Growth: A Strategic Planning Session

Michael Diamond, Industry Analyst
About The NPD Group

Channel insights, market trends, scorecards, sales opportunities and pricing optimization

Data from more than **2000 brands** across **250+ categories** in the B2B tech space

Distribution sales information in **Canada**, **U.S.** and **Mexico**

Reseller Tracking Service information in the **U.S.**
Here’s What You Can Expect

1. Overview of the strategic planning process
2. Total available market sizing
3. Tracking market forces impact on the solution provider business
4. Finding market adjacencies to transform the business
5. Understanding the multi-dimensions around the customer innovation
6. Use M&A to strengthen talent-acquisition strategies
B2B IT GROWTH PLANNING
A Look at the Channel

The overall market grew from $33B YTD 2018 to $35B YTD 2019 or a 4% year-over-year growth rate

- Non-Software represented 75% of revenues and grew 3%
- Security software represented 25% of revenues and grew at 6%

Source: The NPD Group/Distributor Track and Reseller Tracking Service, Jan-June 2019 vs. Jan-Jun 2018
WHY DO BUSINESSES FAIL?
Top 20 Reasons Businesses Fail

- No Market Need: 42
- Ran out of Cash: 29
- Not The Right Team: 23
- Outcompeted: 19
- Pricing / Cost Issues: 18
- User Un-Friendly Product: 17
- Product Without A Business Model: 17
- Poor Marketing: 14
- Ignore Customers: 14
- Product Misimed: 13
- Lose Focus: 13
- Investor Problems: 13
- Poor Strategy: 10
- Lack of Passion: 9
- Failed Geographical Expansion: 9
- No Financing or Investor Interest: 8
- Legal Challenges: 8
- Didn’t Use Network: 8
- Burn Out: 7
- Failed to Pivot: 7

Fundamental Challenges by Group:

- Marketing & Advertising
- Strategic Planning
- Legal, Finance, HR & Ops
- Sales & Customer Centricity

Source: Lending Tree Survey
STRATEGIC PLANNING PROCESS
The Strategic Planning Process

1. Key Intelligence Topics
2. Planning & Research
3. Plan Development & Creation
4. Socialize & Operationalize Plan
KEY INTELLIGENCE TOPICS
Breaking Down the Intelligence Cycle

Key Intelligence Topics (KIT)

KIT 1  Impact of Amazon?
KIT 2  Do I have the right product mix?
KIT 3  What is the impact of the trade war?
KIT 4  Will my vendor bypass my business with cloud?
KIT 5  How will IoT & Edge change my business?
# Always Vision the Nirvana Scenario

## Key intelligence example / war game

<table>
<thead>
<tr>
<th>Major</th>
<th>Entanglement</th>
<th>Nirvana</th>
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</thead>
<tbody>
<tr>
<td>Apple</td>
<td>Connected home</td>
<td>Nielsen</td>
</tr>
<tr>
<td>Google</td>
<td>Connected car</td>
<td>Netflix</td>
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<tr>
<td>Amazon</td>
<td>Smart phone/mobile</td>
<td>Verizon</td>
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<td>Alibaba.com</td>
<td>Cloud</td>
<td>Dun &amp; Bradstreet</td>
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<td>Microsoft</td>
<td>Smart TV/Streaming</td>
<td>Nestle</td>
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<td>iBooks</td>
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<td>Receipts</td>
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</table>
Will Amazon Disrupt the Business-to-Business Market?

1. Moved into MRO & office supplies

2. AWS market share leader—IaaS, PaaS, etc.

3. Increasing own delivery fleet

4. Could acquire a distributor or national solution provider

Actions

- Brick-and-mortar retailers have moved further into B2B
- National solution providers are consolidating the market
- Amazon continues to embrace the B2B market / channel
SELF-ASSESSMENT & RESEARCH PHASE
## Typical Reseller

### 1. Strengths
- Local level expertise versus key rivals
- Strong technical team with multiple certs
- Strong management team / deep bench
- Deep expertise in the healthcare vertical market
- Strong inside sales team

### 2. Weaknesses
- Non multi-regional presence
- Locked into one technology or one or two vendors
- Minimal access to capital
- Business development & sales expertise
- Mix is heavily weighted towards hardware

### 3. Opportunities
- Multi-regional expansion
- Move into near adjacent categories
- Grow business development resources tied to key industries
- Acquire or partner with similar resellers
- Shift towards MSSP

### 4. Threats
- Telecom channel moving into the B2B market
- Amazon moving into the B2B market
- Economic slowdown
- Vendor’s moving direct bypassing the channel
- The shift to cloud diluting hardware sales
Maximizing Portfolio Optimization

All firms we speak with are constantly evaluating their portfolio mix.

Certain products will generate cash flow that are large and high volume.

 Certain products will be higher growth and higher margin.

How do you grow high growth/high margin products?

How do we grow high margin high growth products?
Cloud Infrastructure & Platform-as-a-Service led growth at 34% and had 3% of the total software market.

Security Information & Event Management (SIEM) grew at 26% and had 5% share of the total software market.

Identity & Access Management grew 18% and held 2% of the total software market.

Source: The NPD Group/Distributor Track and Reseller Tracking Service
PLANNING & RESEARCH PHASE
How We Help Guide Our Clients & Partners

1. Is the market fast growth = **17% CAGR**
2. What is the average selling price = **$1,551.93**
3. Key markets that have longer wait times = **Medical**
4. Average wait time for a dentist = **20 minutes**
5. How many dentists are there in the U.S. = **186,084**

<table>
<thead>
<tr>
<th>Market</th>
<th>Number of Professionals</th>
<th>Price</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dentists</td>
<td>186,084</td>
<td>$1,551.93</td>
<td>$288,789,342</td>
</tr>
<tr>
<td>Eye Care</td>
<td>58,000</td>
<td>$1,551.93</td>
<td>$90,011,940</td>
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<tr>
<td>Podiatrists</td>
<td>11,506</td>
<td>$1,551.93</td>
<td>$17,856,507</td>
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**Total Revenue**: $396,657,789

*Source: The NPD Group/Distributor Track and Reseller Tracking Service*
The Impact

U.S. Dentists by State

- California: 186,084 x $1,551.93 = $45,828,492
- New York: 58,000 x $1,551.93 = $22,391,246
- Texas: 11,506 x $1,551.93 = $21,249,025
- Florida: 11,506 x $1,551.93 = $15,865,380

Total: $105,334,145

Source: BLS
BUILDING YOUR MODEL
Building Your Model—Forecast Assumptions

1. How fast is the market projected to grow (e.g., NPD Forecast)?
2. How is the overall U.S. economy tracking?
3. Are the end markets healthy?
4. Do I have the right sales coverage / talent?

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020E</th>
<th>2021E</th>
<th>2022E</th>
<th>2023E</th>
<th>2020–2023 CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$2,000,000</td>
<td>$2,100,000</td>
<td>$2,205,000</td>
<td>$2,315,250</td>
<td>$2,431,013</td>
<td>5%</td>
</tr>
<tr>
<td>Y/Y%</td>
<td>N/A</td>
<td>5%</td>
<td>5%</td>
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