

# Entrepreneurial Thinking

BIRMINGHAM SOUTHERN COLLEGE

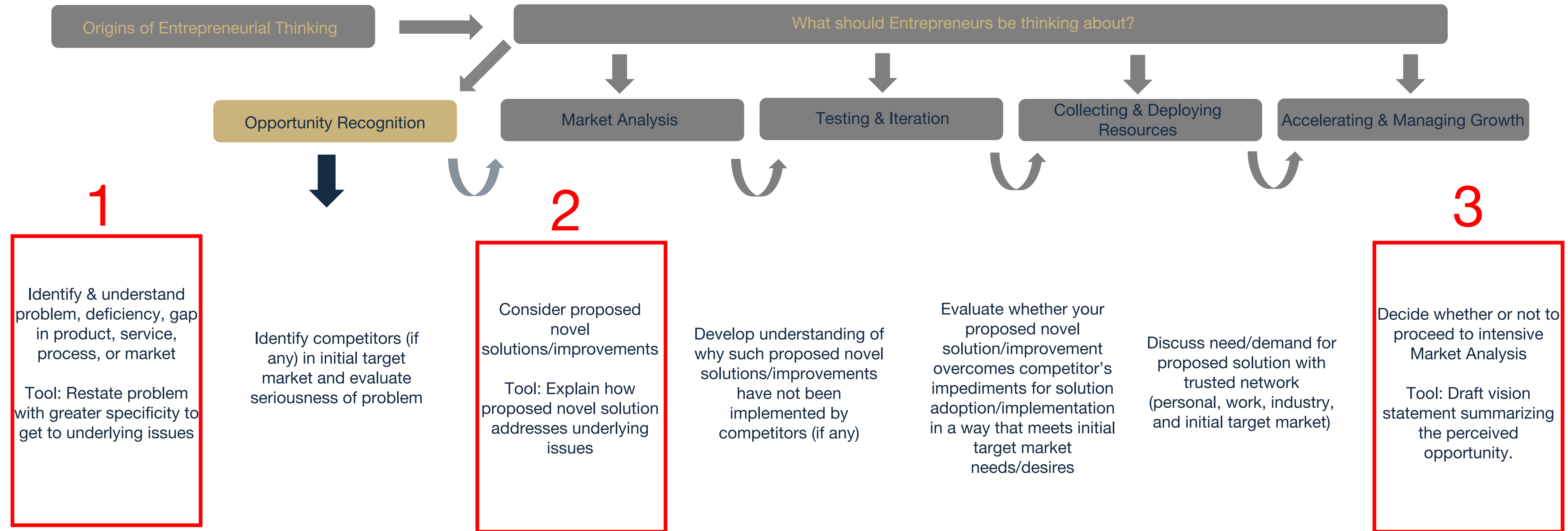


# Today

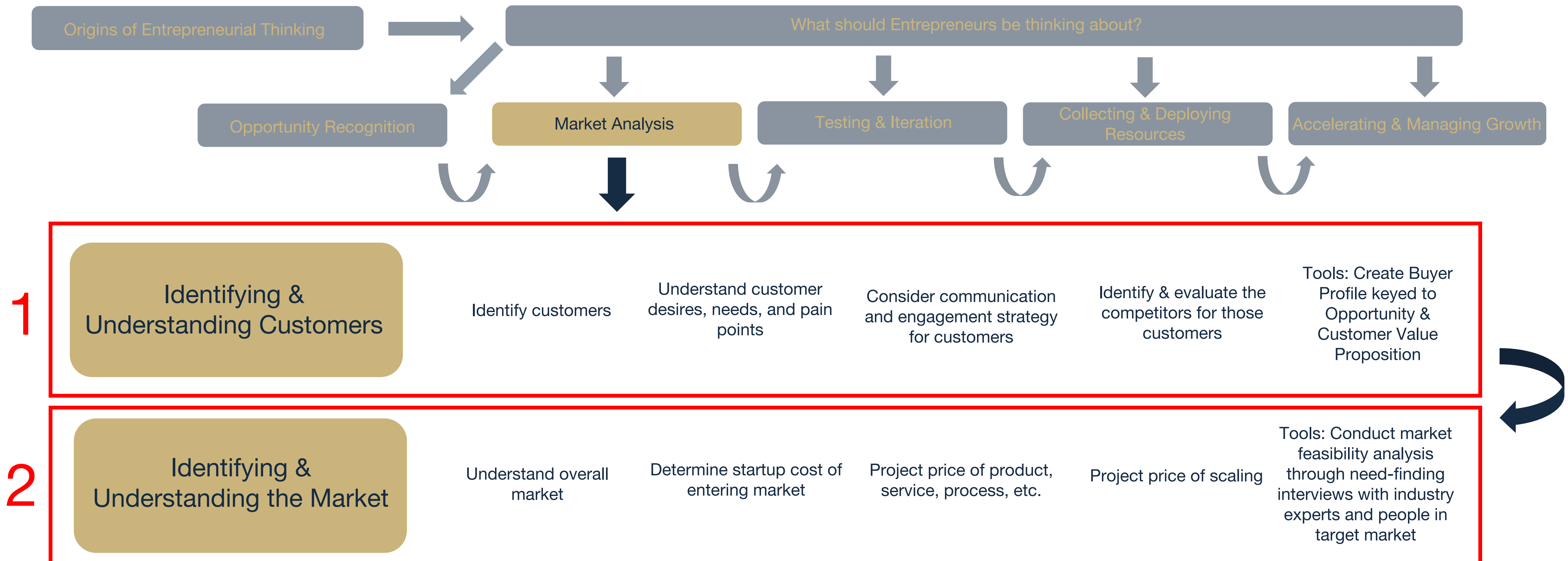
- I. Opportunity Recognition: A Process
- II. Opportunity Recognition: Problems & Solutions
- III. In-Class Group Work



# Opportunity Recognition: A Process



# Market Analysis: A Process



# Market Analysis: Identifying Customers

## Defining Key Terms:

- **Product/Service Offering-** “what you offer to a particular customer segment , the value generated for them, and how you will reach them (offer it to them).”
- **Customer-** “someone who pays for a product or service”
- **Consumer-** “someone who uses a product or service” (can be different from customer)
- **Customer Value Proposition-** “A statement of how your product or service offers better qualitative and monetary value than the competition in a sustainable manner.”



# Market Analysis: Identifying Customers

## Customer Use Types:

- **End User-** “the consumers who will actually use your product” *Ex. teen playing video game*
- **Influencer-** “customers with large following and the power to influence other customer purchase decisions.” *Ex. celebrity endorsing video game in commercial*
- **Recommenders-** “people who may evaluate your product and tell the public about it.” *Ex. Blogger writing positive reviews for the video game on a website*
- **Economic Buyers-** “customers who have the ability to approve large-scale purchases for use or resale” *Ex. buyer for Gamestop who decided to stock the game in stores*
- **Decision Makers-** “customers with even more authority than economic buyers related to purchasing decisions” *Ex. CEO of gaming company who buys game from designer*





# Market Analysis: Identifying Customers

Customer Adoption Types (from economist Everett Rogers):

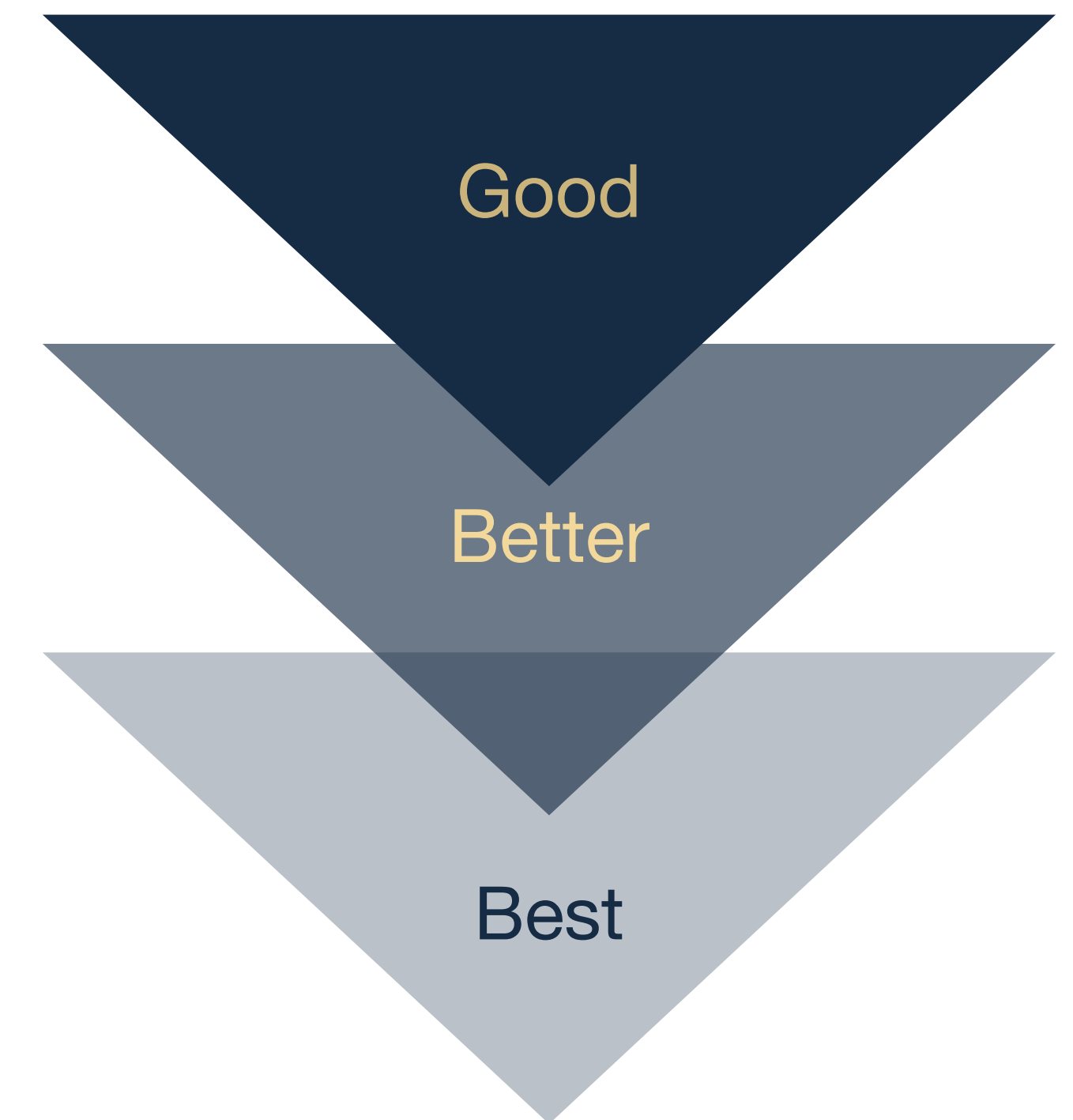
- **Enthusiasts: Innovators (2.5% of customers)**- first customers to try a product, generally based on enthusiasm for technology that diminishes risks associated with early flaws or uncertainties in early versions of products.
- **Visionaries: Early Adopters (next 13.5% of customers)**- tend to buy new products shortly after they hit the market but are motivated by seeking competitive advantage rather than pure enthusiasm for the product.
- **Pragmatists: Early Majority (next 34% of customers)**- tend to take interest in a new product as it begins to have mass market appeal (generally more practical and risk averse purchasers); critical.
- **Conservatives: Late Majority (next 34% of customers)**- Typically skeptical, pessimistic, risk averse, and less affluent than previous groups reached through affordable cost and simpler product versions.
- **Skeptics: Laggards (final 16% of customers)**- typically the last to adopt new innovation due to a negative attitude toward technology in general or a strong aversion to change.



# Market Analysis: Understanding Needs, Desires, & Pain Points

## Types of Customer Value Propositions (“CVP”):

- **All Benefits CVP-** focus is on the product
  - Involves identifying and promoting all the benefits of your product or service to customer segments, with little regard for competition or needs of customers
- **Points of Difference CVP-** focus is on the competition
  - Involves focusing on product or service relative to competition in a way that distinguishes uniqueness of offering
- **Product-Market Fit CVP-** focus is on the customer
  - Involves identifying what is most important to the customer and ensuring the VCP describes how your offering will meet the customers needs, relative to competition.





# Market Analysis: Customer Engagement Strategy

How do your customers make purchasing decisions?

What mediums inform your customers purchasing decisions?

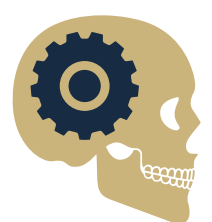
What tools can you leverage to conduct need-finding interviews (early stage) and feedback interviews (later stage)?



# Market Analysis: Understand Overall Market

## Defining Key Terms:

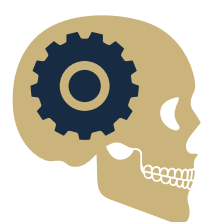
- **Market-** “A set of actual or potential customers for a given set of products or services who have a common set of needs or wants, and who reference each other when making a buying decision.” OR “a place where people can sell products and services to people to people who wish to buy those products and services.”
- **Market Opportunity-** “the degree of customer or market demand for a specific product [or service] application.”
- **Product/Service Application-** “the products or services created to meet and or create market demand, thereby providing a solution to a customer problem.”
- **Market Sizing-** “a method of estimating the number of potential customers and possible revenue or profitability f a product or service.”
- **Launch Market-** “identifying the launch market requires identifying a group of launch customers that already want to buy your product/service; involves identifying your offering’s niche market.”



# Market Analysis: Understand Overall Market

## Types of Market Segments:

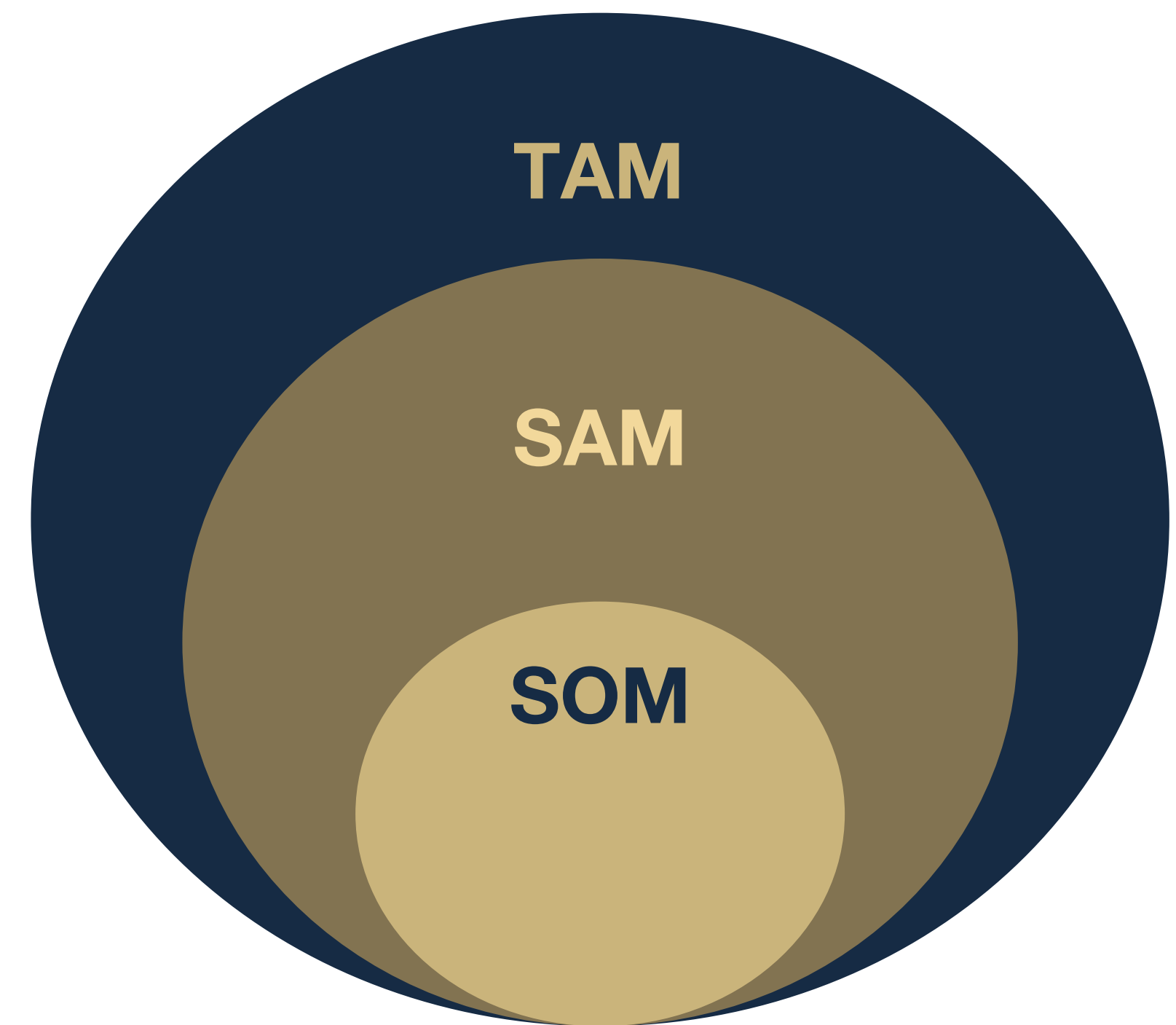
- **Mass Market-** “large group of customers with very similar needs and problems”
- **Niche Market-** “a small market segment that consists of customers with specific needs and requirements”
- **Segmented Market-** “a market divided into groups according to customers’ different needs and problems”
- **Diversified Market-** “markets with two or more customer segments with different needs that bear no relationship to each other”
- **Multisided Markets-** “markets with two or more customer segments that are mutually independent of each other”



# Market Analysis: Understand Overall Market

## Developing a Target Market:

- **Total Available Market (TAM)**- the total market demand for a product or service
- **Serviceable Available Market (SAM)**- the section of the TAM that your product or service intends to target
- **Share of Market (SOM)**- the portion of SAM that your company is realistically likely to reach



# Market Analysis: Costs

**Market Entry Costs** What are the market entry (startup) costs associated with entering this particular market?

**Solution Production & Pricing** Can the solution (product/service) be produced and sold at a profit?

**Costs to Scale** What costs will have to be incurred in order to scale the product/service within a market or to new markets?





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