

Cooling Systems Adjacent Market Prioritization Case Study



Industrial cooling systems company seeks growth in adjacent markets

Background and Objectives

An industrial products and systems manufacturer faced a nearly saturated core market, with growth tied tightly to market expansion. The client's business operated multiple brands and product lines globally and serves a range of industrial and commercial end markets with its products and engineered solutions.

The client had identified six product and market adjacencies in which it might want to make one or more growth-focused acquisitions. The client needed to better understand and prioritize its growth options and determine the right market entry strategy for each attractive adjacency.

BCE took a two phased approach over 9 weeks:

Phase 1 (~4 weeks) focused on evaluating the six adjacent markets, including market size, growth rate, market saturation, and competitive barriers to entry. BCE's research also led to definitional change that split one of the six adjacencies into two discrete markets, for a total of seven markets. The output of phase 1 focused on identifying growth opportunities, prioritizing investment areas, and developing deal criteria. BCE identified one clear winner, a clear second, and a close tie between the third and fourth most attractive markets. At the conclusion of phase 1, the client and BCE selected three markets for further study.

In Phase 2 (6 weeks) BCE then conducted a deeper market assessment to create a higher fidelity data set around market forecast, customer, and competitor landscapes, and identify candidates for acquisition. This analysis helped facilitate an evaluation of priorities, opportunity quality, and options for market entry.

Finally, BCE analyzed the strategic implications associated with entering each market.

Each market represented a different strategic approach to growth, and BCE defined three distinct option sets for the client:

1. An application centric play in a growing market
2. A total system play
3. A vertical integration play

Recommendations

BCE analyzed different investment options associated with each market, including platform, transformative, and incremental additions to the client's business, analyzed the pros and cons of each potential pathway, identified acquisition targets in each category, and analyzed requirements for success under each pathway. We ruled out two options as not actionable, leaving three options on the table for the client to pursue.

