

Act as a scale-up

Take your beachhead seriously



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ScaleUpNation

Act as a scale-up: take your beachhead seriously

In order to lead in their target market, scale-ups need to first establish a beachhead, i.e., a dominant share in a segment within the larger market. Many scale-ups know this, but very few really do it. The main reason for this is that by focusing on one segment, you say no to customers from other segments and lose out on much needed income. Creating a beachhead is no easy feat, but it is crucial in order to scale. Our research and practice at ScaleUpNation suggests that doing so involves three main steps: define your beachhead, accelerate sales, and reinforce your position by planting a flag on your beachhead.

Scale-ups need to establish a leading position in their initial target market (i.e., a beachhead market) in order to grow as quickly as possible. As a startup, you have already won over some innovative customers. Now you need to grow into the larger market. To do so, you need to quickly establish a beachhead: a dominant share in a niche segment within the larger market. By dedicating your efforts to a specific market segment, you can keep your focus on a limited product range, quickly claim a leading position and build trust in the brand.

Organizations that don't focus on a beachhead market run the risk of being buried under divergent requests from customers that have little in common with each other. While your company was still in the start-up phase, this was not such

a big problem, as you only had a few clients and could treat each of them individually. But as a scale-up, you have more customers, and an individual approach becomes untenable. *"We treat each new customer as a separate project",* explains a scale-up CEO. *"It's a whole new team every time and that is very expensive to set up, especially because we still have so much to prove to our customers."*



Creating a beachhead is no easy feat, but it is crucial in order to scale

Creating a beachhead market sets you up for growing word of mouth. In scale-ups, marketing is focused on earning free publicity through creative ideas and stimulating clients to act as your advocates. In the B2B market, word-of-mouth is one of the most important sources of information. According to a scale-up CEO, *“You need to be seen as an authority in the field. What I don’t want is a few people that say: ‘It’s fantastic’ and a few people that say ‘Well, I don’t know...’ Everybody must become an ambassador.”*

But it can only work if there is a critical mass of informed individuals who meet, exchange views and reinforce the company’s positioning. When you sell your product to clients from different industries who never talk to each other, you can’t expect them to spread the word about your company.

Many scale-ups know about the beachhead strategy, some have even read the book by Geoffrey Moore¹ who popularized this approach, but when it comes to implementation, only a few entrepreneurs are truly doing it. Even if they do start on the path of creating a beachhead, they can easily lose their focus along the way:

“We chose the segment that we wanted to focus on, but we were too distracted. Sometimes we still did projects that were not really attractive. We had to think about solutions for various types of clients instead of completely focusing on our target market.”

Why scale-ups fail to establish a beachhead

There are several reasons why scale-ups have a hard time sticking to a beachhead strategy. The first reason is that the beachhead for innovative products has not crystallized yet. With innovative products, there is no initial market that has been formed specifically for them. *“We found these markets because they found us”* explains a scale-up CEO. *“The only reason we succeeded is by networking, being visible, talking to the right people and just knowing our own story, the rest evolved from there.”*

The second reason is the false belief that the product can be tailored to each customer segment while scaling the business. Scale-ups are still used to tailoring products to each customer. When they were in a startup phase, doing so was the reason for their early successes. But sticking to this strategy while trying to fully transform into a successful scale-up is impossible.

The third and final reason why many scale-ups have a hard time focusing on the beachhead market is that they can hardly afford to lose ex-

¹Geoffrey A. Moore (2014). [Crossing the Chasm](#), 3rd Edition. Collins Business Essentials.

isting clients and the income they can generate from them. While scaling, resources tend to be very limited and financial risks high: *“We need to avoid the risk of running out of cash. Because if you are running out of cash, you can start doing stupid things.”*

In order to distribute this risk, scale-ups don't focus on one market and keep being open to various customers. But by mitigating short-term risks, they are losing a long-term perspective. The downside of these tactics is that you are bound to get stuck and turn into a stall-up. You can survive by putting your eggs in different baskets, but the company will not scale. When you are trying to serve four different markets, you are practically building four different companies. You are scattering your efforts both in product development and in sales.

What scale-ups do is absolutely rational. But, paradoxically, it doesn't make sense. If you act counterintuitively and double down on your beachhead instead of spreading your efforts along several different markets, you'll increase your chance of scaling successfully.

Overcoming these challenges requires you to stop thinking like a start-up and start thinking like a scale-up. This transformation involves three steps: defining your beachhead market; creating sales momentum and pushing through to reinforce your position in the beachhead.

Beachhead Positioning Formula

Fill out the following formula to come up with your beachhead positioning:

- **For our target customers**
[defined as a specific segment within the addressable market]
- **who are dissatisfied with**
[current solution]
- **our product**
[product articulation]
- **offers**
[key product features]
- **and thus provides**
[compelling reason to buy]

01 Define your beachhead

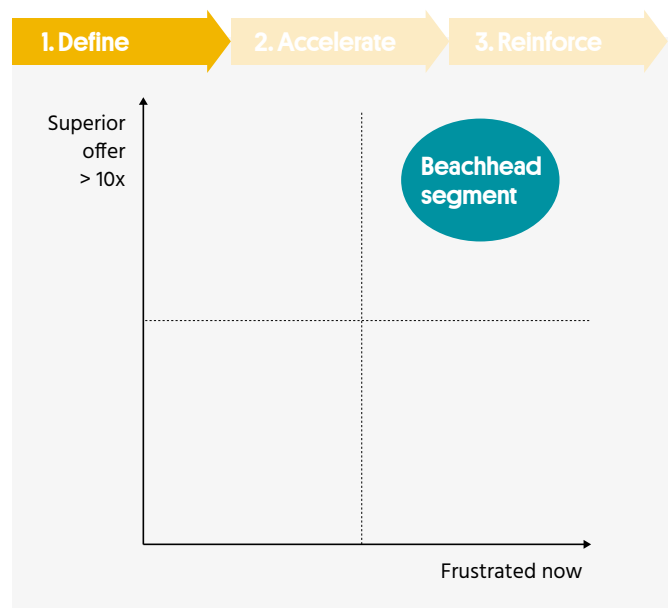
It is important to take a critical look at what your beachhead market is. Are you just running with the opportunity because you get some traction? Are you aiming for a segment you feel strongly about, but that is not ready to quickly and widely adopt your offer? Or does this segment really fit as your beachhead market?

Defining your ideal beachhead market requires you to assess three elements. Firstly, study the customer needs within your market and find the customers that are frustrated with the current offering. Secondly, evaluate whether what you can offer them is ten times better in solving their problem. And finally, is there a window of opportunity? I.e. Is their problem urgent? Do they need your product right now? If the answer is yes for all three elements, you have likely found your beachhead customers. They will buy your product immediately and spread the word about it in their community.

Chances are your beachhead market is not the one you are already focusing on. These customers might have even already tried to contact you, but you ignored them, because you were preoccupied with other strategic ambitions. This is exactly what happened to a scale-up that was trying to win over a medical market, while at the same time ignoring other customers who were ready to buy the product: *"We were completely*

heading for the medical market, and the sales director told us: "Let's look at the customers that actually want to buy your product. Let's just focus on them! You have a lot of customers that are reaching out to you. Why don't you look at these instead of trying something else?"

As a final check, it is important to correctly estimate the size of the beachhead market: it should be big enough to matter, but small enough to lead. If you can achieve a dominant position in one relatively narrow segment, you will become a leader and create barriers to competitors. Ask yourself: which size are you aiming for and in what period you can win over 50% of this market? Winning over the majority in one or two segments will result in approximately 20% of the total addressable market. If you achieve this, that means you have created a beachhead for future growth.



02 Accelerate sales momentum

Pursue only those leads that are in the beachhead and can decide quickly

Traditional business strategy involves gathering information and taking calculated risks, prioritizing correctness and efficiency over speed. But in today's markets, this is too slow. According to Reid Hoffman, co-founder of LinkedIn and the former vice president at PayPal, *"The risk is playing it too safe. If you win, efficiency isn't important; if you lose, efficiency is irrelevant."*²

Once you have defined your beachhead, pursue only those leads that can decide quickly. A scale-up CEO shares his tactics of selecting the right clients: *"It is important to be very specific with your potential clients and ask them: 'What do we want to achieve? Do we share a vision? Will you be able to manage internally to get the offer signed?' Before, we were too friendly in these situations."*

"In our industry, it takes on average nine months to get to the deal closing", explains another CEO. *"But we can only afford three months. I said to a potential client: 'I really appreciate your effort for setting up a meeting with one of your departments, but first I want to know: Do we share*

the ambition for climate impact and for working faster? If yes, let's agree that within the following six weeks we come to a deal closing'. *These efforts are starting to pay off. We are getting results: signed orders."*

"The risk is playing it too safe. If you win, efficiency isn't important; if you lose, efficiency is irrelevant."

Articulate your proposition to fit your beachhead perfectly

As a startup, you have already done your market research and validated your technology for its sustainable competitive edge. There should no longer be a doubt about whether there is a link between the need and the proposition. However, by adjusting your product to the various needs of individual customers, you run a risk of creating an offer that is too complicated. You might have extra features that are not relevant for your beachhead. Prune them out to articulate your proposition to perfectly fit your beachhead.

² Reid Hoffman & Chris Yeh (2018). [Blitzscaling. The Lightning-Fast Path to Building Massively Valuable Companies.](#)

Put real hunters on the beachhead

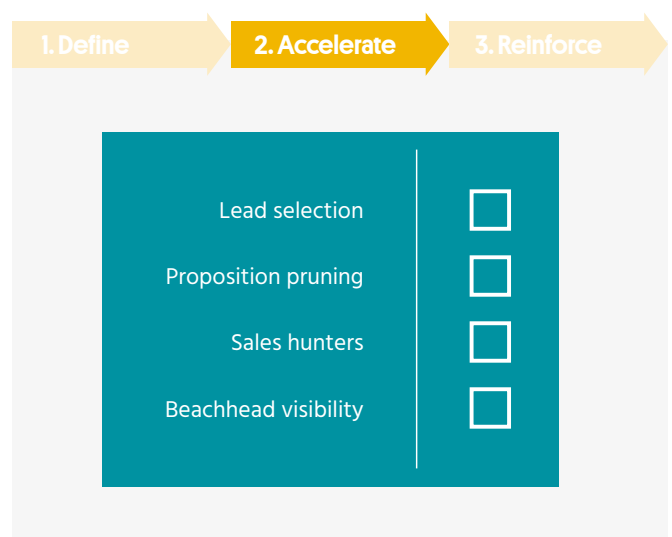
In the start-up phase, founders usually do sales themselves. As a scale-up, you need to hire sales managers. Some scale-up CEOs try to train new employees to become their clones: *“New sales managers have a lot to learn about how we look at the world, what words we use, etc. In the beginning, they will be shadowing me, and then slowly they can start taking over parts of the process and eventually can do the whole process independently.”*

But to win over your beachhead, you need to hire sales professionals who are better than you, who can sell to clients which you were not able to convert. Scale-ups can't offer the same financial incentives and security as big corporations. Instead, they can offer financial incentives directly related to performance.

Be prepared that a senior sales director might have a significant impact on your organization. *“When I hired my sales director, he warned me that he would influence my strategy”,* explains a scale-up CEO. *“He said: ‘Well, I can sell stuff, but you need to start delivering it!’ I said, ‘Okay, let’s agree on this’”.*

Make yourself visible in the beachhead

As a scale-up, you are at the early stage of building a strong reputation within a chosen market. The market players do not always believe you are going to be around long enough to make a difference. What are the ways to win over skeptics? Get them involved in understanding your technology, make them appreciate the market opportunity. You can do so by presenting at business conferences or industry events where you share your expertise and demonstrate the opportunities for potential clients. *“It has to be authentic”,* emphasises a scale-up CEO. *“People shouldn’t feel like we are here to sell. We are here to have a meaningful exchange of opinions about a specific topic. It’s like a boomerang. You throw it, and it will come back to you. Be ready to catch it.”*



03 Reinforce your position by planting a flag on the beachhead

Involve everyone in the organization in the beachhead success

The beachhead strategy is counterintuitive and can be met with skepticism by your team. Employees might complain about losing cash or disappointing existing clients. It is not enough for a CEO to decide on the beachhead strategy. Everyone in the company needs to make daily choices in line with your strategy. You can create a positive spirit internally by bringing your employees in contact with your beachhead customers and by involving them in sharing your company's success. When your successful relationships with the beachhead customers are shared within the company, your team won't complain about the lost clients and missed opportunities. When the whole team is focused on the victory, when you are all proud of your success, you become unstoppable.

Everyone in the company needs to make daily choices in line with the beachhead strategy

Create a positive buzz in the beachhead about your product

You need to concentrate all your company's efforts in one direction: serving your flagship beachhead clients, over-delivering to them so that they become your ambassadors in the business community. It is important to find partners and allies who can accelerate the formation of infrastructure within a specific market segment to support specific reasons to buy. One scale-up CEO reflects on this: *"There was this one decision maker who said: 'I can build it. I can develop it. I can pay upfront and I want you to do what you do best.' All the other customers were thinking: 'Okay, let's see, maybe we could get all these partners work together!' It is always a struggle. And here, it was a clear path. The partnership just really clicked."*

A CEO of a scale-up that offers sustainable building solutions understands the importance of creating a positive buzz in the industry: *"It is awesome that we have a momentum and that our customers are willing to pay more for sustainable houses. It is very exciting. Our solution has a massive environmental impact, and we see that more and more people are willing to invest in sustainability, which helps us scale."*

You need to concentrate all your company's efforts in one direction: serving your flagship beachhead clients

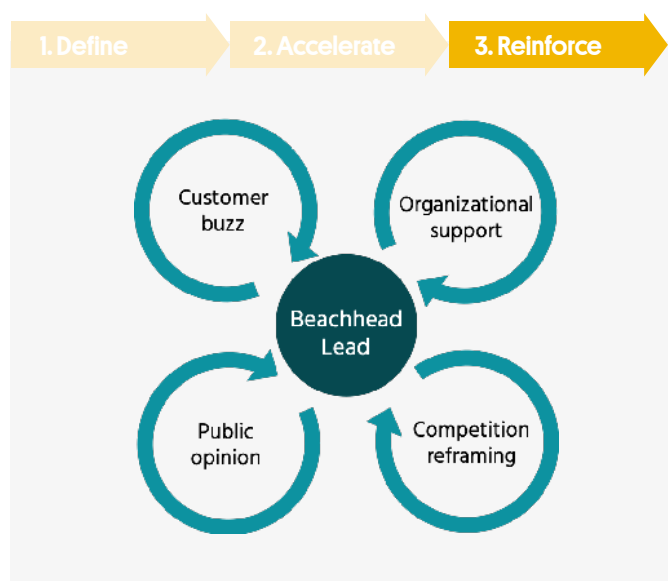
Reframe competitors by positioning them as focused on different segments

Scale-ups believe in the value of their current innovative offering. Because of that, they risk overestimating their competitive advantage and underestimating the competition. Discarding their value will not help convince potential clients, some of whom might have been buying from these competitors for many years and built trust in them. You can use your beachhead strategy to reframe the offer of competitors. By clearly defining your beachhead segment you can then also position your competitors as serving a different segment or a broad market. Instead of saying: *"My product is better than an alternative"*, you can say to potential beachhead clients: *"Well, they are great, but they are not focused on your specific needs. They have a broader or a slightly different market, while we specialize in this segment to truly understand and solve your specific problem."*

Win over public opinion as a beachhead leader

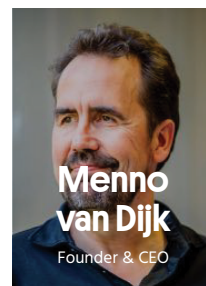
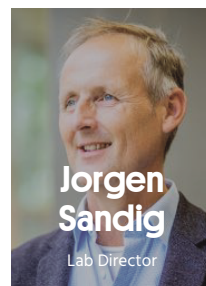
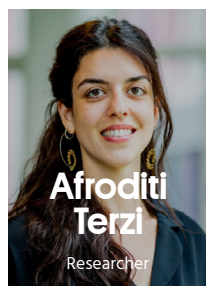
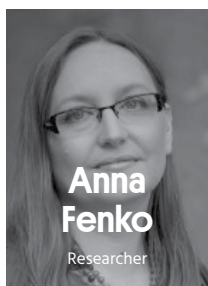
If public opinion is on your side, it helps to convince your beachhead clients. Scale-up CEOs are actively searching for publicity and trying to win over public attention by emphasizing their innovativeness and social impact. This process is mutual, because mass media are always hungry for news about innovative solutions for societal problems.

When you strike a chord with the public, your idea can quickly reach a huge audience. One scale-up CEO created a story about four friends that started an adventure together because they believed in a better world. They built a tiny house that you can put on a truck, bring anywhere and then live a comfortable life: *"This was a story of total independence, and it really struck a chord. We were picked up by a lot of media in the Netherlands. Fast Company wrote an article about us."*



Scaling your company is a dangerous journey. One scale-up CEO asked: *“How to accelerate in such a way that you have enough power to go through the Valley of Death?”* The answer is: by creating a beachhead. Focusing on a beachhead is not a limiting belief; it is an empowering and accelerating belief. When you conquer the beachhead, the larger market is there for you.

The Authors



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This Research

This paper is written by Liselore Havermans, Jiye Oh, Anna Fenko, Jörgen Sandig and Menno van Dijk. The research is conducted by Scale-UpLab and supported by the Goldschmeding Foundation and Europees Fonds voor Regionale Ontwikkeling (EFRO). This research has benefited from valuable ongoing dialogue with many scale-up CEOs and external experts.

In our deep dives, we bring together a diversity of relevant perspectives on insights from literature review and the theme at hand: perspectives from scale-up CEO's and other scale-up leaders, theme experts from practice and academia. We do this to discover and create knowledge together, because the process of scaling is too complex for any of us to fully grasp from our individual perspectives. These deep dives revolve around reflexive dialogues in which all research participants explore a theme together. First, we discover together what is already known in research and practice. Second, we broaden our perspectives and develop new insights by challenging our own perspectives.

We alternate between zooming in and out while keeping our focus on the core theme (in this case, hiring the best in scale-ups). We zoom in by asking ourselves what patterns we can distill from diving into the similarities and differences of our experiences. We zoom out by critically reflecting on insights from literature review and by asking ourselves why we see what we see and how else we could approach the problem.

We support the translation of our learning into action by sharing our emerging insights with the broader scale-up community, integrating them in our development programs for scale-ups, and developing tools to support scale-ups in their process of scaling.



THNK, McKinsey, New Venture, Goldschmeding Foundation, Eneco, Erasmus Centre, Startup Amsterdam, Ministry of Economics, Gemeente Amsterdam, Chrysalix, NL Groeit

