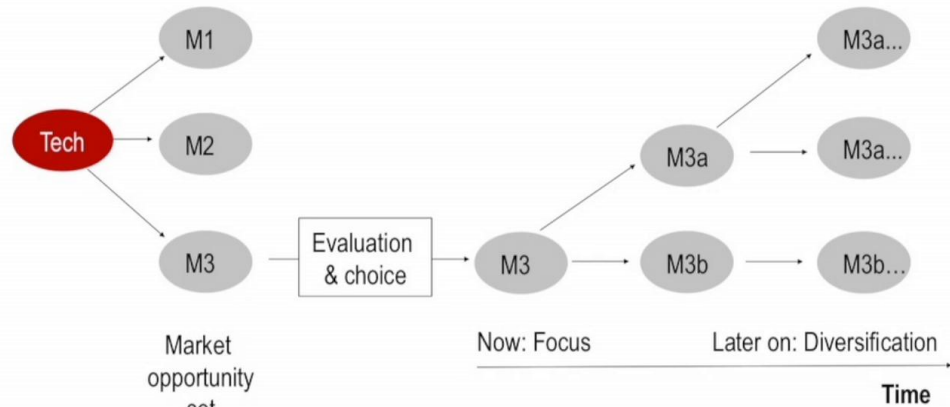




# Quick recap: what have we seen so far?



## Opportunity exploitation roadmap



Launching New Ventures

Do you remember what we've discussed in the previous sessions? This segment is actually a continuation of the core themes that have been pushed forward in these segments. Specifically, what we are trying to do in this segment is to show you how you can test your target market in order to get a very deep understanding of your customers' needs, try to understand whether the choice you made so far, that you want to focus on that target segment, is actually a feasible one, one that provides you with the fertile ground that you need in order to create a new venture. A quick recap of what we have done so far. In this graph you actually see all the different steps that we have walked through so far. We have understood the technological characteristics that provide you with fungibility in your technology, meaning that you can address multiple market domains with your technology. We've also discussed how you can identify multiple market opportunities based on your technology. Remember that we've talked about alertness, prior knowledge, etc. And in the last segment, we talked about evaluation criteria that you can apply to understand which of these target segments actually provides fertile ground for firm creation.

Notes

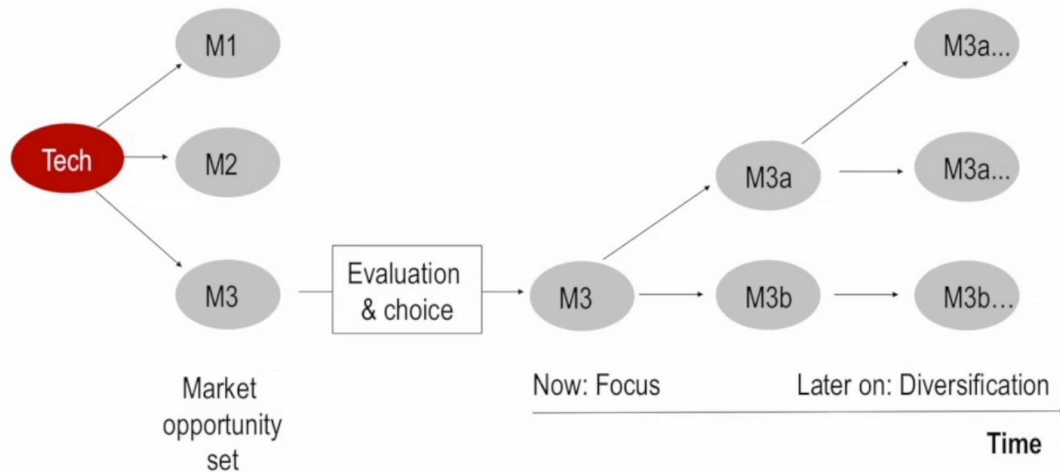
Summary



0m 11s

# Quick recap: what have we seen so far?

## Opportunity exploitation roadmap



We now build on this theme, but dive much deeper into market analysis because many of the decisions you have made so far are preliminary.

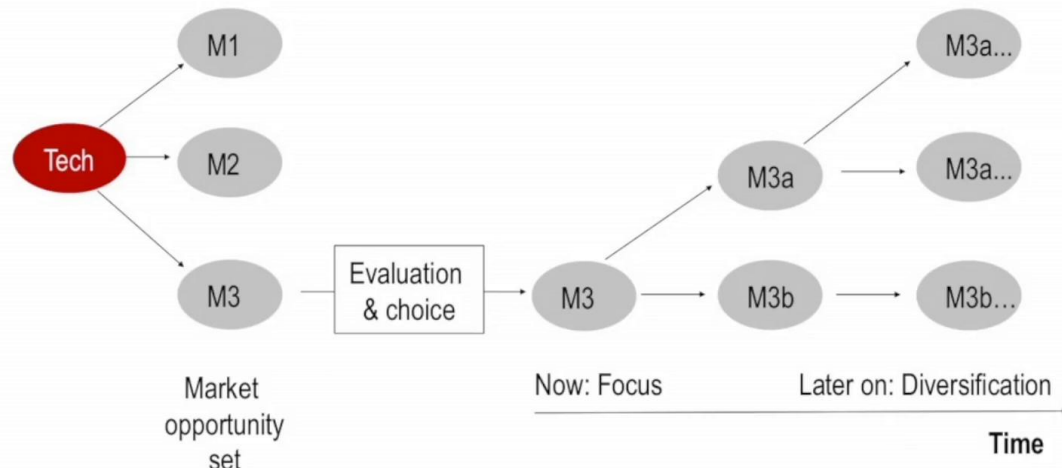
Notes

Summary



## Quick recap: what have we seen so far?

### Opportunity exploitation roadmap



You've based them upon assumptions, and if you base your decisions on a significant share of assumptions in your decision making, then they are preliminary, because you might have gathered new information, new data that then questions your assumptions, provide feedback on your assumptions, and lets you decide on a more solid basis whether the target market you have chosen so far is actually one that is promising. We'll last discuss in much detail ways in which you can perform market tests, but we also end this segment with an outlook on your future growth path, because the opportunities that you have identified provide you with some unique growth possibilities over time, meaning you can diversify into these other segments or these segments could serve as a plan B should the first or should another market not perform as you have foreseen it. So let me dive more deeply into the market tests and how you can perform them.

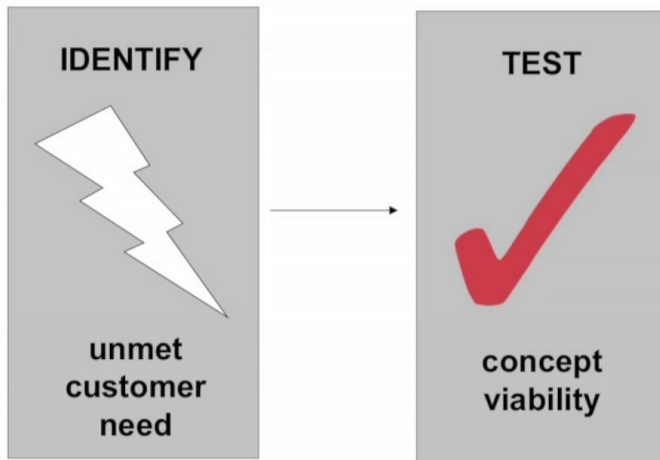
Notes

Summary



1m 34s

# Testing your market(s)



- Start-ups have limited resources
- Test the market to understand if your target market is the most fertile ground for your venture

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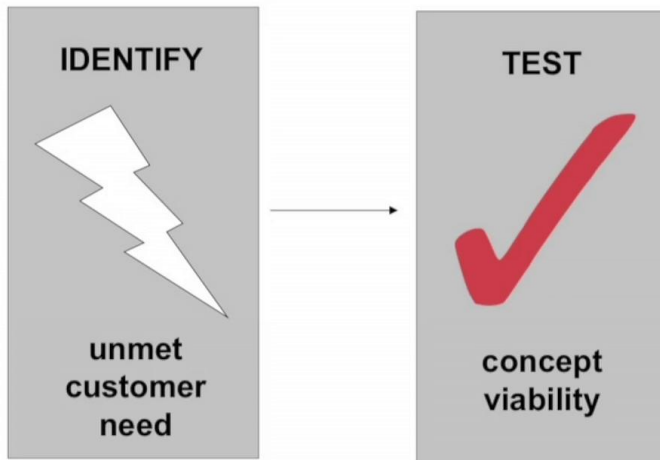
So let's look more closely at market testing. So far you have identified an opportunity, a market opportunity which is associated with an unmet customer need.

Notes

Summary



2m 34s



- Start-ups have limited resources
- Test the market to understand if your target market is the most fertile ground for your venture

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The question is really, is this only an assumed need, and how many people actually have this need? Oftentimes, an entrepreneur derives his observations about customers also from needs that he or she himself or herself has, but that might be a need that's idiosyncratic, meaning only you have it, or only few people have it, and that doesn't provide fertile ground for your startup. One critical element that you need to do before committing to a market, especially since you've scarce resources, limited resources in your firm, is to test your market and try to understand whether the concept you are developing, your product, actually provides a viable solution, and whether you have a competitive advantage, etc. Ultimately, we want to understand: is this fertile ground for planting the seeds of your firm?

Notes

Summary



2m 45s

# Identifying customers' perception: market testing

Testing helps to align the entrepreneur's and the customers' perspective



## Entrepreneur's view ≠

- Proud of her idea
- Enthusiastic about her product
- Immersed in the project for months
- Identifies with her product
- Takes critiques of the product personally

***Known,***  
**but potentially misleading**

## Customers' view



- Barrier to attention is high
- Initial, brief impression is decisive
- Continually flooded with information
- Distrusts new things
- Stuck in mind-set

***Relevant,***  
**but typically unknown**

So what is quite important to understand is that your view, your entrepreneur's view often doesn't align with the customers view. Let's think about the following: you develop a product. You are very proud of that idea. You are proud about your product. You are enthusiastic about it. You want to show it to others.

Notes

Summary



# Identifying customers' perception: market testing

Testing helps to align the entrepreneur's and the customers' perspective



## Entrepreneur's view

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- Barrier to attention is high
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- Distrusts new things
- Stuck in mind-set

**Relevant,  
but typically unknown**

You are going there to others and say, "Wow. Look at what I created." And there's nothing wrong with that. You should be passionate about what you do and you should love what you do. The only problem is that you don't take critiques lightly. It's more a personal attack if someone criticizes your product, which is quite normal, because you worked so hard on that product. But there is also a risk, sort of a trap, because you want to understand the customers' view, you need to understand the customer's view in order to make the sale. And if you put yourself in the customer's shoes, how does the customer feel about your product, but more generally, how does the customer see new products? So first, their barrier of attention is high. They are continually flooded with information. Think about your own information input that you get each day, e-mails, newspapers, Internet websites, Facebook, etc., etc. So initial brief impressions are decisive to make that informed judgment, they tend to distrust new things, and they are stuck in their minds. They have been using established products for a long time, So their view is quite relevant, their view is typically unknown to you, or at least known not fully, but their view is highly critical for making that sale.

Notes

Summary





## Crafting an Opportunity Exploitation Roadmap and Testing your Market

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

Prof. Chris Tucci and Prof. Marc Gruber

So what information you would need to obtain in order to understand whether you have an interesting, promising market in front of you that provides the fertile ground for firm creation? There are some key questions that need to be answered, and actually, some people, especially if you are a technology entrepreneur, you might be reluctant or might not have much fun going out there to talk to customers and gather all this information. This is quite understandable because you weren't trained in that field. But on the other hand, look at this as another experiment. Walk out there, go out there, talk to different people, and gather information --I'll walk you through some steps later on-- but this is actually quite an interesting intellectual challenge, meaning, is the product, the vision I have of my market actually correct? This is like a little test and experiment that you can do in your lab. So what key questions would you like to have answered? What questions would help you to improve your concept? First of course, it's demand. Information about demand, how strong is the demand. Remember this nice word, "customer pain" that we discussed last time.

Notes

Summary





Launching New Ventures

Demand also has a size component, how many customers with that pain out there? In other words, do you have a fertile ground that is large enough to support the creation of a high growth venture? Second, you would also like to understand the competition, and one question that is particularly intriguing on that front is the question of what type of products does your customer compare your offering to? This type of question actually helps you to understand what is unique about your product in the eyes of the customers, not in your eyes. It also helps you to understand which type of products might be out there that could out-compete you. And maybe you could make your product unique. That brings us to the third point, what are customers thinking about your offering? About competing offerings? What makes your offering unique? This is actually a very critical question because customers choose products that are unique and typically cheap. So, in that sense you want to understand whether your offering has some competitive edge to it. The customer might even give you information about ways how you could improve your uniqueness that provides you with a stronger unique selling proposition.

Notes

Summary



0m 09s

# What information do you need to obtain?

## Key questions to be answered:

**DEMAND:** How strong is the demand for your product/service among customers? ("customer pain" & size of market)

**COMPETITION:** Which products/services do customers compare your offering to? (i.e., who are your competitors?)

**PRODUCT FEEDBACK:** What are customers thinking about your offering? About competing offerings? What makes your offering unique? Can you identify ways in which you could improve the unique selling proposition?

**VALUE TO CUSTOMERS:** How much value does your offering give to customers? How much would they be willing to pay?

**DISTRIBUTION:** How do customers buy your offering? Where would they want to buy it?

**MARKETING TOOLS:** How would customers react to different ways of advertising? To different information channels?

**OTHER ISSUES:** Do key regulations exist? Key processes that need to be understood (e.g., purchasing behavior of firms)

Launching New Ventures

You also want to understand the value that your product creates for customers. Remember last time we discussed this a little bit, when we said, "OK, you need to understand and quantify the customer's benefit." You need to understand how you can reach the customers, where would a customer buy the products. You might have assumptions but there might be other channels where the customer buys products of the type you are trying to sell more frequently. Finally, you also want to understand which marketing tools might work best. And there are other issues, too: regulations exist, are there some key processes that you need to understand?

Notes

Summary



7m 47s



Think of customers as  
**FRIENDS**, not enemies.

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So when you look at all these questions this looks like a lot. Granted, but this is actually quite interesting to understand because this provides you with so much valuable information on your journey to become a successful entrepreneur. As I said, see this as an intellectual challenge, and see this as fun, because the customers out there aren't the enemy, they are ultimately your friends, and they are the ones allowing you to create your successful venture, that are actually transforming you, hopefully, into a successful entrepreneur, and maybe also, [help you] get another lifestyle.

Notes

Summary



8m 24s

# Seven key steps to testing your market

## 1. PROTOTYPE



## 2. DESK RESEARCH



## 3. FIELD RESEARCH



## 4. COST ESTIMATES



## 5. PRICING



## 6. CUSTOMER OUTREACH



## 7. ANALYSIS



Launching New Ventures

Icons: 1) Simple Icons; 2) Michael Zenaty; 3) Andreas Bjurenborg; 4) Nicolò Bertoincin; 5) Christopher Beach; 6) Wilson Joseph; 7) Timothy Dilich

What do you need to do in order to gather all of this valuable information? In the few next slides, I'm going to present 7 key steps to test your market. These steps include: developing a prototype, desk research, field research, cost estimates, pricing, how you reach your customer, and finally, the analysis that is based on all of these elements. So let's look at those more closely.

Notes

Summary



9m 00s

# Seven key steps in market testing



## Step 1: Prototype Development



- It is important that customers can imagine your offering!
- By using a prototype you can demonstrate your product to prospective customers.

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The first main step that you need to accomplish is prototype development. This is actually a fun step because you are working on your product, you are working on the design of your product, and it's important to get as close to what you think is the offering that the customer likes most, because the customer needs to imagine your offering. And the more the customer can imagine your offering, the better he will be giving you feedback. And more valid that feedback will be and more helpful it will be for you.

Notes

Summary



9m 25s



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The second key step that you want to perform is some preliminary market research from your desk. You will find that key information primarily surfing the Internet, but some agencies also can provide that in written format, they publish reports, etc. So you might get that from your statistical offices, from government agencies, etc. What it is important to understand is that some geographies in which you are located might not have much information so readily available. What to do in that situation? You might say, "OK, it's just nothing around. I give up on that one." But actually, the good entrepreneurs say, "OK, maybe there is other type of information that could help me understand my market better. And this doesn't necessarily mean I need to have information about my geographical market," --in case you are launching your venture in a particular country, and there's just not so much information available there-- You might reach out to other countries. Some countries might be leading your technological development, There might be more advanced information available about customer tastes, market trends, so you can actually learn from other geographies about your own market.

Notes

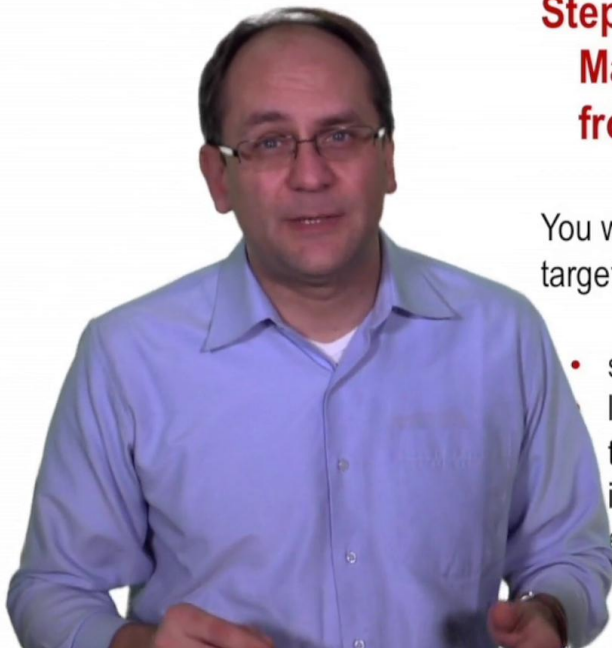
Summary



0m 14s



## Step 2: Preliminary Market Research from Your Desk



You will find key information about your target market by doing desk research:

- surfing the internet
- looking up market statistics, trends, target market characteristics, other information
- etc.

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This is not underestimating, and as I said, is providing you with, at least, some information to work with. Desk research can never compensate other types of research, field research, and we'll come to that in the next step.

Notes

Summary



11m 09s





## Step 3: Preliminary Market Research by Going Into the Field



You will find additional information by going into the field and checking the following from competitors:

- prices
- advertising
- distribution techniques
- distribution locations
- etc.

Launching New Ventures

The third key step is what's going into the field. Not yet to the customer, but going into stores, into outlets going into all kinds of physical spaces, where you can try to collect information your competitive arena. Think about the competitive offerings that are out there; you can understand the prices, how competitors advertise their offerings, what type of advertising might work better than others, observe prospective clients in the store. Try to also understand how could the competition distribute the goods? When we are talking about the competition, this is defined very narrowly as those firms competing head to head, but you can also have a broader understanding and say, "OK, maybe there are ways of distribution that are done by firms in other industries that might be superior to my way of current distribution system, in my industry," so, in that sense, you could learn from other distribution models, other advertising models, other pricing models, by looking beyond your industry boundaries. So going into the field means, one, "Yes, I understand the competition in my own domain, "but I also let me inspire "by how other industries are performing these very same activities, and are making the very same decisions that we are looking at here." As the next step estimate your own costs.

Notes

Summary



11m 23s

## Step 4: Estimate Your Own Costs



How much would it cost to get your offering to the market?

- How much do your supplies cost?
- What are your production & distribution costs?
- How about your overhead (office space, losses, salaries, etc.)?
- Do not forget to include your *own* labor costs!

Launching New Ventures

In other words, how much would it cost to get your offering to the market. This is not yet to be confused with the pricing of your product, this is a different issue that we would talk about in the next step. Let's just try to understand, "How much would I actually have to expend for my product?" You need to research the price for supplies, for instance, how much the production distribution costs would be, how much office space, salaries would cost, and maybe, if you are fearing losses, theft, you have to calculate that as well. Do not forget to include your own labor costs into that estimation because you want to pay yourself ultimately a salary, as well. But all of these points give you an understanding "Well, how much is the cost of my own goods?" until they are with the customer, and this provides you with some indication whether you can be profitable over time.

Notes

Summary



12m 56s



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As a next step you will turn to understanding the pricing level. We have written here on that slide your potential price level and this potential is very, very important, because you need to have some idea about your potential price, if you move out in the field in the next step and talk to customers. So you need to come up with a valid idea of your price level, but this is also an idea that might change over time once you get to know the customers' reaction to your product, the customer need in a much more deeper way. Frequently, entrepreneurs say, "I will use this type of approaches that I listed here." They do Cost-plus approach, so they might say, "I add 10% to the cost of my product, and this will be my price." Or they will say, "I use the price of the competition, and I subtract 10% so my product is more attractive." Or they will do a very timid, which means low pricing which ultimately leads to products that are cheap, but that means you might leave money on the table that way. So why are these approaches problematic? These approaches are problematic because of various reasons, and I think the primary reason is because they do not take into account the value that you create with your offering to customers.

Notes

Summary



0m 20s



## Step 5: Understand Your *Potential* Price Level



Frequent approaches:

- $\text{cost} + x$
- $\text{price of competitors} - x$
- very timid (i.e., low) pricing

Why are these approaches problematic?

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Think about the following: in a Cost-plus approach, you might say, "This product costs 20% above my costs." But in fact, you create much, much more value to the customer, so the customer would be willing to pay much, much more for your product. This also means, "Hey, I leave money on the table. The customer would pay me more." Similar, the price of competitors. If you have a product that out-competes other products, why not charge more? And the same story with a very timid or low pricing. In that sense, take into account, and take this to heart: try to understand the value that you are creating to your customers.

Notes

Summary



15m 05s



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In the next step, step 6, you actually reach out to customers in your market. This is actually a fun step, a step where you can learn a lot. It's fun because you finally meet those people that are your potential customers, those who will support the creation of your company, so these are vital people. It's also an intellectually interesting, stimulating activity because the customers might confirm or dis-confirm your assumptions. Don't be sad if they dis-confirm your assumption; see this as a learning opportunity. This is quite important to realize. Imagine if a customer gives you negative feedback on some product features, You could be devastated. Many of you would be devastated because, as we said before, this is your baby, this is something that you developed for months and months and then the customer comes and gives you negative feedback. But see the flip side to that. You have now an important learning opportunity ahead of you, you can adjust your product, and you can fit your product better to the customer's needs. And this is good to happen early on in the venturing process and not when you have spent lots of time and lots of funds on exploiting an opportunity only then to realize that the market you have thought would be there, doesn't exist.

Notes

Summary



0m 23s





## Step 6: Reach out to Potential Customers in your Market



Hear from a significant number of customers for good insights:

- Rule of thumb: 50 customers
- If you have businesses as customers ("B2B"), fewer may do, yet make sure to get feedback from the person who makes the buying decision.

Launching New Ventures

So a good rule of thumb would be that in a fairly homogenous market that you are talking to 50 customers and trying to collect feedback on all these dimensions that we discussed before. In a B2B setting, this could be fewer companies because there might be fewer out there. What is important there is to realize "I need to get in touch with that person who ultimately makes the buying decision." Not anyone in the organization, but who is deciding upon this purchase? This might be a group of people, but try to understand their preferences, try to understand their decision making rationales, because that will help you to tailor your offering, your marketing tools, your marketing strategy to the needs of the customers.

Notes

Summary



17m 03s



Launching New Ventures

So, finally, in step 7, you come home with lost of data that you've collected. You've collected data from your desk, data on the competition in the field, you've collected data from customers directly. These many data point provide you with some solid background in order to make more informed decisions. These types of data can be confronted with the assumptions you had before and say, "OK, maybe some of them about the market, the customers, about the distribution, that I held before, are not correct, and need to be adjust in this or that way." As I said regarding the previous slide, this is not negative information, this is a learning opportunity to advance and improve, to get from good to great. Maybe not all of the information and data that you've collected is equally important. What is particularly important, however, are the comments from your customers. Take them to heart. They are priceless in a way, because these people will ultimately spend their hard-earned money on buying your offering, So you need to understand how they tick, what they prefer, what they don't like, and what they like about competing products. But ultimately, avoid paralysis by analysis.

Notes

Summary



0m 26s



## Step 7: Analysis (avoid paralysis!)



You will have important information from:

- Data collected
- Contact with potential customers

Comments from customers are priceless, as they will ultimately spend their funds on your offering!

Launching New Ventures

You can only analyze your data so much before going into the field and launching your product. You will never understand how the competition reacts to your offering unless you enter the market. So there is only so much you can do in market testing, even with solid customer information. Just be aware of that limitation.

Notes

Summary



19m 03s





What does the analysis tell you about your chosen market?

Should you move to  
**Plan B?**

Launching New Ventures

So the seven steps should provide you with some solid information regarding the target market you've so far envisioned for your venture. You need to ask yourself exactly that same question that we have put up there on that slide: What does the analysis tell you about your chosen market? Is this the fertile ground for my venture creation process? Would I have to pivot to another domain? And this is quite important here. Is there a plan B? And yes, there's a plan B.

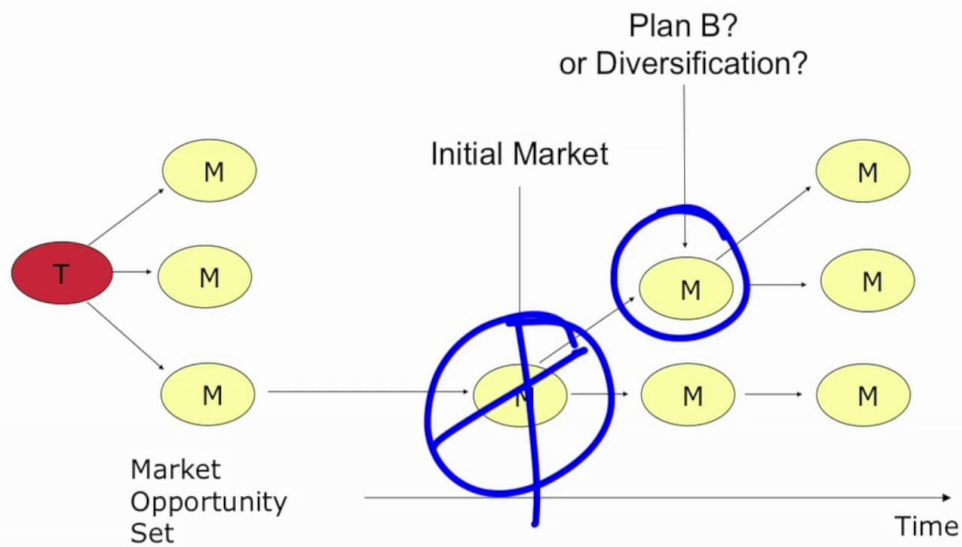
Notes

Summary



19m 25s

# Opportunity exploitation roadmap



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Coming back to the initial opportunity exploitation roadmap. This is the plan B. You can say, "This initial target market that I tested does not hold. It's just not there." And this is, as I said, not a bad outcome, it's an outcome that has cost you some energy, some worry, maybe, but it's better now to fail, before you have had lots of expenses, and say, "OK, I skip this market, but I move into another market domain." And that another market domain might be this market up here. It could be plan B.

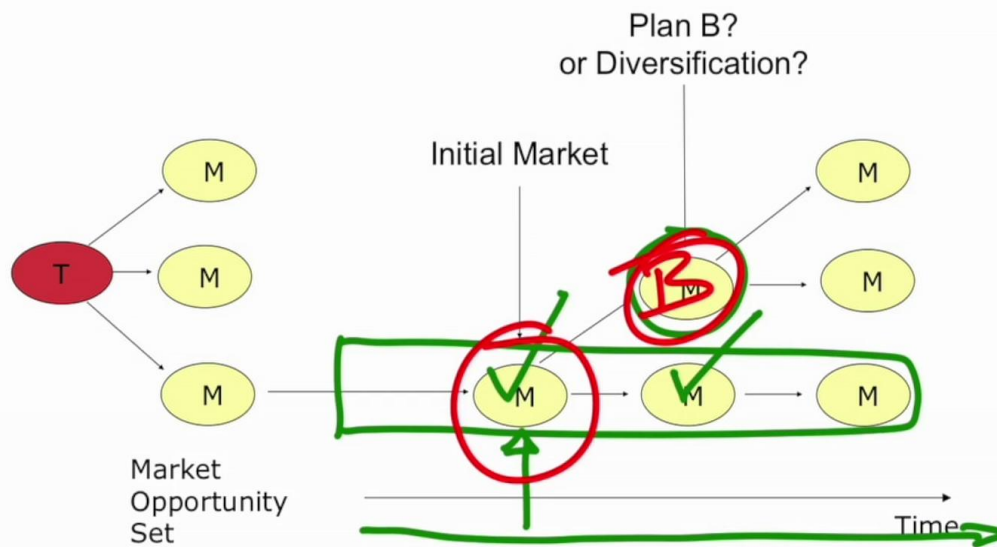
Notes

Summary



19m 59s

# Opportunity exploitation roadmap



Launching New Ventures

Or, if-- let's do it differently--, if this market actually was a good one, you could then say, "OK, in period 2, I will stay of course in that market, but I also will enter another one." That was that market here, was basically the stepping stone to get to another market. This provides you with some interesting exploitation possibilities going forward, because when you think about the time, this might be a couple of years here, there is an exciting growth story associated with your venture that you might not have had, if you only have looked at one market opportunity. There is also an exciting value creation story here, but there's also an interesting risk mitigation strategy here, because as I said previously, if this market here doesn't work out, we have a plan B in store. This plan B is up here. So, in other words, if you come up with this more sophisticated way of creating your venture, you have foreseen future growth options and you have also mitigated your risks which is what good entrepreneurs always do. With that said, you have an exciting intellectual challenge in front of you, exciting activities in front of you.

Notes

Summary





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What I want you to do is to think creatively and carefully beyond the steps, and try to understand what does this mean for my venture. Good luck with that! See you next time.

Notes

Summary



22m 09s