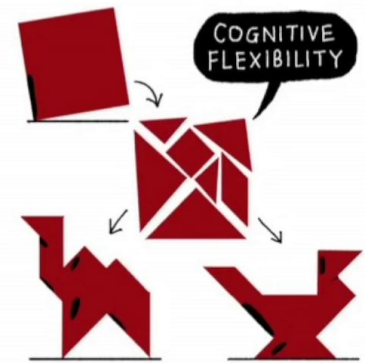




# Choosing which opportunity to exploit



Launching New Ventures

Hello, and welcome to this segment on market opportunity evaluation. It's actually called "Look Before You Leap!" It's called that way because that's exactly what you should do: look before you leap into a market domain. What we have seen time and again is that novice entrepreneurs actually enter the first market domain which they consider, and this is actually not a process that we can recommend, because all of the results that exist out there tell you that you should first look at multiple opportunities and then decide which one is the one you should exploit.

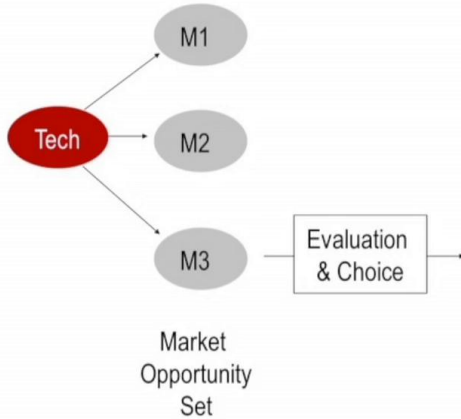
Notes

Summary



0m 08s

## Charting Firm Growth Options



Launching New Ventures

Building on that theme, in this segment we want to understand which is actually a very good opportunity. Which type of opportunity provides you with the most fertile ground for your firm creation processes. As you remember, not all opportunities are alike, so we need to understand what features are attractive in opportunities and which features help you to then create a successful firm.

Notes

Summary



0m 38s

## Week 2: Identifying & Evaluating Business Opportunities

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

In the last segment we talked about the firm growth options. That's exactly what this picture here depicts, and as you remember, we had these multiple opportunities that stem from your technology. The question arises, which of these market opportunities is actually a good one to enter for your organization? You can break up this question into a couple of core questions and some additional questions that we will discuss later on, but in essence, it boils down to an economic rationale. Which market domain provides you with the most fertile ground for your firm creation? Meaning some markets are more attractive than others to be entered. Second, it boils down to another issue that is more on the organizational level. The market you will be entering shapes the identity of your organization, who you are as an organization. Depending on the type of market you enter, this could come out fairly differently. Thirdly, and we haven't discussed that so much, there might be some domains you feel more passion about than other domains.

Notes

Summary



**For the  
organization:**

1. Which market domain provides the most "**fertile**" ground for your venture?
2. How does the market domain shape the **identity** of your organization?

*Economic  
rationale*

*Organizational  
rationale*

**For  
YOU!**

3. Which domain are you **passionate** about?

*Personal  
rationale*

Launching New Ventures

So, your passion is actually a strong driver in entrepreneurship because it releases energy, you have much more attention towards issues that you are passionate about, so you shouldn't forget about that third component either, and probably, you are already drawn to domains where you say "I have a lot of passion for." If these domains provide fertile ground, this is wonderful.

Notes

Summary



2m 11s

**For the  
organization:**

1. Which market domain provides the most “**fertile**” ground for your venture?
2. How does the market domain shape the **identity** of your organization?

*Economic  
rationale*

*Organizational  
rationale*

**For  
YOU!**

3. Which domain are you **passionate** about?

*Personal  
rationale*

Launching New Ventures

But there might be a tradeoff where these domains do not provide fertile ground. The domain you're passionate about might not provide you with the requisite number of products sold that would help you create a company that is successful. Once it becomes a tradeoff question, this is actually an important question to consider, because you might learn to love a domain as well, once you have seen your success in that domain, you might say, "OK, this is a wonderful domain to be in," and now you start becoming passionate about it. OK, it's a little bit like love at first sight, and at second sight, and at third sight. Keep this in mind and we will look now at some more detailed questions that help you understand how to evaluate your market opportunities.

Notes

Summary



2m 36s

## Look Before You Leap: Market Opportunity Evaluation

### Launching New Ventures

Prof. Chris Tucci & Prof. Marc Gruber

In order to understand whether your opportunity provides you with fertile ground to grow and nurture your venture, there are a couple of questions that you might want to ask yourself and address and think about, and we have listed them on this slide. These questions are, of course, interrelated, but it helps you to walk through each one of these questions one by one because each of these questions address an important issue. We have differentiated between a Customer perspective, the Market perspective, the Economic perspective, the exploitation perspective and the Venture Development perspective. The first one is the customer perspective. The customer perspective is a highly critical one. As Peter Drucker said, you do not create a company for creating a product, you create a company to create a market. The customer is really the starting point for creating the market. The key issue here is whether the customer really feels pain because he does not have your product. How strong is his need for your product? There are products that he says, "I may have this one," and there are products where he says, "I should have this one," and there are products which he says, "I *must* have this one." I think it's very obvious that once you have a must-have product that you could propose to the customer, that this will be a much, much easier sale.

Notes

Summary



# Assessing your opportunities



## Customer perspective:

- How strong is the “customer pain”?
- How strong is the customer benefit that your solution can deliver relative to existing solutions?

*try to quantify the benefit that your offering renders to your target customers)*



## Market perspective:

- What is the market size?
- How strongly does the market grow over time?



## Economic perspective:

- Does the price that is likely to be attainable cover your projected costs?
- What is your margin?
- What is the speed of revenue generation?



## Exploitation perspective:

- Do you have/can you develop the desired competences?
- What is the level of support that you can get/will need from external partners?
- What are the chances of winning in this market?



## Venture Development perspective:

- Is the window of opportunity open?
- Based on this opportunity, can you leverage into new segments?
- Can you defend your position over time?

Launching New Ventures

The second point is that you should try to quantify the benefit that the customer gets from your product. This is oftentimes much easier to be done in a business to business settings, where you, for instance, have a more efficient solution, but this can also be done for business to customer relationships where you are trying to understand how much benefit does this customer get out of your product. For instance, if you create an app, that app might facilitate the customer's search for information and save him time. That's a real value. Or, link him up with new types of information, which he would not have. That's real value.

Notes

Summary





# Assessing your opportunities



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Launching New Ventures

It boils down to the question, do you have a customer who has a strong need for your product in front of you? Or is this more like a should-have or a may-have type of product? If it's the latter two, there are ways, in terms of marketing, which can increase the feeling of need, but there's only so much you can do there. The next point here is the market perspective. The market perspective is one level up, if you want to put it this way, from the customer perspective. It's basically the aggregation of all the customers you have, and the question is, what is the market size? How many people, how many companies would be in this market that could potentially buy my product? And, over time, is this a growing segment? Or is this a stagnating segment, or even declining segment?

Notes

Summary



5m 30s

# Assessing your opportunities



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Launching New Ventures

Of course, the growing segment provides more fertile ground over time, but also, if you have a strong value proposition, customer pain that you can address, then even a declining segment might be OK, but still, a growing segment makes it easier because you do not have to fight head to head with your competition about market shares that are declining. The third element that you want to consider is the economic perspective. This perspective, actually, is critical to the viability of your venture. It means that you protect costs and try to understand whether you can actually achieve prices in your market so that you can cover these costs. Ideally, with a margin, so that it can make profits over time.

Notes

Summary



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Launching New Ventures

The point here is one where you'd say, "It's the business model that I have for my venture, it's the processes of the costs and the profits leading me to say, 'This is a sustainable venture, this is a viable venture.'" So this economic perspective is highly critical and you should assess it. Of course, you do not have sufficient information in all dimensions in the beginning, but this is a learning journey as we pointed out already before. Another point is what is the speed of revenue generation? If you consider revenue generation, this is cashflow coming into your company.

Notes

Summary



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Launching New Ventures

This is air that you breathe in the company, so this means the quicker you are in achieving revenues, the easier it will get for you to actually survive with your company. The fourth element discussed here is the exploitation perspective. It moves a bit more into opportunity exploitation over time.

Notes

Summary



# Assessing your opportunities



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Launching New Ventures

The question here is that you need to ask yourself, can you or do you already have the competencies that you need to have in order to produce your product and commercialize your product? The second issue is your network. This is typically very critical entrepreneurship too, because you are relying on network resources. You hardly have any resources in the beginning, so you're relying on network resources.

Notes

Summary



8m 05s

# Assessing your opportunities



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Launching New Ventures

It could be knowledge support, financial support, support in reaching potential customers, etc., but it's highly critical. So, the question is, some of these opportunities that you will see you could get a lot of support for in your network, and some other opportunities, you could get little support for when you try to exploit those opportunities. Finally, on that front you ask yourself, "What are the chances of winning in this market?" Are there some ruthless competitors that might out-compete you because they lower the price below any reasonable value, just to keep you out?

Notes

Summary



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Launching New Ventures

Or, there might be markets which are more benevolent where you say, "OK, this is providing me with some peace of mind. I can move forward, my customer likes the product, the competition is not so ruthless. Let's do that." Finally, and let's move then more closely into the venture development perspective, you need to ask yourself, is the window of opportunity open?

Notes

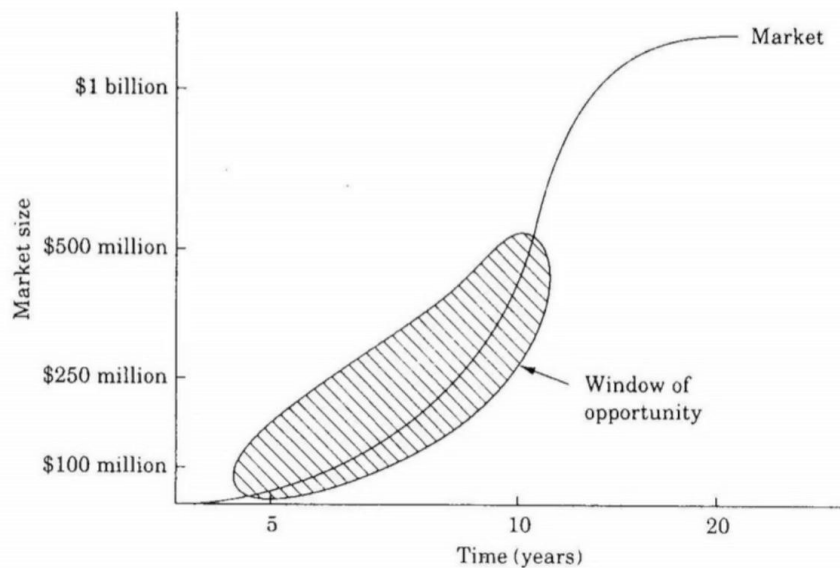
Summary





# Timing: Window of opportunity

*Windows of opportunities come and go – they must be seized in time*



**“Changes in the business environment and, therefore, anticipation of these changes, are so critical in entrepreneurship that constant vigilance for changes is a valuable habit.”**

**Jeffry A. Timmons**  
*New Venture Creation, 1994*

Source: Timmons, 1997  
Launching New Ventures

Is this actually a market that I can enter now and where customers are ready to buy my product? Or is this a market that might take a little time to develop and unfold? So your activities could actually help you create that market, but be aware that this takes some time, because you are investing in developing that market and customers might not be present so much and ready to spend significant sums on your product. So, opportunities come and go, so try to assess this timing dimension too when you are looking at opportunities.

Notes

Summary





# Assessing your opportunities



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Launching New Ventures

The other point that you need to think of is whether the market opportunity that you're looking at actually provides you with some grounds to step into other domains later on, where you could diversify.

Notes

Summary



# Assessing your opportunities



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Launching New Ventures

So is that one market opportunity providing you with this leveraging potential for the future? Think of very attractive markets that help you shape your organizational identity in a favorable way, that other people will look favorably upon your product, and this favorable view of your product could then translate into easier access into another market. Finally, the question arises, can you defend your position over time?

Notes

Summary



# Assessing your opportunities

Use your

Intuition

+

Knowledge



Launching New Ventures

There are some markets where innovation cycles are so quick, that you need to invest a lot into updating your capabilities, updating your products, so that you might not be able to defend your position over time because competitors might out-compete you and provide even better products. So that question is also one. As you see, there are lots of important issues to be considered, so market evaluation is not an easy task, especially when some of these dimensions might be uncertain. Some of these elements you might not know. This can never be a completely scientific task, saying, "This is exactly the opportunity that provides me with the best option." It's rather trying to give you some intuition, but it's more than intuition, it is intuition that is backed up with knowledge. Between intuition and complete understanding, which market you want to address, there is this middle ground that you can occupy, and that's where I ask you to go.

Notes

Summary

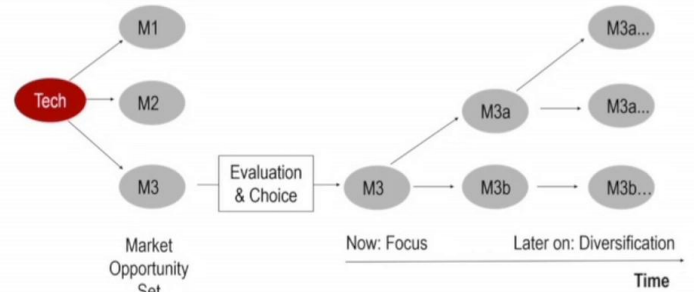


10m 57s

# Charting the firm's growth options over time



## Charting Firm Growth Options



Launching New Ventures

Try to get information, make an informed opinion as much as it can be, before you can commit to your market, because remember what we said in the beginning, it's look before you leap! In conclusion, this is really the idea "I have multiple market opportunities that I could potentially exploit." You see this here. You evaluate these opportunities. You choose the most fertile ground where you say, "This is a field I have passion for, this is a field where I like the type of organization that I create." You enter that domain and then, over time, if this one works out you can have multiple ways of entering other domains as well. This is life as an entrepreneur, it's an exciting journey, and this journey does not end and should not end with the first market that you enter.

Notes

Summary



12m 05s

# Charting the firm's growth options over time



Launching new ventures

Rather, see this as building a larger corporation that is catering to many domains. OK, thank you very much. I look forward to seeing you in the next segment.

Notes

Summary



12m 49s