

## WHY TOFFLER ASSOCIATES CONDUCTED THIS STUDY

“The first step in this assignment was to discover which state and local governments spend the most money on security, and what they spend it on. Once we answered those questions, we would find our client’s target market. But the vast majority of that type of information is not published or packaged. You have to assign researchers to dig into local governments’ databases and printed materials, make phone calls, and conduct interviews. With 50 states and 3,142 counties in the U.S., that’s a daunting task. Our competitors are good at acquiring and analyzing data that can be purchased by subscription, but we excel at first-hand research which provides the latest, most helpful information on which to base a multi-million dollar decision.”

-Toffler Associates

Engagement Leader

## Toffler Associates Helps International Defense Contractor Expand Into Uncertain New Market With Confidence

Entering a market outside of your core business is risky. But that’s exactly what an international defense contracting company wanted to do. The conglomerate felt that it could successfully compete in the U.S. homeland security marketplace on the state and local levels. “The new laws and policies put in place since 9/11 require even police departments in small towns to take certain precautions for the defense of the homeland,” said the Toffler Associates Engagement Leader. “Terrorists could target a major railroad junction or nuclear facility located in a rural area. So authorities on all levels of government need to be prepared. As a result, state and local governments have developed into a lucrative, multi-billion-dollar market for security products and services—a market that did not exist just a few years ago.”

A company can spend millions of dollars trying to break into a new market only to discover that what initially sounded like a good idea was, in fact, unfeasible. To eliminate this risk, the defense contractor asked Toffler Associates to research the state and local homeland security marketplaces to see if its idea would work and, if it would, to map out a strategy for entering the market. They chose Toffler Associates because of the firm’s years of experience and proven success in helping companies expand their businesses.

### WHY TOFFLER ASSOCIATES?

“One of our biggest differentiators is our ability to find data that others cannot,” said the Engagement Leader. “The first step in

this assignment was to discover which state and local governments spend the most money on security, and what they spend it on. Once we answered those questions, we would find our client's target market. But the vast majority of that type of information is not published or packaged. You have to assign researchers to dig into local governments' databases and printed materials, make phone calls, and conduct interviews. With 50 states and 3,142 counties in the U.S., that's a daunting task. Our competitors are good at acquiring and analyzing data that can be purchased by subscription, but we excel at first-hand research which provides the latest, most helpful information on which to base a million-dollar decision."

Toffler Associates' research found that the market was highly fragmented. While state and local governments collectively spend billions of dollars on homeland security products and services, marketing to so many entities would be expensive. "In a sense, the total dollars spent is irrelevant because from a practical perspective, a single company cannot chase such a splintered market," noted the Engagement Leader. "You have to attack a portion of it: the one that has the most money to spend and where you, if possible, have some type of relationship already established. In the end, we found that five states account for 20 percent of security expenditures. So after considerable effort, we established our client's target market."

### **THREE OPTIONS TO PURSUE**

The defense contractor's initial idea was to act as an integrator and, for instance, sell communications and surveillance systems that would allow the police, fire and other security departments on all government levels to communicate with each other. Research after 9/11 showed that this lack of inter-departmental

communication was a critical shortcoming. But Toffler Associates learned it would be impossible to get so many independent government purchasers to coordinate their buying in order to purchase products. There are too many decision makers and incompatible purchasing processes to make it work.

Toffler Associates presented its client with three options: 1) pursue the fragmented market as it is and become the "Circuit City" of homeland security solutions by keeping a wide variety of products on inventory, 2) attempt to change the market and convince governments to coordinate on all levels to buy integrated products, and 3) drop the idea and not pursue the state and local security markets.

Option one required the defense contractor to invest millions up front in inventory and an expanded sales force. Option two demanded time and patience to, in some cases, lobby to change laws and policies on several government levels. In addition, the defense contractor would have to convince the purchasers to act in unison, agree on standards and coordinate in myriad other ways. "In the end," stated the Engagement Leader, "option three was the only viable one. The other two were very high-risk propositions with no guarantee of success. The cost of entry was just too much, so based on the facts, our client decided it would explore other ways to expand its business."

### **A SOUND BUSINESS DECISION**

The defense contractor considered the engagement a big success because Toffler Associates provided a realistic view of the marketplace and saved them hundreds of thousands if not millions of dollars in start-up costs. "We mitigated the risks involved in entering an unknown market," continued the En-

gagement Leader. "The financial and personnel resources they would have had to commit were enormous and the return on investment dubious. It was a smart and bold decision on their part. Some companies would have simply forged ahead with their idea without taking time to discover the risks. The client was very satisfied with the outcome. This was a prodigious undertaking with many unknowns and arcane data to discover. We delivered a solution that allowed the company to make an informed decision on a business venture with considerable potential consequences for its bottom line."