

**Tesla** was not the first to try to build a successful EV vehicle.

In the mid-late 1990s, General Motors built a car called EV1.



*Source: RightBrainPhotography (Rick Rowen) derivative work*

The car was supposed to target a more significant segment of the car market.

This made sense for General Motors because, as an established automaker, it made sense to look into the development of an electric vehicle, only if this would go after a large market.

Yet, this turned out into a complete failure.

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**To overcome failure, learn how to build a Growth Mindset, here's how!**

**Head over to Shortform and search for "Mindset - by Carol S. Dweck"**

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That's the core difference between a startup and an incumbent.

When launching new products, an incumbent like General Motors tries to go after large market segments right on (targeting the late majority).

A startup with constrained resources must do the opposite.

A company like Tesla, with limited funding, had to figure out how to niche down the market as much as possible to showcase the technology without going bankrupt.

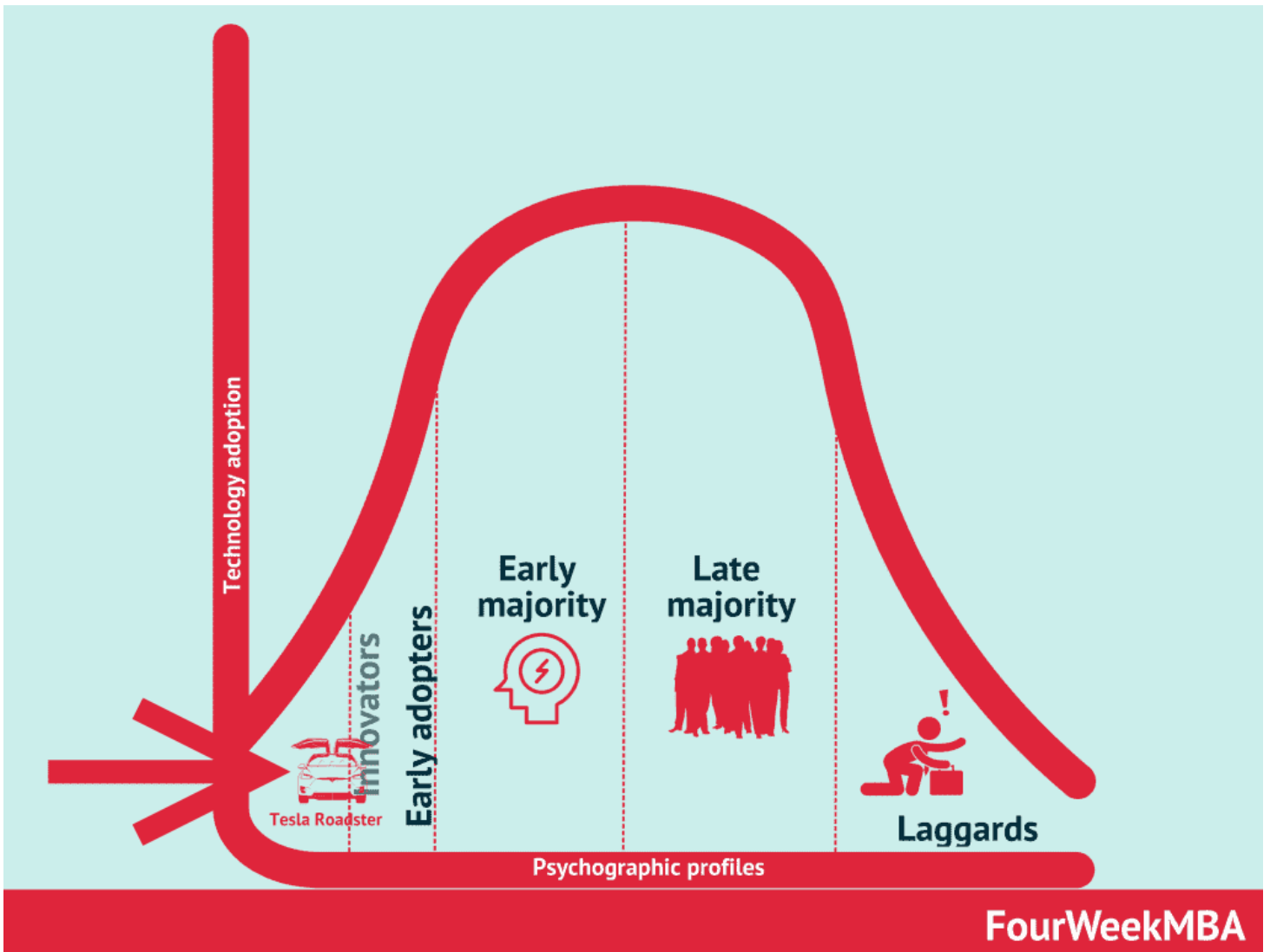
To Tesla in the early days, it didn't matter how small it was the niche it was going to tackle.

What mattered was the ability to showcase the technology at first.

This is a core difference, as whereas new entrants develop markets by starting from tiny niches, incumbents try to launch markets by starting from the masses!

The former approach creates options to scale, where failure is cheap and bearable.

The latter creates a scenario where failure gets so expensive that if the product doesn't reach the masses, it will be withdrawn, and progress will be stopped for years!

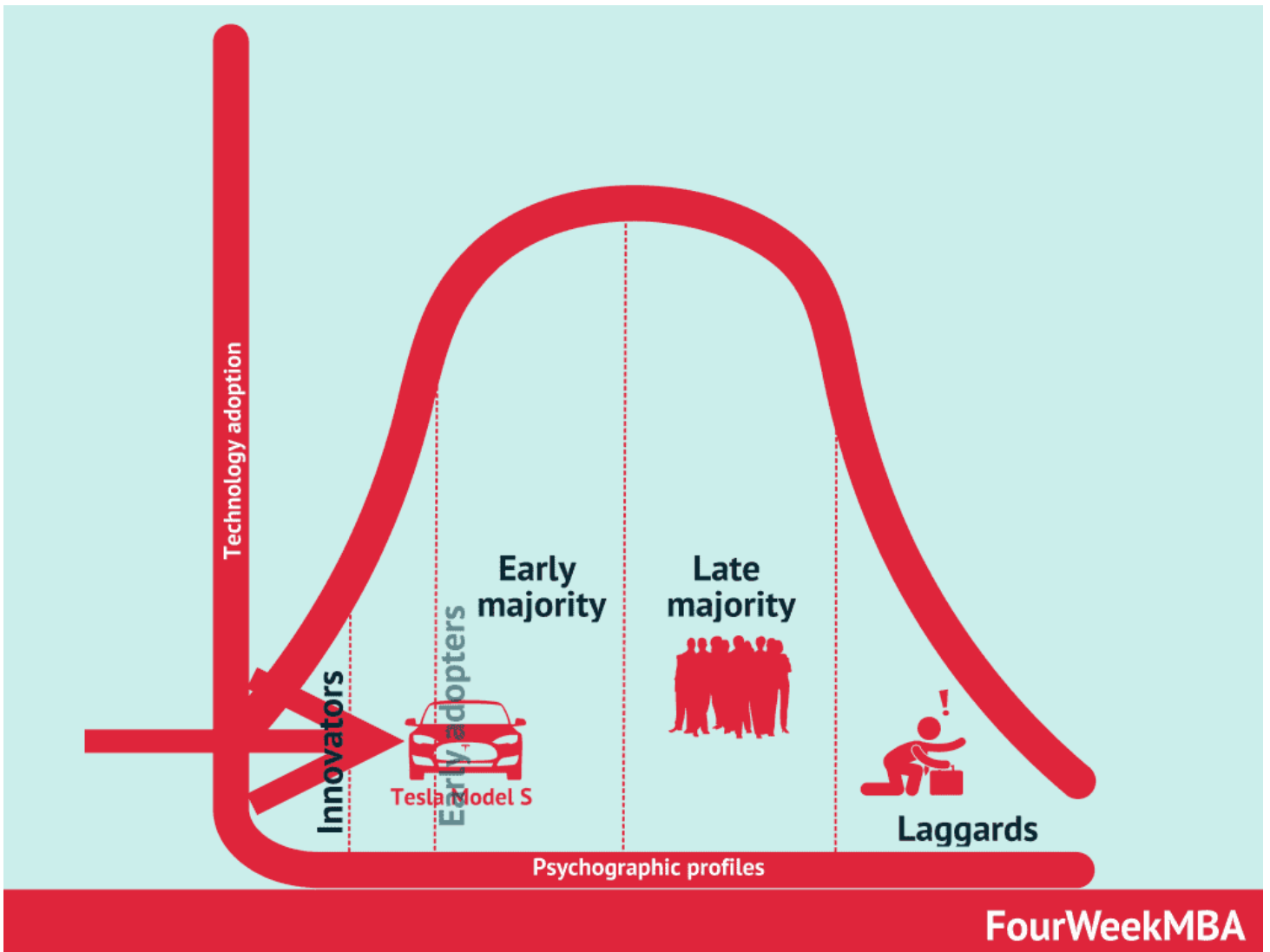


Therefore, Tesla used the Roadster as a gateway to the car industry, targeting a tiny market segment made of innovators who supported Tesla's mission.

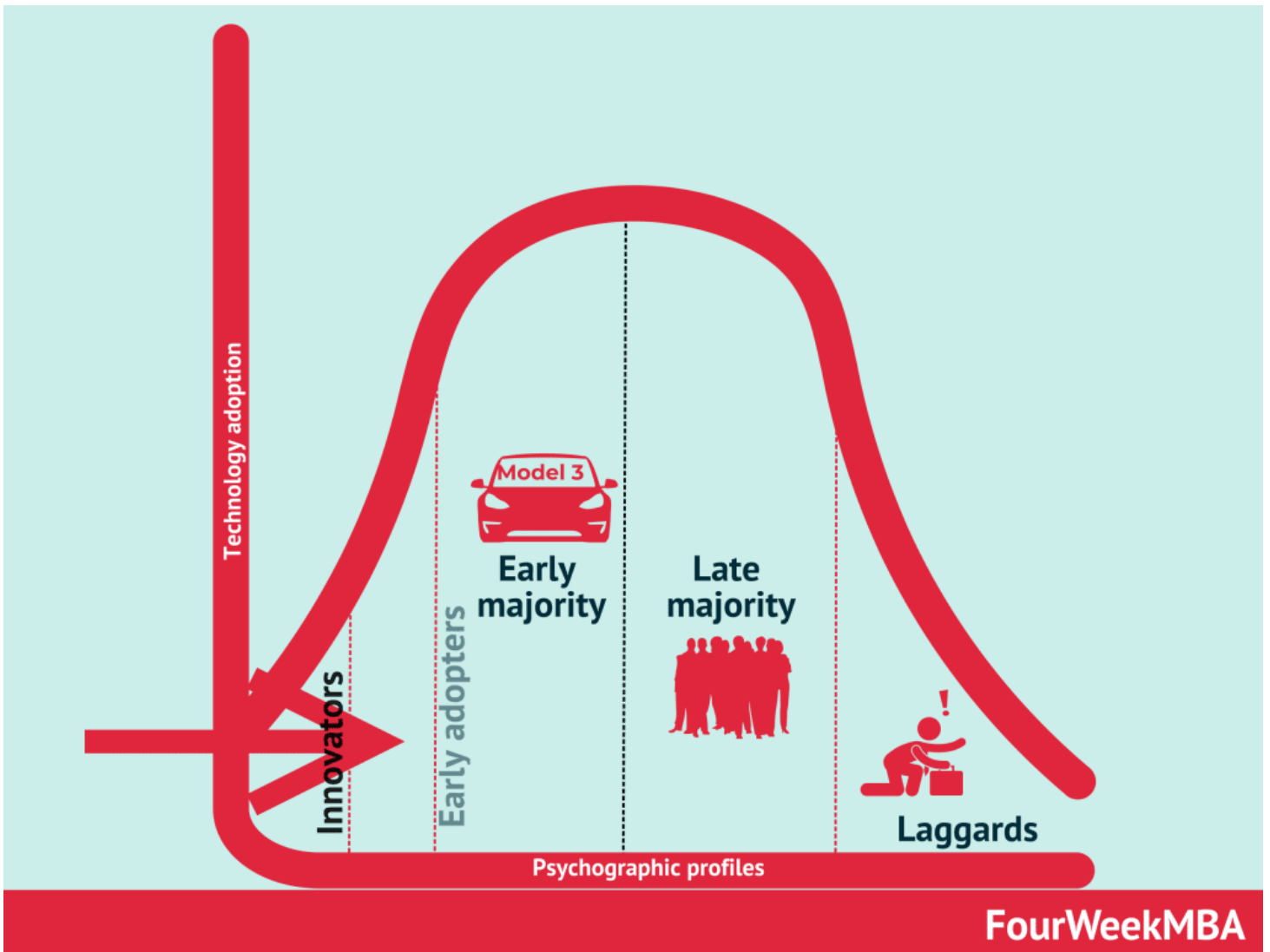
# Tesla Market-Entry Strategy



Over time, Tesla managed to produce - in parallel - other EVs to tackle larger and larger segments of the market.



It took Tesla fifteen years to start working toward mass manufacturing the Model 3. And this strategy is still ongoing.



To be sure, while the process above seems linear, in reality, the history of Tesla is all but linear.

Thus, this below is just the tip of the iceberg! And **Tesla** is as popular as ever!

## Tesla Scaling Up Manufacturing



FourWeekMBA Intelligence - Source: Financial Statements

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## The essence of scale is to - initially - scaling down!

Thus a few key lessons worth remembering here:

### ***Smaller Market Size***

Whereas incumbents try to tackle mass markets right off the bat.

New entrants, with limited funding and constrained resources, niche down to the point of tackling, what seems, an uninteresting microniche.

Over time, that microniche can turn into a giant industry!

### ***Cost of failing***



The incumbent comes up with a strategy where failure gets extremely expensive, and a failed launch turns into an unsuccessful product for years.

A new entrant instead niches down as much as possible to make failing fast and cheap.

In the case of General Motors, the failure of the EV1 was such that still, in the 2020s, the company had to recover and compete in full in the EV industry.

## ***Options to scale***

A key thing to understand is that when launching new products, you don't need to go after an extensive market.

Tackling a large market requires economies of scale.

And achieving economies of scale requires a foundational product that has been iterated many times over at various scales of production.

This process takes years to build up.

Thus, looking for small opportunities that create options when launching a whole new product to scale would be best.

Meaning. you can always decide - once the product works at a small scale - to try to make it work at a larger scale.

The opposite is not true!

When you try to make a product work at a large scale, failure is - almost guaranteed.

There is one exception to the rule, and that is Apple's iPhone. The rest is mainly guaranteed failure.

## ***Strategy vs. product launches***

When building a new market, you must shift your mindset from product vs. strategy.



The product launch mindset is that you want to see the product succeed at scale.

Instead, a strategy mindset requires understanding that for a product to be successful at scale, it needs to be rolled out through various stages of iterations, at various scales, for months or years.

In some cases, it might take decades.

This doesn't mean you can't build a viable business right on.

Quite the opposite. By targeting the niche, you create the ability to bootstrap the business as you go after a small - yet profitable - segment right away.

And only later do you look for scale.

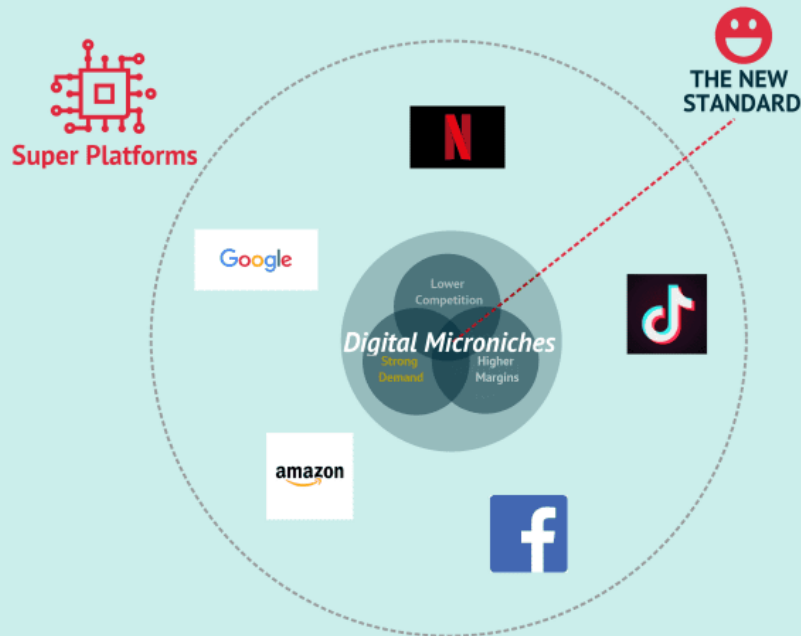
Indeed, scaling is extremely expensive, resource-intensive, and might temporarily turn your business from cash making machine to a cash-burning machine...

***In other words, today's microniches are tomorrow's mass markets!***

**Identify your Microniche**

# What Is A Microniche In A Nutshell

A microniche is a subset of potential customers within a niche. In the era of dominating digital super-platforms, identifying a microniche can kick off the strategy of digital businesses to prevent competition against large platforms. As the microniche becomes a niche, then a market, scale becomes an option.



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Therefore, if you're starting a business today you need to make sure to identify a potential **target**, by being as specific as possible.

Indeed, generally, micro niches represent a small part of potential customers within a broader niche, and while niches do have advantages, micro niches present even more opportunities in the short run. Some of them are:

- *A less crowded space.*
- *With potentially high conversion.*
- *An extremely engagement community.*
- *Very high margins.*
- *A strong demand.*
- *A potentially strong brand recognition.*
- *Thus a lasting competitive advantage.*

# How do you pick a microniche?

Let's start from a simple example. Let's say you're opening up a bookstore, looking for opportunities to kick off the store.

Where do you start?

The **platform** with the most data when it comes to books is definitely **Amazon**. You start from the Amazon broadest categories to start looking for opportunities:

## Books at Amazon

### Shop by Category



There was a time when it was possible to stop there. As the web was not such a crowded space for you to start a business. However, nowadays you need to a lower level to look for your microniche.

Thus, saying something like "I'll start from literature, or historic fiction" isn't enough. Those are too broad. So where do you start?

Go a level down:

### Shop by category



Within Amazon's literature and historical fiction, we can identify a further category for us to start with. For this example I took something like "historical fiction" and went a level

down:

## Historical Fiction

### Featured categories



Mysteries



Military



Thrillers



Biographical



Alternate History



World War II



Fantasy



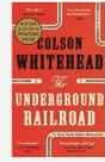
Medieval



Christian



Ancient



African American



Renaissance

I selected for instance, "Reinassance" as the key area within the micro-target I'm picking to kick off my business distribution strategy.

Thus the process looks something like that:

## Shop by Category



## Shop by category



## Historical Fiction

### Featured categories



Within that microniche you can see how the bestseller has quite some substantial reach:

Best Seller



## Temptation's Darling

by [Johanna Lindsey](#)

★★★★☆ ~ 42

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The interesting thing is that what it might actually seem a very small audience it turns out to be a decent audience for a business which is starting out.

Indeed, by crossing the data from Amazon to the keyword volume for the book's author "Johanna Lindsey" you can see how she is a micro-celebrity:

# Keyword Overview: Johanna Lindsey

[PDF](#)

Database: United States | Device: Desktop | Date: Aug 11, 2019 | Currency: USD

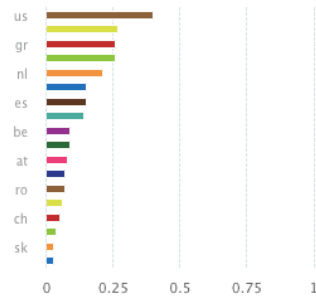
## live update ORGANIC SEARCH

Volume	4.4K
Number of results	96

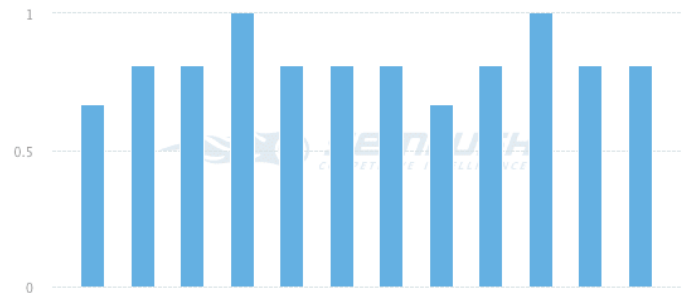
## live update PAID SEARCH

CPC	\$0.40
Competition	0.86

## live update CPC DISTRIBUTION



## TREND



## PHRASE MATCH KEYWORDS (1,627)

Keyword	Volume	CPC (USD)	SERP
<a href="#">johanna lindsey</a>	4,400	0.40	
<a href="#">johanna lindsey books</a>	1,600	0.40	
<a href="#">johanna lindsey malory series</a>	320	0.58	
<a href="#">johanna lindsey book list</a>	260	0.17	
<a href="#">johanna lindsey series</a>	260	0.46	

## live update RELATED KEYWORDS (143)

Keyword	Volume	CPC (USD)	SERP
<a href="#">johanna lindsey most recent book</a>	20	0.09	
<a href="#">johanna lindsey latest book</a>	20	0.34	
<a href="#">johanna lindsey new book</a>	110	0.25	
<a href="#">johanna lindsey new release</a>	50	0.20	
<a href="#">johanna lindsey book list</a>	260	0.17	

*Example of how a microniche analysis uncovers the audience around a micro-celebrity and it opens up opportunities to kick off your business distribution (data: SEMRush)*

It is interesting to notice how we uncovered a potential audience made of over four thousand people each month, by just doing simple research on Amazon and by crossing that with keyword volume.

Thus, if you were to start a bookstore in that category you might want to make sure to have all the books of that author available, create a content strategy around it.

And for instance, invite the author for an off-line session with her fans. While for instance, also transmitting that live online so that you can reach a wider audience and create the first set of loyal customers for your bookstore!

And to succeed, you want to limit your options today to create options to scale tomorrow!

## Recap: In This Issue!

1. Tesla was not the first to attempt building a successful electric vehicle. **General Motors created the EV1 in the mid-late 1990s to target a larger segment of the car market.**



2. General Motors' approach with the EV1 turned out to be a failure, highlighting the difference between incumbents and startups in market entry strategies.
3. **Startups like Tesla, with limited funding and resources, focus on niching down** the market to showcase their technology without going bankrupt.
4. Tesla used the Roadster as a gateway to the car industry, targeting **a small market segment of innovators** who supported their mission.
5. Over time, Tesla expanded its offerings to produce EVs for larger market segments, with the aim of eventually mass manufacturing the Model 3.
6. **Scaling down initially is essential for new entrants**, as it allows for cheaper and faster iterations and failure, creating options for future scaling.
7. Incumbents often face higher costs of failure and struggle to recover from unsuccessful product launches.
8. Launching new products doesn't require targeting a massive market from the start. **Small opportunities can be pursued initially, with the potential to scale later.**
9. A strategy mindset is needed when building a new market, understanding that **successful scaling takes time and multiple iterations.**
10. Micro niches, even within broader niches, offer advantages such as a **less crowded space, high conversion rates, engaged communities, high margins, strong demand, and potential brand recognition (thus differentiation).**
11. When selecting a micro niche, it is important to be specific and conduct research to identify opportunities within broader categories.
12. By focusing on a microniche, businesses can uncover potential audiences and create targeted strategies to kick off their distribution and gain loyal customers.

Ciao!

With ❤️ Gennaro, FourWeekMBA