



## Week 3: Entrepreneurial Marketing

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

Prof. Chris Tucci and Prof. Marc Gruber

So in this segment we are going to talk about market entry, market penetration. Market entry is one of the *vital* steps in your firm's creation process, of course, when you're trying to sell your goods to the customers. You might have done so already with your crowdfunding campaign. So the crowdfunding campaign that you launch is somehow a market entry as well. We are going to talk about some issues related to market entry and also to-- Market penetration. So once you've actually launched your product in the market, you want to get it distributed and used as widely as you possibly can for a lot of reasons that we're going to talk about in the next few minutes. The idea here is to get in the market and then expand your presence in the market. Get growth! Exactly! Let me show you where we are in the overall sequence of what we discussed this week. Specifically, there are a couple issues we want to discuss this week. When you remember back what we discussed already, one key element was actually the question: who's your target market? Among all of these people out there, who do you want to sell to? What is the homogeneous group of people or organizations that are comprising you're targeting?

Notes

Summary



## Market Entry and Market Penetration

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

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We build on that decision in the segment. We going to talk about a few issues that are of key relevance on top of that. One is of course the entry challenges that you face. As a young new firm, you are facing lots of challenges when you enter a market where a lot of incumbents and we going to discuss those briefly. The second one is to gain traction actually in your target market. Meaning you're making sales and achieving more and more sales. We're going to talk about some key ways of how you can achieve that. The third element we going to talk about is actually understanding technology adoption. There are different sorts of buyers in your target segment. Some might be quite receptive to what you are offering. They're more visionary, you might say, in what you are proposing and want to buy in immediately because they see what you are doing and can immediately say, "This is useful for me." While others might be more cautious buyers. We going to walk you through this technology adoption life-cycle as it's called. And finally, we going to talk about-- You might say the most important element. I would say an equally important element here is achieving growth.

Notes

Summary





- ✓ Choice of target market
  - Mastering entry challenges
  - Gaining traction in your target market:
    - Understanding technology adoption
    - Achieving significant growth (e.g. scalability, “growth hacking”)

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There are a couple of dimensions that we are going to put forward. One is how do you design your venture for growth. One matter, one key point is scalability. And the other key point is actually, what nowadays is called growth hacking to understand how you can maybe piggyback on other sites, websites, and to find other ways of accelerating, speeding up your growth. So there are a couple of, I think, very vital issues that we discuss this week. So let's get going!

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2m 18s

## Market Entry and Market Penetration

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

Prof. Chris Tucci and Prof. Marc Gruber

*(Chris) Alright, let's talk a little bit about frequently encountered challenges in market entry. We don't have time to go through a lot of details on all of these right now. Some of them we're going to talk about today. Some we're going to talk about in week five. We'll get a good feeling for the issues involved in market entry. (Marc) One of them, one of the key issues is actually access to distribution checks. You know, if you have a good that is sold via established distribution channels, it can be quite tough to get into these outlets. If you go shopping typically, the store shelves are not waiting there empty for you. So, in a way, you might have to give the distributors some free products. You might have to give the distributors some help in advertising and that could get quickly into larger sums. So access to distributions could be one key aspect in market entry that worries you and is a challenge. (Chris) Also, when you're small it's just hard to get your customers' attention in general.*

Notes

Summary





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*One of the key issues here is just how do you grab the attention of potential customers when there are lots of things competing for their attention. (Marc) The crowdfunding platform might be one, your campaign that you launch there, might be one way of getting attention. There's also switching costs of your potential customers. Meaning they are using solutions currently. They might have a cell phone plan with a company and you're trying to offer a new cell phone. In that sense, you have to convince them to get out of that existing contract and switch over to you. (Chris) You have to exceed, you have to give a better value proposition then, which is compensating for the switching costs. Likewise, on your end once you have them if your switching cost are relatively low they can just leave you. (both laugh) - (Marc) Exactly! - (Chris) Go somewhere else. Which gets the threats from competition because there you have different aspects of threats.*

Notes

Summary



0m 05s





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*One thing that we think about a lot is price competition or some kind of competing product that's coming out at a better deal, has a better value proposition, and that steals away your customers. (Marc) Finally, you need to also consider your own cost structure, because incumbent firms typically produce many many more products. Which also means, they have economies of scale. That's what the technical term is. They are simply producing cheaper than you because they produce more. They can have better supplier, get better offers from the suppliers, and they could have better offers from the distributors when seeking to offer the products. Finally, you also have costs arising from educating your market, which means you are potentially offering an innovation and the customer just doesn't know what this innovation can do, what the features of this innovation are. You want to have costs in educating the market, which the incumbent firms who are producing established product, might not have. (Chris) So, I mean, that sounds like a lot of bad news.*

Notes

Summary



0m 07s

- Access to distribution channels
- Low attention from your potential customers
- Switching costs of your potential customers
- Threats from competition
- Own cost structure
  - Economies of scale of incumbent firms
  - Costs arising from educating the market

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(both laugh) *It's not all bad. I think part of this is that if you're out there first, you may be able to erect some barriers to entry for other firms coming in after you. (Marc) Exactly. (Chris) Yes, there are challenges but on the other hand if you're able to surmount those challenges then you may be able to build some even bigger challenges for the other people coming after you. (Marc) Exactly, that's a nice opportunity over time.*

Notes

Summary



5m 54s





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*One of the first key questions you can ask yourself is well, "When do I enter the market?" You might be ready to enter the market now but it might not be a wise idea to be the pioneer to enter the market because there are different cost, benefits opportunities, and challenges associated with your entry timing. You know, early or later in a way. Typically, you differentiate between three types of entrance tiers. Pioneers are the disruptors, the first-movers as they are often called, the fast followers, and then the late followers. Each of those faces distinct challenges and opportunities so if you think about the pioneers or disruptors here, it's of course an opportunity for you to shape brand recognition. You are the one who is developing the product. You're the one who is considered to be the leading organization on the technology front, maybe, its the first-mover. But, on the other hand, there are disadvantages associated with that. We just mentioned educating the market.*

Notes

Summary



0m 09s



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*You have to have significant expenses perhaps to educate other people, to educate your customers about what your product can do. (Chris) The fast follower then is able to take advantage of that because the fast follower could come in after the market is educated but still relatively on the early side, thereby free riding off the initial expenditure of the pioneer. (Marc) And he can also learn from your mistakes as an entrant, the first entrant, because he can observe, "Well, your company A, the entrant, the first entrant did this activity and this just didn't work out." You can save that money as the fast follower and say, "Okay I do it differently because I know that this doesn't work out." Then we have the late followers. (Chris) The late followers basically come in toward the end of the life cycle there. These are the ones who can enter and for some of the same reasons we just discussed. The market is already educated; the market is already demonstrated at that point. The fast follower of the market isn't necessarily demonstrated.*

Notes

Summary



0m 11s



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*But with the late follower, they've demonstrated the market is viable so they can come in and maybe they've got the scale to be able to come in and do well in this market. (Marc) Exactly, they are also facing what we just discussed also, the switching costs. They are facing the switching costs of their existing market to work deal. In a way they have additional expenditures there. You see, there's always some kind of trade-off here. You're the pioneer, you have some benefit but also some challenges as the fast follower and late follower. What we know from research in the past 20 years is that actually the first-mover advantage that is so much talked about doesn't really exist. In most markets it was not the first-mover who came out on top after a few years as the dominating company-- (Chris) Some very specific circumstances under which the pioneer is really really benefiting and in a lot of cases it seems more like the fast follower. (Marc) Exactly, and also the first follower surpasses the Pioneer. This really depends on your industry.*

Notes

Summary



0m 12s

Ventures experience different **costs**, **benefits**, **opportunities** and **challenges** depending on **market entry timing** (earlier or later).

- Pioneer/Disruptor? (the first-mover)
- Fast Follower
- Late Follower

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*Market timing is one key element but there are other key elements. One other key element we want to turn to now is the technology adoption life cycle because within your market there are also different inclinations to buy your product. Different customers might want your product earlier than other types of customers.*

Notes

Summary





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(Chris) So let's think about the technology adoption life cycle. You think about the total number of customers that you're going to have. There's one way of representing this graphically. Then you divide those customers into the time periods, its equal time periods and that would trace out in many cases a kind of a bell curve shape distribution. What you can see is you have different groups of people based on the timing of their adoption of whatever it is that you're proposing. Then we would start with these innovators at the earliest stages and then we would have early adopters to come in afterwards and then you've got an early majority, a late majority, and you've got laggards. (Marc) What's important to realize is that in order to create a venture that is viable you have to have the majority on your side. Meaning you have to have a significant number of sales to make your company viable and growing. In a way, it's not enough to just cater to the innovators and the early adopters but you have to enter that majority market and we come back to that in a minute because that's highly important point.

Notes

Summary



0m 14s





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*But let's look at these individual folks here in more detail. You have the innovators, the techies they would say; "I buy this product because I want to try it.\* It's new. I don't know it. I try it. I love technology." Which is a very different type of motivation than what we will be seeing in the next segment. (Chris) That's a very small-- The emphasis here is that that's a really small niche. It's not to say you can't have a viable business in that particular space but it's going to be a small business. (Marc) Exactly, super small maybe. (men laughing) (Chris) That's right, visionaries then, the next group of early adopters. These people are the ones who see something coming and want to get in before the masses do, before the herd comes in -- (Marc) Yes! The point is I think, they might say, "This product helps me to streamline my business processes, for instance. I can be a much more efficient producer." and they have this visionary component to say how does this technology, or this product help me in this way.*

Notes

Summary



0m 16s



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*The third type would be the pragmatist; they say, "We would stick with the herd." Meaning we are buying the product once all the others around me are buying it. Then you would have the conservatives-- (Chris) Who basically are thinking that they want to make sure that it's proven. They really hold on. Let's make sure-- (Marc) don't buy a better version -- (Chris) I want to make sure this is the working, the one that's very smooth it's got all the problems ironed out before I'm willing to-- (Marc) I want to have standard. I don't want to have just any type product that's going to disappear in a few years. I want to have the standard that will be around. Then finally, you have the skeptics. The skeptics would be saying, "No way I'm going to buy this product. Only if there's no other option out there-- - (Chris) There's nothing left for me. - (Marc) I have to buy it now! And if you think about it maybe from your own experience, you have some ideas of some products, think about the first cell phone. Think about some other products that are technology driven.*

Notes

Summary

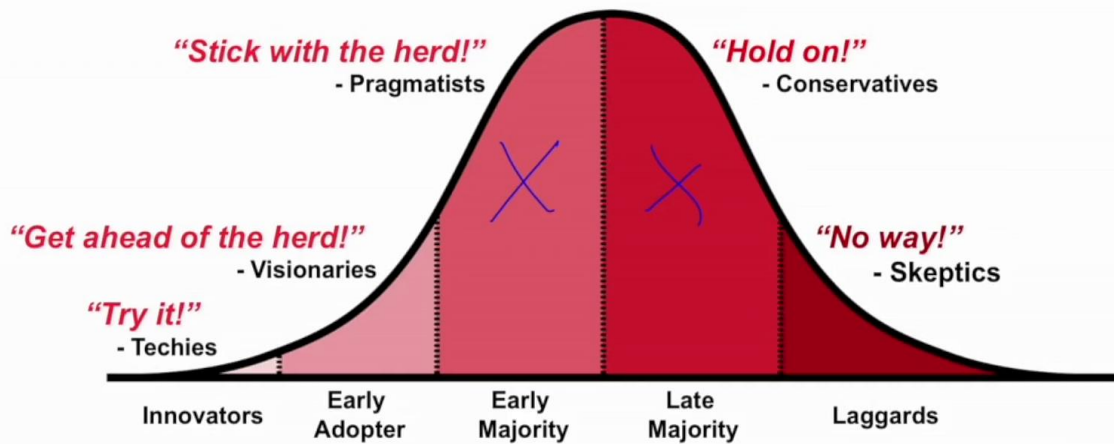


0m 18s



## Technology Adoption Life Cycle

Gaining traction in your target market



Source: Moore (2002)

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Think about the first versions of iPad or iPhone! The cell phones that have these capabilities of touch screens, etc. So, you can see what we mean with this real-life examples in a much more intuitive way. One important element to understand with this bell curve, with this technology adoption life cycle is that there's a chasm of what it's called between these early buyers, the early adopters, and the early majority. This is a chasm that is important to understand too. We want to focus on that one next.

Notes

Summary



13m 08s



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*In order to understand how to enter that mainstream market you have to understand the difference between a visionary and a pragmatist and for that purpose, I am the pragmatist now and Chris is the visionary. (Marc) What is the visionary thinking? (Chris) Me as a visionary, I'm more adventurous. (Marc) I'm more cautious as a pragmatist. (Chris) I don't mind getting in early into the market. (Marc) I'm a later buyer. (Chris) I want state-of-the-art. (Marc) I have more of this wait-and-see attitude. (Chris) I want to do a first strike. (Marc) I want the industry standard. (Chris) I like to think big. (Marc) I'm more a realist. (Chris) And I like to spend big. (Marc) Yeah I know that! (men laughing) I want to spend according to budget. (Chris) I'm seeing with my eyes closed. (Marc) While I see with my eyes open. We did this in a more funny way, but I think there's some fundamental truth to these different situations because you will face these buyers out there.*

Notes

Summary



0m 20s

## Visionaries

- Adventurous
- Early buyers
- Want state-of-the-art
- First strike capability
- Think big
- Spend big

*“see with their eyes closed”*

## Pragmatists

- Cautious
- Later buyers
- Wait-and-see
- Want industry standard
- Realist
- Spend according to budget

*“see with their eyes open”*



**Marketing must consider these buyer group preferences!**

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Those of you who've already embarked on a venture journey might have seen when you talk to some people that say, "Oh I'm reluctant to test your product." While others might be more engaging and say, "Give me the new product I want to try it." So, your marketing must consider these buyer group preferences because otherwise, you will be stuck in a chasm, falling into this chasm which is here.

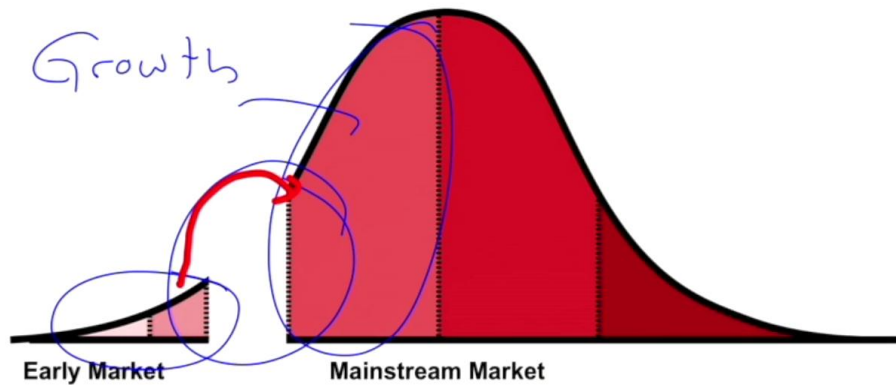
Notes

Summary



14m 33s

## Technology Adoption Life Cycle: Crossing the Chasm



**Biggest challenge:** Crossing the chasm between the visionary buyers and the lucrative majority of the market.

Source: Moore (2002)

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And will not be able... (Chris) To actually gain access to this whole market here. That group of visionaries is that one small one on this side. Then we have this group of pragmatists that are the really, the first big chance to gain some scale here. (Marc) Exactly, that provides you, this market provides you with the growth that you so much need in your venture creation. (Chris) That's the crossing the chasm. People talk about crossing the chasm that's what they're referring to. They're referring to getting past these visionary buyers and getting onto that group of more pragmatic buyers. (Marc) Exactly and in order to do this you could say "I want to jump this chasm, what can you do?" I think one important thing that you need to do is to look closely at your product and look closely at your marketing message that you're sending to these people. Because they will be receiving those marketing messages very differently. Let's look at that in more detail.

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(Chris) To cross this chasm, we have to rethink the way we are marketing to our customer base. In the early stages now, you've got the visionary people. So you're very product centric. You're going for the best solution because you know they like it, the fastest, the smallest, lightest, etc. You want to provide them with the most elegant architecture because they appreciate that. You want to give them unique functionality and you want to give them something at a reasonable cost.

(Marc) Exactly and pull the more pragmatist market. It's biggest installed base that counts so you can market to them once you have a significant installed base. You have to give them quite a lot of third-party support. You have to show them that you are the *de facto* standard. Remember that they are very cautious buyers. You want to give them quite a good quality of support because they need the support. They don't want the bad product where it has lots of flaws. They are looking at the cost of ownership.

Notes

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0m 23s



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*Because they are looking at the cost of ownership, it's not only the purchase price that matters but also maybe maintenance, etc. So, if you want to achieve early sales, these metrics on the product centric side matter. If you want to cross the chasm, which is so important for growth, these other metrics are key. Big picture it means, if you are achieving sales early on you might be falling into a trap and saying, "Well everything works great, I just have to spend more money on the same message." which in fact is a trap. (Chris) You end up saturating the small market when you could've crossed into the bigger one and I think that's the key. Then you have to change your marketing and change the way that, the customers are perceiving what you're doing and that's going to be focused on the sort of reliability, service, support. (Marc) It's just in human nature, if something works out successfully, here you have to stop something that is successful to become even more successful. You have to make that move and cross the chasm.*

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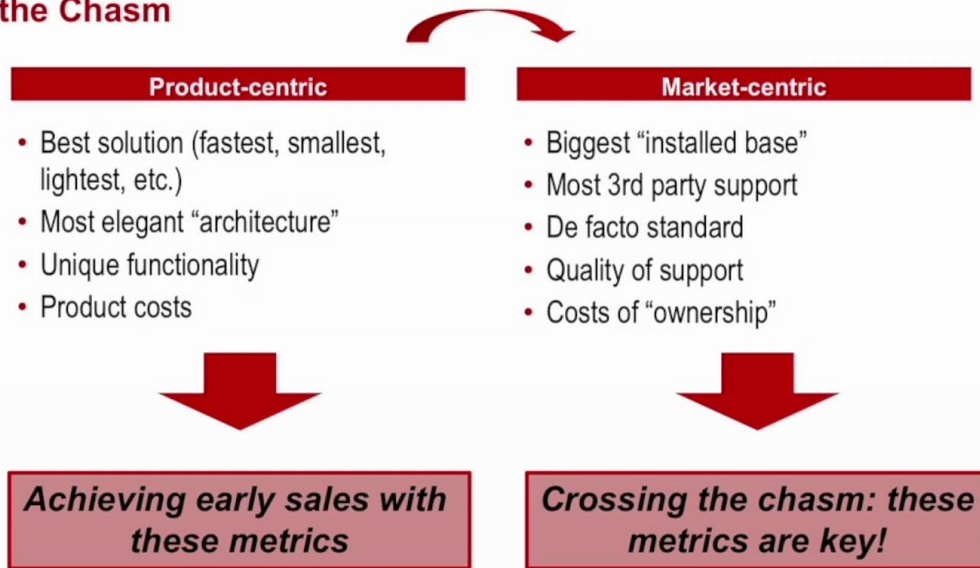
Summary



0m 25s



## Crossing the Chasm



Source: Moore (2002)

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*I think that's the trick with it and that's the challenge with it. Moving from left side, to the right side, to the next segment is so vital and it will require a deep change of thinking on your behalf as the entrepreneur.*

Notes

Summary



17m 56s





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So the technology adoption life cycle gives you some information about achieving growth in your venture. Meaning you have to change your marketing message at some point to address the larger market, the majority of the market. There are other insight that we want to share with you relating to growth and these are vital insights because they address two key points, which are... (Chris) Scalability is the first one and the second one is how do you have specific tactics to achieve growth. Some people call growth hacking. Let's talk about each of those. (Marc) Exactly, so let me start with the scalability questions. The first question is one of designing your business for scalability. There are some businesses who are more scalable than others. Think about more consulting driven business where you have to add new people in order to grow. Where there's a software driven business where you might want to add another server and then you can serve another hundred or two-hundred million clients. There are different challenges in achieving scalability so this does, by no means, mean that these ventures that have a more human capital driven are non-profitable businesses or in fewer business they can be wonderful businesses as well.

Notes

Summary



0m 27s



## The scalability of your venture

- **Design** your business so that it can easily scale
- Think **big** and act big
- Set the right **priorities** and always be on top (you own your business, the business doesn't own you!)
- Raise the adequate amounts of **financing**
- **Hire** people who can execute on the growth (e.g., meet ambitious sales goals)
- Establish networks and **relationships** that help your growth

Source: Quicksprout.com

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It just means that they don't scale as well. If you want to achieve hyper growth and large growth rates, scalability is an issue that you need to consider. When you think about scalability of your ventures, try to understand these intrinsic features. Is my business actually scalable and what does it take to actually grow the customer base two-fold, three-fold, four-fold? What does that mean for my business? Does it mean that I have to hire lots of people or are there other ways, more efficient ways to grow your ventures? So in a way when you design your venture, you already need to think well, "If I think big what would that mean for my venture creation process?" It also means that you have to raise adequate amounts of financing. It also means that you have to attract talent that shares with you that vision as it allows you to grow your venture; that issue of growth that Chris will talk about in a minute. It also means that you need to design your customer relationships, your distributor relationships in a way that allows you to achieve a higher throughput. There are lots of questions that you want to address in the business design of scalability. The other point would be to actually find interesting ways to piggyback on other companies to accelerate your growth and Chris will come with that point.

Notes

Summary





## Focus your efforts and attention on growth (“growth hacking”)

- Evaluate each decision based on growth. Attempt every strategy, every **tactic**, and every initiative in the hopes of growing.
- **Track** your growth, and **experiment** with (better) solutions.
- Focus on **crossing the chasm**. Traditional companies care about growth, but not to the same extent
- View the marketing mix elements through the **lens of growth** (distribution, product etc.).

Source: Quicksprout.com

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So, we just talked about achieving significant growth and for sure one of the goals of this whole course is to take growth-oriented business opportunities and try and make them a reality. You make them a reality by focusing on growth. That's why we call it growth hacking which is, basically means you're paying a lot of attention to the growth tactics and strategies of your company. You want to basically do everything you can possibly do to grow the company and that means you also need to track the growth and run experiments and see what works. Traditional marketing departments, in big companies also think a lot about growth. Here, we're talking about a more narrow focus on that as being one of our goals because we really want to get across that chasm. We need to be able to exploit a much bigger market. If we have a bottleneck situation where we have a few people, we need to hire a new person every time we get a new customer then we don't really have a big growth opportunity. So there might be some tactics that firms can use to try and jumpstart the growth which people call growth hacking. When we talk about a couple examples of those right now.

Notes

Summary



20m 37s



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(Marc) An interesting example of growth hacking is Dropbox. Some of you might be familiar with that type of service. Dropbox offers you the possibility to store your files in the cloud. Meaning you can have access to them from anywhere. You can also share them with other people so you can work on the same document like professors sometimes do on research papers, on books, write books together, and work on the same document that are not locally stored on your computer. This shouldn't be advertising for Dropbox here! What we want to point out is that they actually had quite an interesting growth strategy because they said, "Okay, you get 16 gigabytes of free space by inviting your friends." What do they do that way -- (Chris) Its a kind of viral marketing type thing where you convert your current customers into people who are marketing for you by offering them some kind of incentive. In this particular case you know, the incentive was I'm going to increase your space. I know that I was out there hitting up all my friends here to add.

Notes

Summary



0m 32s


# Growth hacking example: Dropbox



Get up to 16 GB of free space by inviting your friends to Dropbox!

For every friend who joins and installs Dropbox on their computer, we'll give you both 500 MB of bonus space (up to a limit of 16 GB)!  
If you need even more space, [upgrade your account](#).



 **Invite your Gmail contacts...**

🔒 We won't store your password and your contacts are secure.

OR

Add names or emails

 **Send**

- ➔ **The product itself is collaborative, social, and viral**
- ➔ **Let your customers market for you; give them incentives**
- ➔ **Create a service that makes customers want to stay**

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*It's enabling them to grow more rapidly. It also creates a switching costs in some sense because if I'm sharing files with you because we're writing a paper together if I want to switch then I have to also get you to switch too. It's adding a little bit of friction to the customer base making them more likely to stick around. (Marc) Exactly, so you gain customers and you retain them. This is a wonderful situation for any type of venture because once you lose a customer you would have to regain it but once you retain and make the customer stick, that's actually a wonderful situation. Think about also this example in a more generic way when you're trying to apply it maybe to your venture. Maybe this type of approach fits.*

Notes

Summary



22m 49s





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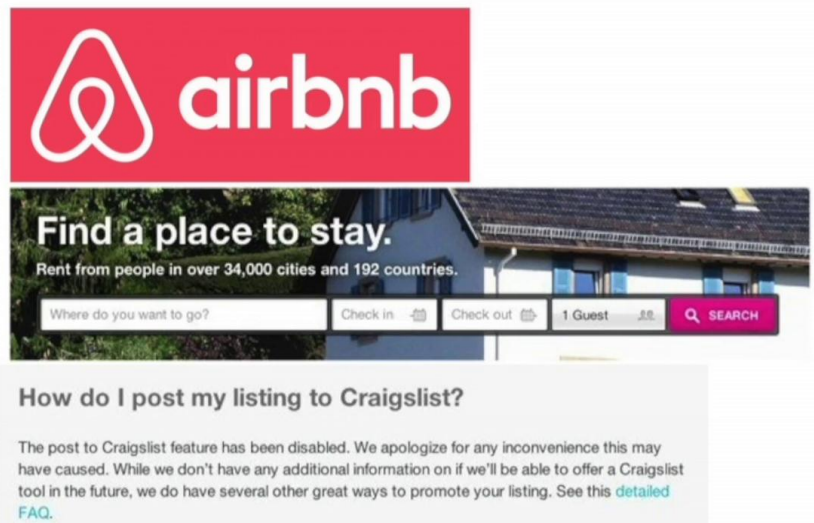
*There's another example. (Chris) This is the airbnb, a place where people can rent out their extra couch space, or bedrooms, or properties for temporary stays. The idea there was to cross-list airbnb listings on Craigslist, which is a local want-ads service with a huge huge base. Therefore building the base and simultaneously making the service more attractive. (Marc) Exactly, that actually, if you think about it, that's about growth hacking. That's a wonderful way of growth hacking. But you need to seize the opportunity to cross-list your offering and then you say, "Okay, I have to find a way to actually link it up with Craigslist." Their airbnb guy actually spent quite some effort in tailoring their technology, their software so it fits with Craigslist. So of all these two examples should tell you that you should try to focus very much on growth.*

Notes

Summary



0m 35s



- ➔ **Let your customers market for you; give them incentives**
- ➔ **Find a way to make it easy for them (and effective for you)**

Source: Quicksprout.com

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*You might have ideas about piggybacking on other sites or developing services, word-of-mouth, viral marketing that helps actually to accelerate real growth and this focus on growth is essential in these early days because as you said, Chris before, you're not a large company affording the luxury, not having to grow like 200 percent, 500 percent per year. Okay, so this already brings us to the end of the segment and if you think what we discussed today, it's covered a lot of ground.*

Notes

Summary





# Factors to consider when entering a market



- ✓ Choice of target market
- ✓ Mastering entry challenges
- ✓ Gaining traction in your target market:
  - ✓ Understanding technology adoption
  - ✓ Achieving significant growth (e.g. scalability, “growth hacking”)

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We talked in the previous segment about the choice of target market. Today we covered lots of additional ground by saying what are the entry challenges. Chris mentioned that he going to talk about some of them in a later segment as well. We talked about gaining traction in your target market, understanding the technology adoption life cycle. And finally, we talked about growth. All of this was segment on market entry, market penetration. What we want to convey to you as a message is that you need to think about those elements proactively and in advance as well because you want to be smart about them. The smart entrepreneurs are the ones who win not the dumb ones. Okay, good luck and see you next time!

Notes

Summary



24m 55s