios.

"Here is our definition: Breakout Growth is a dramatic positive shift in market share accompanied by significantly higher profits. It is evident when a condition is reversed and a significant improvement in market share occurs.



"Companies with offerings that have real market potential, but that are experiencing slow, flat or modest growth are missing out because they have not found what is known as the Strategic Nerve, a term Steve Hindman coined. It helps a company close the gap between the value proposition of its offering and the market's pre-existing emotional and visceral desire for that offering. The result will be a dramatically increased growth curve that delivers a significant, profitable market share.

"Breakout Growth is important in both good and bad times, perhaps even more so as a strategy in bad times.

Get into the BCS. Go after one of the top two slots in your competitive mix - winners don't fear risk, they manage it. If you don't care about breakout growth your chances for wealth creation are low, certainly lower. Just the attempt and process will improve the value of your enterprise."

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## II. Driving Breakout Growth Organically

By: David Karabinos

Breakout Growth can be achieved a number of different ways. We've identified 5 core approaches: Organically, Market Expansion, Product Expansion, Acquisitions or via Alliances & Joint Ventures. All of these provide some measure of growth, at some cost and with varying degrees of expected and actual results. In this article, we are going to focus on one

approach to achieving Organic Breakout Growth. This approach is a summary of the methodology Harvest has developed in helping our clients strive for Breakout Growth.

In working with our clients we've learned to break the process down into four phases:

I. Find the Tipping Point - This is similar to the Strategic Nerve. This is the step where you make a deliberate and dedicated attempt to truly understand that gap between the value proposition of your offering and the market's pre-existing emotional and visceral desire for that offering that you are unaware of. This phase includes an accurate, and potentially independent, baseline of the current offering to include market perception, pricing, ROI, market sizing and share, and so on. After the baseline step it is essential to perform in-depth research in customer dynamics (usage, pain-points, personal motivations, etc.), competitive and brand positions and other factors influencing the sales process and cycle. In summary, you are looking for those nuggets of information that will shed a thousand watt light bulb on "why customers really buy your stuff". In fact, you may have identified several reasons, or tipping points.

II. Test - Once you think you've found them, then it's time to validate and rank. No sense in going any further until you're pretty sure you've hit the nerve. To do this, you go through an iterative process of: testing the hypothetical tipping point or nerves to validate that they make a real difference, prioritize them in terms of probable results, and field testing with customers and prospects. Iterate until you are down to one or two candidates.

III. Design & Implement A Solution - Now you have it, or think you do. You have found the real reason or reasons that customers will buy your stuff at a dramatically increased pace. This might be due to modified pricing, features, advantages or benefits of your offering. But most likely, it will be a result of some human dynamic, aspect or characteristic related to the decision making process. This is the secret sauce. Don't underestimate the power of personal emotion in the decision making of anything anyone buys.

So it's now time to design a solution. The solution is essentially a set of all potential changes you will need to make to the offering, business processes including sales & marketing, customer support and product management to take advantage of the Tipping Point you so earnestly worked to find. But first, better test the solution before going all out. In other words, conduct a pilot with the changes you think will be needed in one geographical market or sub-segment.

IV. Scale - Your pilot proves that you have found Steve Hindman's Strategic Nerve. Now it's time to scale the solution enterprise wide and go for real market share gains for the first time. This may include buying or building additional capability from a product or market standpoint. It may also entail significant adjustments to marketing, the sales process and force as well as back office operations. The good news is that you have sufficient evidence to justify significant new investment into making these adjustments.

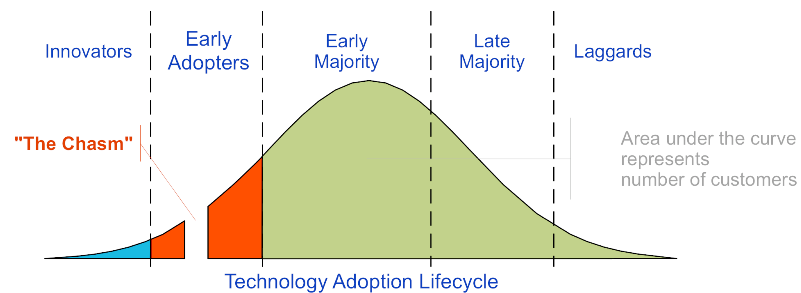
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### **III. Achieving Breakout Growth by Successfully "Crossing the Chasm"**

By: Dusty Pritchett

When Geoffrey Moore introduced *Crossing The Chasm* in 1991, it quickly became required reading for any executive in the high tech industry. While it focuses primarily on introductions of new products and services in the high tech industry, I believe the principles discussed in the book have application for any company that launches a significantly new product or service.

In the book Moore describes a flattening or even a decline in sales early in the product life cycle he termed "The Chasm." as shown in the illustration.



"The Chasm" is defined as "a pause of indeterminate length in market development, when the early market interest has waned and when there is no preordained or natural customer among the mainstream market for the discontinuous innovation, owing to its immaturity and lack of widespread deployment."

Many promising young companies fail during this chasm period. Many new innovative products from established companies fail during the chasm period. So what is going on during this period and why do some companies successfully succeed in crossing "The Chasm" and achieve breakout growth?

In a nutshell, "The Chasm" represents a period where there is a meaningful disconnect between the perception of the product or service being offered and the existing problem that mainstream customers will pay to have solved. The product or service being offering includes many things: the actual product, the marketing message, the channel of distribution and the other 5 "P's of Marketing". All components of marketing mix must be materially right before significant sales to mainstream customers will occur and breakout growth can be achieved.

Many times companies don't realize that sales to "innovators" and "early adopters" in the above illustration are relatively easy compared to mainstream customers. These early customers are looking for a solution to their problem. They search you out. They find you at trade shows; they "google" you; they scour your website looking for nuggets that will solve their problem. They are willing to accept a less than complete solution and make it work for them. They like hearing about the innovative technology you have introduced with your product. They are willing to help you fix the shortcomings of your product, if necessary.

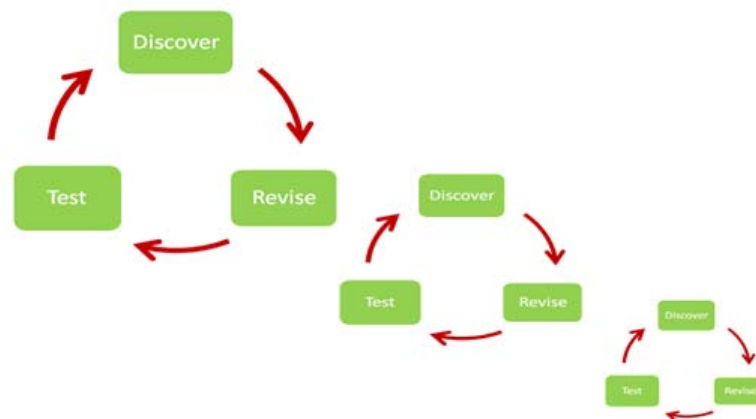
Sales to mainstream customers, on the other hand, is much more difficult. These customers aren't looking for you. You have to find them and have the right marketing message to quickly get them interested in your product. You have to understand their problem

and figure out to position your solution to solve their problem in a way that they immediately grasp and accept. They are skeptical and will be turned off if your solution is not ready for prime time. They are not interested in the technical aspects of your solution that your engineers think are cool. They only "google" you and visit your website during the due diligence process. The sales cycle is generally much longer and failure can occur at any step in the process.

So, what is the secret? Don't become overconfident based on the early success of the product. Recognize in the beginning that it will be difficult to cross "The Chasm" and translate early sales wins into a formula for reaching mainstream customers. Study your early successes and carefully analyze why the early adopters are buying your product and what problem you are solving for them. Make sure you have the product right. Don't let your product design engineers move on to the next product until the bugs and feature deficiencies are worked out of the new product. Keep testing the marketing message with customers until you get it right. Don't be lulled to sleep by the early customers who love the technical features of your product; future mainstream customers won't care.

The best way to evaluate your early successes is to assemble a small team from sales, marketing and product development to work together and spend meaningful time truly listening to your early customers understanding their problems and learning how to craft the product and marketing message. Understand the personnas of both the champion of your product and the economic buyer. Fix any product deficiencies immediately. Consider adding an outside consultant to the team who can independently evaluate the responses from customers without the biases of your internal team.

Most likely, you are not going to get it right the first try. Listen to many customers and hone your message multiple times until you get it right. Learning to get it right is an iterative process that requires continual trial and error as illustrated below.



It's not easy. The objective is to determine the "secret sauce" of the right product, sales approach and marketing messaging that will resonate with customers, shorten the sales cycle and keep "The Chasm" narrow and shallow. You will know that you are getting it right as sales begin to ramp and the selling cycle shortens as customers understand and favorably respond to your messaging. That's when you are on your way to achieving breakout growth!

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*If you would like to discuss the ideas & recommendations in this article, please feel free to contact Dusty Pritchett at*

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