

# Entrepreneurship 9



Marketing in a New Venture

“Advertisers are the interpreters of our dreams.”

--E. B. White

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## Foundation of Marketing

- Make sure there is a real *need*
- Assess customer *preferences*
- Identify *key dimensions* of customer needs that the product or service will meet



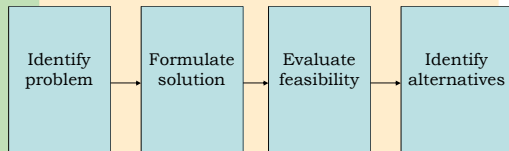
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## Real Need

- Most successful products and services are based on real customer needs.
- A real need exists when customers have a problem that needs to be solved and no existing products or services can do this.

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## Determining Need



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## Assessing Customer Preferences

- Evaluate target market.
- Determine the type of new product or service you're developing.
- Is your solution to customer needs already understood? Or is it a novel solution?

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## The Market Determines Research Techniques

	EXISTING MARKET	NEW MARKET
<b>Philosophy of market research</b>	Deductive data analysis	Intuition
<b>Techniques for gathering customer information</b>	Focus groups, surveys, mall studies	Industry experts, trend extrapolation, future scenarios

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## For a New Market or Solution

When either the target market or solution is known, but the other is not, blend traditional market research with other approaches.

- In-depth interviews with early adopters
- Partnerships with customers to develop products

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## The Entrepreneur's Disadvantage

When markets or new products are known, existing companies have the advantage with

- An existing customer base
- A large amount of information about customer preferences

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## The Entrepreneur's Advantage

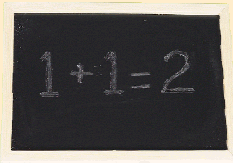
When the market or solution is novel, existing companies face three major disadvantages:

- Core rigidities
- Tyranny of the current market
- User myopia

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## The Lesson

Entrepreneurs do better when they launch products based on *novel* solutions to customer needs in *new* markets.



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## Conjoint Analysis

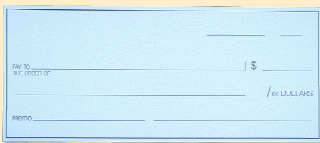
- Asks individuals to express their preferences for various products chosen to offer a systematic array of features
- Determines the relative importance of each dimension for consumers
- Uses a fractional factorial design based on results of perceptual mapping

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## Market Size

The size of the market determines:

- Start-up costs
- Ability to go in “under the radar”



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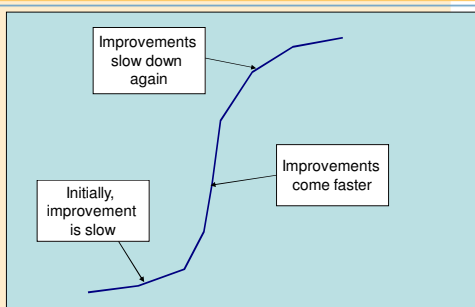
## Market Growth

The rate of market growth determines:

- Ease of capturing new customers
- Potential volume of customers
- Benefits of volume purchasing and scale economies

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## The S-Curve



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## Timing the Market

Implications of the S-Curve:

- Capital is required to sustain early product development
- New product development is a function of *effort*, not time
- Point of acceleration is critical for future planning



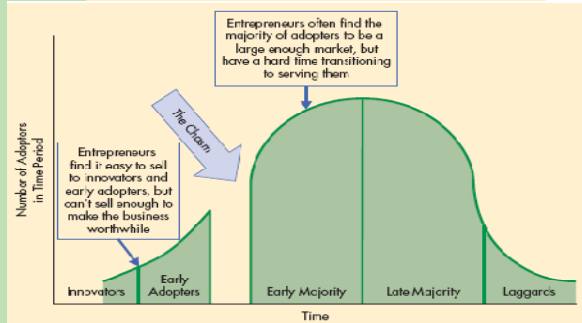
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## Adoption Patterns

- Innovators
- Early adopters
- Early majority
- Late majority
- Laggards

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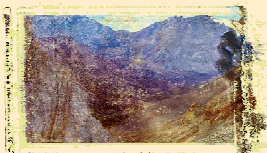
## Typical New Product Adoption



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## To Cross the Chasm

- Build a complete solution to customer needs
- Focus on a single niche
- Communicate clearly to customers



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## Choosing Target Customers

- Customers have a compelling reason to buy if the product or service
- Improves their productivity
  - Reduces their costs
  - Gives them something they couldn't have before

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## Pricing New Products

- Determine *fixed & variable* costs to set a price that generates a profit
- Assess market conditions to ensure the *price* isn't too high or low
- Understand how customers trade off attributes and price
  - Value-based vs. cost-based pricing
- Factor in hidden costs or discounting

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## Dominant Design

- All companies producing a product choose a common way of bringing together the different parts of a product or service.
- New firms have an advantage in periods of radical breakthrough.



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## Setting the Technical Standard

- An agreed-upon basis on which a product or service operates
- Discount prices when product is introduced
- Build relationships with producers of complementary products
- Get to the market quickly

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## Guerilla Marketing

- Reach people at just the right time and place
- Choose a different route
- Use the media



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