Manan Madan 2018UIC3087 ICE-2

How to choose beachhead market?

Geoffrey Moore in Crossing the Chasm proposes six criteria to determine the best market opportunity, and I believe these criteria are spotͲon for selecting a beachhead market.

1. Is the target customer wellͲfunded? Y If the customer does not have money, the market is not attractive because it will not be sustainable and provide positive cash flow for the new venture to grow.

2. Is the target customer readily accessible to your sales force? Y You want to deal directly with customers when starting out, rather than rely on third parties to market and sell your product, because your product will go through iterations of improvement very rapidly, and direct customer feedback is an essential part of that process. Also, since your product is substantially new and never seen before (and potentially disruptive), third parties may not know how to be effective at creating demand for your product.

3. Does the target customer have a compelling reason to buy? Y Would the customer buy your product instead of another similar solution? Or is the customer content with whatever solution is already being used? Remember that on many occasions, your primary competition will be the customer doing nothing.

4. Can you today, with the help of partners, deliver a whole product? Y No one wants to buy a new alternator and install it on their car, even if the alternator is much better than what they currently have. They want to buy a car. You will likely need to work with other vendors to deliver a solution that incorporates your product, which means that you will need to convince other manufacturers and distributors that your product is worth integrating into their workflows.

5. Is there entrenched competition that could block you? Y Rare is the case where no other competitors are vying to convince a customer to spend its budget on products to meet a specific need. How strong are those competitors, from the customercs viewpoint (not your viewpoint or from a technical standpoint)? Can/will the competition block you from starting a business relationship with a customer?

6. If you win this segment, can you leverage it to enter additional segments? Y If you dominate this market opportunity, are there adjacent opportunities where you can sell your product with only slight modifications to your product or your sales strategy? Or will you have to radically revise your product or sales strategy in order to take advantage of additional market opportunities? While you want to stay focused on your beachhead market, you do not want to choose a starting market from which you will have a hard time scaling your business. Moore uses the metaphor of a bowling alley, where the beachhead market is the lead pin, and dominating the beachhead market knocks down the lead pin, which crashes into other pins that represent either adjacent market opportunities or different applications to sell to the customer in your beachhead market.

7. Is the market consistent with the values, passions and goals of the founding team? Y Presumably, this question was addressed in the Market Analysis, but you want to make sure that the foundersc personal goals do not take a back seat to the other criteria presented here. In the case of SensAble, we wanted to get liquid (go public or get bought) within 45 years, a relatively short time horizon for the technology, because inventor Thomas and his wife wanted to move back to Kentucky, so an important factor for us was whether we could show results in an acceptable timeframe in a particular market. As you can see, these are quite similar to the criteria we chose the market segments to begin with but now we will do so in much more rigorous and inͲdepth manner as the number of segments is narrowed down.We want to make sure our beachhead clearly meets the above seven criteria.

s