

CA115 Digital Innovation Management Enterprise

Seminar, Weeks 3/4. Start-Ups #2: Product and Market

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Product

How to Come Up with a Product Idea

(i) **Differentiate**; (ii) **Concentrate**; (iii) **Innovate**.

- from *Stolze*; see references.

- Figure out what you and your team members can do very well; something that distinguishes you from your competitors.
 - Look back on the advantages of small companies over large companies and think about how these can be used.
 - Differentiate your product from other products in a worthwhile but niche way.
 - Give your customers a benefit that they don't get from competing products.
- Concentrate *all your efforts* on this niche. By doing this, you avoid a head-to-head confrontation with competitors.
- Be *innovative in every way*, in how you engage with customers, sell the product, conduct your business and so only.

Things Best Avoided

Never try to compete on price; it's very difficult to compete this way. Focus only on the benefits of your product.

- In general, cutting edge technology is hard to do.
- Implementing overly ambitious new concepts, e.g. [the Internet](#) and [the world wide web](#). Deploying *the Internet* is not something easily done by a startup.
- Producing a large volume production of material things; this is something similar to competing on price. There are exceptions, e.g. [Tesla](#). This is a unique company that had a lot of cash at the beginning.

Of course, there are *always* exceptions to the rules.

Add Innovative Features

Many innovative startups take existing products, or services, and make an important improvement.

Include an Innovative Customer Experience

- Being flexible and accommodating customers - within reason - is very important.
- Doing your best to accommodate customers is a good thing to do, and easier for a startup to manage. In return, customers will be loyal.

Choosing a Market

Market Research

An easy trap to fall into is to design product and not think about the market, i.e. the people that might want to buy your product, who have either a need or a desire for it. This is stereotypically true of engineers and technical entrepreneurs. It is important to understand the market; intuition needs to be validated.

Market research, i.e. understanding your intended market, should be done as early as possible, at the beginning. In my experience, it is much better to meet people. So start communicating early on. Talk to potential customers and build up a good picture of who might buy your product. Formal market studies are expensive and sometimes generic; it's much better to understand things yourself. And this involves communicating: meeting, talking and writing.

Entrepreneurs often have a good grasp of current social or technical trends; this must be backed up with some validation.

Some Rules

After *Stolze*, startups, in general, should avoid trying to introduce a new product to a new market.

An example of a (partially) unsuccessful introduction of a new product to a new market is the [Segway](#); the Segway was marketed as a new way for people to move around cities. Although this is true, it did not prove to be as popular as hoped. An example of a successful new product introduced to a new market, is the

It's much easier to:

- Introduce a new product to old market, e.g. [Gmail](#); email was not a new idea but Gmail was an innovative product.
- Introduce an old product to new market, e.g. [vinyl records](#).

From *Stolze*:

	Existing products	Modified products	New products
Existing markets	Avoid This Space	This is a good space	Good but riskier space
Identifiable markets	This is a good space	Good but riskier space	High reward but high risk space
Unknown markets	Good but riskier space	High reward but high risk space	Avoid This Space

In this table, there are existing and well understood markets, e.g. smartphone users, markets that may be new but are pretty well understood and reasonable safe bets, and markets that are both new and of unknown risk.

Existing Markets With Potential for New Products

Some markets are not well served by the products or services that are available. This can be for many reasons, including that there are a small number of competitors or that it is an old well-established industry with little innovation happening and a poor customer experience. In this space, there may be room for innovation and new products.

Why Will People Buy Your Product?

To reiterate, **never try to compete on price**; it's very difficult to compete this way. Focus only on the benefits of your product.

The value of your product to the market can be described by:

Value = Benefits/Price

The perceived benefits of your product or service are a function of:

- Features: the innovations that set your product apart from others.
- Marketing: how well you communicate with the people that might want to buy your product.
- Trends: how your product fits with the Zeitgeist, i.e. what is happening in the world.
- Availability: how easily available your product is.
- Customer experience: how well you respond to the people who are interested in buying your product and those that do.

Selling

Marketing and Selling

According to *Stolze*, marketing and selling are two sides of the same thing. This is something I agree with. Marketing means getting people to buy things. Selling is one of the most important things a startup must do; without sales, a company will run out of money fast.

How to Sell

There are many different ways to sell and it depends on the market; selling to businesses is different to selling to individuals. Some of these include:

- Early on, the entrepreneur's own networks may prove invaluable.
- Advertising using content marketing is popular.
- You can also buy ads or think up publicity events.
- Professional salespeople are by definition good at selling but are expensive.
- Depending on your product, you may sell it direct over the internet or you could license it to another company. This can happen with software.

Success

For a startup, success ultimately means not running out of money; companies fail because they don't sell.

References

- *Start Up: an Entrepreneur's Guide to Launching and Managing a New Business* (5th Edition). William J Stolze. 1999. Career Press, NJ.
- [Zen Shorts](#), is the children's book I mentioned, with nice lessons about maintaining composure in life; in my view, it's important to adopt a realistic posture, to be open to and to recognise the good fortune that happens and not to allow misfortune to discourage you.
- [Behaviosec](#), is a successful biometric authentication startup. Its CEO completed a PhD here at the School of Computing.