

# FastTrac<sup>®</sup> TechVenture<sup>™</sup>

*ENTREPRENEUR MANUAL*

MAXIMIZING THE  
POTENTIAL OF YOUR  
TECHNOLOGY BUSINESS



**TAKE CHARGE OF YOUR BUSINESS<sup>®</sup>**

A program of the Kauffman Foundation of Kansas City

Ewing Marion  
**KAUFFMAN**  
Foundation



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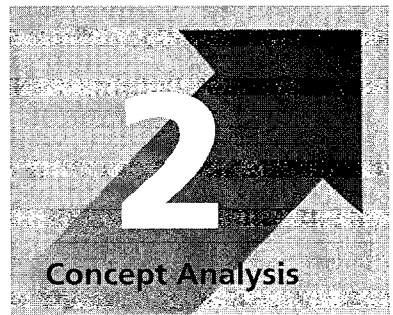
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# Defining the Target Market



A well-conceived market definition is the foundation of your technology-based business opportunity. As you create your target market definition, you will explore industry trends, identify current and future customers, and analyze your competition.

Remember, the key to success is *not* having an excellent product or service. It's having someone *buy* your product or service. And if you can't identify who will buy your product or service, investors will not be willing to fund your enterprise. Therefore, the more you know about your target market, the greater your chances of success will be.

Knowing as much as you can about your target market will help you:

- Plan your business's growth.
- Attract funding.
- Attract team members.
- Develop targeted marketing methods.
- Set appropriate prices.
- Streamline your distribution process.
- Forecast future sales.
- Validate your business concept's feasibility.

In this module, you will learn about the process of defining your market, including all the components necessary to analyze the market environment. You will delve more deeply into identifying and targeting markets, understanding your customers, and analyzing your competition. You will also discover where to find resources to conduct secondary market research so you can begin drafting a summary of your market environment.

## Outcomes

- Analyze your market environment and its segmentation.
- Analyze the size of your market.
- Identify your target market.
- Create your industry profile.
- Create a customer profile.
- Identify a major competitor and perform a SWOT analysis.
- Identify resources for market research.

**Action Steps** (Find online tools at [www.fasttrac.org/toolkits](http://www.fasttrac.org/toolkits).)

- Perform a SWOT Analysis of at least one competitor (Action Files tab).
- Write the first draft of the Marketing Plan section of your Business Plan (Templates and Glossary tab).
- Refine your Personal Vision Statement, Business Concept Statement, and Elevator Pitch.
- Read Module 3: Conducting Market Research and Analysis.







## Market Definition

In order to make your marketing efforts as effective and efficient as possible, you have to take several steps to pinpoint your best customers.

## Analyzing Your Market Environment

You must become the master of your market environment, knowing everything possible with respect to how business is conducted.

**TIP** Define your market segment as narrowly and specifically as possible. A market defined too broadly often leads to confusion.

A thorough market definition includes:

- The definition of your specific market segment, how much revenue it generates, and how fast it will grow over the next several years.
- A broad picture of the macro trends that drive your market, including regulatory and legal requirements.
- An understanding of all the participants in your market segment. In addition to competitors, you will understand manufacturers, suppliers, distributors, dealers, and service providers.
- An in-depth understanding of your buyer. You must identify the need you will fulfill and how the product or service will be brought to the buyer, in terms of marketing, distribution, pricing, packaging, fulfillment, maintenance, and support.
- The key competitors you will meet in the marketplace. Understand their strengths and weaknesses and have a clear game plan for competing with them.
- The marketing and distribution channels required to make prospective buyers aware of your product or service and to deliver the product or service to them.
- A compelling value proposition that brings a rapid return on investment to the buyer who will view your product or service as a top priority for purchasing.

With a solid understanding of your market segment, you can then validate your assumptions by actually interviewing potential buyers and other market participants. This will give you greater assurance that you have successfully defined a viable market, and you can proceed to the next steps in business planning with confidence.

## Identifying Markets

Market definition begins by clearly identifying the markets to which a company will sell products or services. At one end of the continuum are entrepreneurs with a product or service sold to easily identified customers, making market planning much easier. At the other end of the continuum are entrepreneurs who do not know who will buy their product or service. They have hidden markets.

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Entrepreneurs**

### Hidden Markets

When Edwin H. Land first developed the Polaroid camera, its markets were hidden. He originally thought of it as a consumer product, but that market rejected the first models because of poor picture quality and high costs. But salespeople, particularly real estate agents, found the Polaroid very useful. Its costs and quality were not fatal defects. Polaroid backed into the huge industrial markets with its invention.



Businesses can target other businesses as their customers, or they can target consumers. Entrepreneurs often refer to this distinction as B2B (business-to-business) or B2C (business-to-consumer) marketing. While some products or services may be marketable only to other businesses or only to individual consumers, some may fit either category. In that case, careful analysis can help you determine which market has the greatest potential.

### **B2B Marketing**

Energy Sentry products help to conserve energy used by home appliances. Selling these products to individual customers would be prohibitively expensive, so a marketing strategy was developed to work closely with local power companies. The devices were then sold in large batches; one rural power company bought 9,000 units for its customers.

**TIP** When defining your B2B customers, also define their customers so you can identify the need your customers must fulfill for their buyers.

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### **Segmenting Markets**

Market segmentation is the next step in defining and targeting markets. After you have identified your larger market, you can break it into smaller, distinct groups of buyers.

Most B2B businesses segment their markets based on categories such as:

- Companies that use a certain service or product.
- Companies of a certain size.
- Companies that have a certain amount of revenue.

In contrast, most B2C businesses segment their markets based on the following categories:

**Demographic variables** – age, gender, income, family size, life cycle, occupation, education

**Geographic variables** – regions, climate zones, population density

**Behavior variables** – product knowledge, usage, benefits sought, distribution channels used, responses to marketing

**Psychological variables** – lifestyle, values, personality, risk aversion, media watched or read

These market segments, because they are more homogeneous than the larger market, will respond similarly to promotions, communications, advertising, and other marketing mix variables. By segmenting your market, you can target your efforts and make your marketing plan more efficient and effective.

### **Selecting Target Markets**

Once you have segmented your larger market into smaller, more homogeneous groups, you can select your target market. For example, a computer video card maker or a diagnostic test producer may select the retail segment as the target market. This choice doesn't mean that the company will refuse to sell either video cards to original equipment computer assemblers or diagnostic tests to centralized testing labs. It simply provides for focused marketing efforts. This focus creates a more efficient marketing plan that will save the entrepreneur both time and money to implement.

**TIP** An ideal target market is one in which a company is the only provider of its particular benefits to the potential buyer. For many life sciences companies, this means having a strong patent position.

**Business  
Plan  
Marketing Plan –  
Market Analysis**



While you want to narrow your target market as much as possible to streamline your efforts, you also need to be cautious about making your target market too narrow. The more narrowly a target market is defined, the fewer the number of potential customers. Then the question becomes whether the target market is large enough to sustain the business.

Select a primary target market using the following criteria:

- Ease of sales
- Profit potential
- Frequency or quantity of purchases
- Entry barriers that could hinder the efforts of additional competitors

Special marketing tactics are developed for each target market. Therefore, it is best to begin with a primary target market. As marketing strategies are streamlined in the primary market, a secondary target market can be added.

Markets that are not price-sensitive are best for start-ups. In such markets, customers are willing to pay for the benefits provided by the product or service. Attractive gross margins are especially important during a business start-up and cannot be achieved by selling into price-sensitive markets. They also allow the business to scale, which is attractive to investors.

### **Future Markets**

Whether the company's goal is growth or stability, you need to consider future markets. Every product or service has a life cycle, some shorter than others, depending on how quickly changes occur in customer needs and preferences.

Future markets can be opened by adding a product or service, improving a current product or service, or selling into a new market with an existing or new product or service. Customer demand should drive future markets.

You should ask these questions before pursuing future markets:

- Does adding a product or service to meet customer demand make sense with my overall vision?
- Will a new product or service fit within our existing organizational structure?
- Will daily operations of the new product or service mirror the operations of existing product or service lines?
- Will additional research and development be necessary before launching the new product or service?
- Will the same profit margin apply to the new product or service?
- How much do we stand to lose if the new market does not meet sales goals?

Market definition doesn't stop after a company's launch. To stay competitive, you have to continue to regularly monitor your markets and adjust your business concept to meet your customers' needs. To be sustainable long-term, your company will need to have a potential platform of products.



## Your Industry Profile

It's critical that you thoroughly understand your industry to determine your current strengths, future opportunities, and chances to turn a profit.

Business  
Plan  
Marketing Plan –  
Industry Profile

### Industry Profile

DSW was founded over 30 years ago as a hardware integration company. When IT spending slowed dramatically, the company realized that it would have to find a new business opportunity if it was going to survive a low-margin and negative-profitability IT integration environment.

DSW performed primary market research by surveying the needs of its current clients and collecting feedback from the members of a trade association of hardware resellers to which it belonged. The market study highlighted two major needs: small- to medium-sized enterprises needed to cut IT spending dramatically, while maintaining their capabilities, and reseller organizations needed to find new higher-margin products to sell through to their customer base.

DSW responded to these market needs and created a new product called B2N (Business-to-Net) remote-hosted managed services. B2N allows IT departments to significantly reduce costs by outsourcing most IT functions. IT integration groups gain a more sophisticated and recurring service solution for their customers while avoiding the high developmental cost of delivering such a service. Whereas most existing hardware integrators are experiencing flat growth and little or no earnings, DSW, through B2N, has experienced growth in excess of 100 percent in managed services with margins triple those of its existing integration business.

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## Current Size and Growth Potential

Understanding the current size of the industry and its growth potential will help you identify opportunities for the product or service. A comparison of the history of the industry to its current size and future growth potential will reveal a great deal about the stability and opportunities of the industry.

You must be wary of making assumptions or extrapolating growth rates about industries with relatively short and volatile histories. This caution applies particularly to disruptive technologies that fundamentally change the way a customer problem is solved or that meet an unforeseen need, because customer adoption may be difficult to forecast. The “first mover” in a market enjoys a beneficial position competitively, but also plows significant new ground with respect to customer assessment. This position adds risk and uncertainty to the fundamental assumptions of the business plan. The market could be much larger than expected (such as for eBay) or much smaller (such as for online grocery stores).

A business's profitability potential can be evaluated by reviewing the industry's profit characteristics. You should gather information on an industry's historical and expected gross margin and net profit. *Gross margin* is a measurement of the profit retained after the direct costs of products or services have been deducted from sales. *Net profit* is the amount of money from sales available after all costs and expenses of operating the business have been paid. (These two concepts are discussed in detail in Module 6. Both are also defined in the FastTrac® Glossary.)

Industries may also be affected by seasonal buying patterns. Some companies' sales cycles depend on when their customers set yearly budgets or issue requests for proposals. You should fully investigate and explain how the buying habits of the industry will affect your success in attacking, seizing, and profiting from each market you plan to enter.

**TIP** Do not merely seek information about the industry as if you were completing an assignment. Draw conclusions about what the information means to you and your business.



**Tip** Not all trends have to be documented in the business plan. The business plan should discuss the primary trends and the opportunities they create for the business.

**Tip** Before selecting distribution channels, you must predict the likely reception of your product or service by those distribution entities.

**Business Plan**  
**Marketing Plan – Market Analysis**

**Tip** Be as knowledgeable about your customers' businesses as you are about your own.

## Industry Trends

Researching industry trends helps to identify opportunities for starting and expanding a business.

Trade periodicals are often the best print sources of industry trends. Often, the best way to identify trends is to get out and talk with people. By the time information is reported in a research journal, somebody else will have developed a product or service to meet that need.

A great way to find industry trends is to attend trade association meetings or trade shows. By visiting with those knowledgeable about the industry, new trends can be discovered, and the newest products or services can be found.

## Distribution Channels

Distribution can be a major obstacle for businesses on their way to marketing products or services. The people and processes involved in getting a product to the market constitute its *distribution channel*. The easiest way to get a product to market is to place it in an established distribution channel already serving the desired market.

A distribution channel for a service business is different. In fact, distributing a service really means promoting it. The way in which a potential customer wants or expects to buy the service should be compared to the way the entrepreneur wants to sell the service. Service entrepreneurs must learn how potential customers expect to find and engage the business.

Sometimes, the business concept suggests distributing both products and services. Due to the complexity of combining both distribution channels, however, it can sometimes be best to establish the business by concentrating efforts on either products or services to start. As distribution processes are perfected, the business can add new products or services with new distribution channels.

## Your Customers' Profile

Once you have identified your target market, you still need to dig a little deeper to determine who comprises the market. It's important to remember a business truism: Markets don't buy products; people buy products.

As part of market planning, you will create an expanded profile of the potential customers who make up your target market. The customer profile provides a clear picture of the type of person or business you are planning to serve. This information helps drive marketing strategy and marketing efforts, such as promotions and sales tactics.

One of the challenges in creating a customer profile is identifying who the customer really is. The customer may not be the actual consumer of the product or service. To make this task easier, you should think of the customer as the individual or business that pays your company for the product or service. The consumer is the end user of the product or service. If the customer and consumer are the same person or business, the task of identifying a customer profile is simplified.



To create the customer profile, you need to ask the following questions:

- What are the demographics of the intended customer, including age, gender, profession, income, and geographic location?
- What attitudes, values, belief systems, and social status define this customer group?
- For business customers, what is your customer's business type, NAICS and SIC codes, intended use for the product or service, geographic location, and size of organization (headcount and revenue)? How old is the organization?

## Customer Buying Behavior

The customer profile helps describe important characteristics about the customer. You also need to answer the following five questions as they relate to your specific product or service. The answers to these questions should clearly convey the buying behavior of the customers.

- Where do the customers want to buy?
- When do they buy (sales cycle)?
- What do they buy?
- Why do they buy?
- How do they buy?

Learning how a customer buys the product or service will help you develop a marketing strategy. The buying decision can be described in terms of the customer's level of involvement. The customer may have low involvement, making the buying decision fairly quickly or impulsively. For example, the decision to pick up a stack of writable CDs while in a computer store demonstrates low customer involvement.

An expensive or complex purchase usually requires more customer involvement. Selecting a computer is typically a high-involvement buying decision. In this case, the customer must learn about product features and evaluate the various brands and available options.

Post-purchase behavior should also be considered in developing the marketing strategy. Customers will be satisfied with a product or service if it meets their expectations. Satisfied customers will likely be repeat buyers and share their positive opinions with others. Dissatisfied customers tend to disparage the product or service. Entrepreneurs who want satisfied customers manage customer expectations and follow up after the purchase.

## Customer Buying Patterns

Understanding customer buying patterns will provide you with additional insights into the customer profile.

Frequency is one component of buying patterns. For example, some persons buy a new car every few years, while others buy one once each decade. Automobile manufacturers and retailers market the latest innovations and designs to those customers who buy every few years, while marketing durability and long service warranties to those customers who want a car to last many years.

Another buying pattern consideration is quantity of purchase and what influences quantity. You must study purchase triggers.

Tracking buying patterns by researching the sales cycles of competitors or businesses with similar business models helps determine which target markets are the easiest to reach and most profitable.

**TIP** Learn how buying decisions are made. Does your customer decide unilaterally? Is there a budget committee that approves purchases? How much clout does the purchasing department wield? The greater the number of management levels involved in purchasing, the longer the sales cycle.



## Marketing Methods

It's particularly important to know how to reach your prospective customers. By finding out how your customers learn about new products and services, you can use this knowledge to determine the best marketing methods.

There are many ways to communicate your message. As part of your customer profile, discover which marketing method your target market prefers:

- Advertising
- Mail or e-mail campaigns
- Telemarketing
- Referrals
- Articles
- Consultants
- Direct sales efforts
- Internet
- Store displays

Your challenge is to select the right marketing methods. For example, it is expensive and ineffective to advertise to buyers who predominately select products based on advice from industry consultants. If your buyers do turn to industry consultants for advice, you will need to adjust your approach.

From Real  
Entrepreneurs

### Marketing Methods

The inventors of Cranium, Whit Alexander and Richard Tait, decided to bypass traditional game retailers and toy trade shows. Instead, they decided to sell their game through other retailers where their potential players shopped. This unusual positioning has resulted in their largest sales coming through Starbucks stores, an unconventional channel. The game also sells well on Amazon.com and through Virgin Megastores and Barnes and Noble.

## Your Competitors' Profile

### Competitor Profile

The old saying is that you should keep your friends close but your enemies closer. Just as you should always monitor the changing demands of your target customers, so should you always keep an eye on your competition. You must perform careful market research not only on current, direct competitors, but also on indirect competitors.

All companies have competition. You must determine who your competitors are and how their product or service differs from yours. To be successful, you must provide a product or service that can in some way be differentiated from the competitors' products or services. If you cannot find any competition, then perhaps your product or service has no market.

You should know key information for every significant competitor, including the competitors' personalities, thought processes, and reactions. Some of the competition may react very aggressively to any challenge to their market position, while others may take a more tolerant view of newcomers in the industry. You should identify which firms will provide the most significant competition and anticipate what they will likely do if a newcomer enters the market.

Business  
Plan  
Marketing Plan –  
Competitive Analysis

Reality  
Check

One of the biggest mistakes entrepreneurs make when speaking to a potential investor is to say that they have no competition.



### Direct Competition

Direct competition for a venture includes businesses that sell similar products or services in the same target market, like Dell and Gateway computers or Microsoft and Red Hat software. Direct competition also includes dissimilar businesses that sell similar products or services in the same target market. Bookstores and computer stores both sell software. Consumer service businesses, such as business consultation, computer repair, and Web site developers, commonly have many direct competitors.

Direct competitors may not always be located in the same geographic area as a business. Many businesses use mail order, telephone sales, or Web sites to sell their products or services. To identify direct competitors, use the Yellow Pages, do an Internet search, and conduct surveys to learn where people currently purchase competitors' products or services.

### Indirect Competition

Indirect competition can be an even bigger threat because indirect competitors can be more difficult to identify. The indirect competitor is a business that sells different products or services that fill the same need as a business's product or service. For example, cellular phone service providers indirectly compete with personal digital assistants (PDAs) equipped with phone and e-mail service.

Indirect competition can also include products or services that customers provide for themselves or eliminate entirely when times are tough financially, such as personal trainers or lawn care. Professional service businesses also can have indirect competitors. For instance, a training consultant must compete with companies that sell Web-based training courses or training videos.

Similar to dealing with direct competitors, you must have a superior or differentiated product or service to successfully compete in the market. You may need to create a marketing program that educates potential customers about the advantages of the product or service over the indirect competition.

### Future Competition

You should always look to the future and think about how much time you have before another company begins competing for existing customers and locations. You may have a competitive advantage today, but others will note your success and respond with a competitive strategy.

You should try to anticipate customers' needs. As time goes by, customers' needs change. If a company's competition is more in tune with the needs of the customer, then the competition will steal the company's market share. To win these customers, the competition may only need to take the product or service and make minor changes to reflect customers' preferences. For example, cellular phones gained market share from Palm Pilot by incorporating features of the Palm but adding the convenience of calling or e-mailing straight from the phone.

**TIP** Keep a spreadsheet that compares all important comparisons between your competitors and your business, product, or service. Make it available to everyone in your company so it can be used to sell against the competition.

**TIP** When considering competition, do you think that the large soft-drink brands ever considered water as a potential competitor prior to the 1990s? To find indirect competition, you have to ask yourself: What products or services could be substituted for my product or service? On what are my target customers currently spending their money?





## Researching the Competition

Some entrepreneurs talk with competitors' employees about the services offered, pricing discounts, and company weaknesses. Interviewing competitors' customers or visiting the competition is another strategy for finding information. Before starting a business, you can even conduct research by working for your competition.

**TIP** Suppliers and consultants may provide information about competition. Bankers, accountants, and attorneys are also frequently knowledgeable about the competition.

One of the best strategies is to interview a competitor that does not compete locally. By talking with a competitor outside your trade area, you will often be able to obtain a significant amount of information about the industry, the marketplace, and the operations of the business.

If the product or service is research-intensive, university networks may uncover some competitors. You may find professors conducting similar research or technology development and tap into their circles. Another method of discovering competition is to search on Web sites of venture capitalists who invest in the industry for portfolio companies who may be competition or even potential partners.

A good coach analyzes the opposing team before going up against them on the field. You must do the same in business. Obtain the following information about each of your direct, indirect, and future competitors:

**TIP** Your game plan should change based on your competitor analysis.

- Company name, parent affiliation, years in business
- Size (headcount and revenue)
- Their value proposition and product
- How many customers (market share and revenue)
- How long in the market
- How they compete against you
- State of their technology
- Specifics of how they sell into their markets
- Their strategy
- Their financial resources
- Price comparison
- Strengths and weaknesses for the company and their products
- Their anticipated response to your challenge
- Whether they are a potential acquirer or partner down the road (Do they have complementary products?)

## SWOT Analysis

A SWOT analysis can help you identify your competitors' Strengths and Weaknesses, and examine the Opportunities and Threats they face.

**TIP** Run a SWOT analysis on yourself and your business before performing one on your competitors.

Strengths and weaknesses are internal factors. For example, a **strength** could be:

- marketing expertise.
- a new, innovative product or service.
- location of the business.
- quality processes and procedures.
- any other aspect of your business that adds value to the product or service.



A **weakness** could be:

- lack of marketing expertise.
- undifferentiated products or services (that is, in relation to competitors).
- location of your business.
- poor quality of goods or services.
- damaged reputation.

Opportunities and threats are external factors. For example, an **opportunity** could be:

- a developing market such as the Internet.
- mergers, joint ventures or strategic alliances.
- moving into new market segments that offer improved profits.
- a new international market.
- a market vacated by an ineffective competitor.
- deregulation of the markets.

A **threat** could be:

- a new competitor in the home market.
- price wars with competitors.
- a competitor with a new, innovative product or service.
- competitors with superior access to distribution channels.
- taxation introduced on your product or service.
- new governmental regulations on your product or service.

Before carrying out a SWOT analysis, consider the following guidelines:

- Be realistic about strengths and weaknesses. When performing a SWOT analysis on your business, be neither modest nor overly optimistic.
- Consider answers from the company's point of view and from the point of view of customers, vendors, distributors, and others who do business with them.
- Distinguish between where the organization is today and where it could be in the future.
- Always compare the organization with its competitors. If a strength is providing high-quality products, yet everyone in the field produces high-quality products, then it is not a strength. It is a necessity.
- Note that the SWOT is subjective. No two people will come up with the same SWOT.

You won't be able to answer all these questions about your competition, but try to answer as many as possible. Remember, knowledge is power. Learning more about your competition will help you gain greater insight into the market.

When you conduct a SWOT analysis on your own company, you can use this information to focus on your strengths, minimize weaknesses, take the greatest possible advantage of opportunities, and minimize the risk of threats.



## Building a Competitive Advantage

Once you understand how the business compares with the competition, you can identify your company's competitive advantage. The next step is to ask which of these advantages is important to the market. The company should build on and promote the competitive advantages valued by the market, not those valued by the company.

Typically, the majority of businesses in any industry compete on the basis of one or two competencies. These competencies may be unique to the specific industry or general to most industries, including:

- **Low cost** – The business has lower costs relative to its competitors. Often, large, established competitors are more able to be low-cost providers.
- **Market differentiation** – The product or service has special features that appeal to customers and provide benefits to the customer that the competition does not.
- **Niche focus** – The business chooses to serve a niche, a narrow portion of the market where the customers have special needs or preferences that do not appeal to the broad market. This niche could be defined by geography, how the product or service is used, or other benefits.

### Reality Check

A business will succeed only if its product or service offers a benefit greater than its cost to the customer.

## Market Definition for the Life Sciences

Entrepreneurs at the helm of life science companies need to investigate their market environment the same way entrepreneurs in other fields do. However, due to the nature of their product, they may take a slightly different approach to defining and narrowing their market.

**Market definition** – For life science companies, market definition usually begins with an epidemiological analysis. Which diseases can my product diagnose or treat? How many people suffer from this disease? What are current diagnosis and treatment patterns, and what is the current value of these products?

**Identifying markets** – Quite often, a young life science company's technologies can be applied to many potential end uses, and each possible end-use application must be reviewed in detail. Some will require more involved and costly clinical studies. Other end uses may have well-met needs that offer little room for new entrants. A careful analysis of all of the possible outlets for your technology and products will reveal the target markets that can be pursued most rapidly and with the highest return.

**Tip** New methods of therapeutic treatment pose specific challenges when trying to estimate market size or pricing for the product or service. For guidance, try to find examples of similar innovations in the targeted therapeutic segment.

### From Real Entrepreneurs

#### Identifying Potential End Uses

When erythropoietin was first introduced, its clinical indication was for anemia associated with renal failure and dialysis. Once the product was introduced, clinicians began off-label prescribing it for a much larger market—anemia associated with chemotherapy treatment.

Clinical testing of new therapeutics can cost hundreds of millions of dollars, so most young biotechnology companies often plan to partner with larger pharmaceutical firms to fund later-stage clinical development. In these situations, the product is the partly developed technology, and the customer is a potential pharmaceutical partner.

**Understanding customers** – It is important to understand customers very clearly, so that your company's limited resources can be used most effectively to grow sales volume. For life science products, the sales cycle is usually long and the decision process involves large quantities of clinical comparative data.



For most life sciences products, the customer needs significant data to make a purchase decision. For example, an HMO's decision to put a new therapeutic in its formulary is typically a high-involvement buying decision. In this case, the customer must learn about product performance compared to alternative therapeutics, typically through carefully controlled clinical studies.

**Identifying marketing methods** – Due to regulatory considerations, the marketing methods for most life science products are well established and difficult to circumvent. The speed at which the traditional channels can adopt a new product is critical. Most marketers of new life science products recruit key opinion leaders within the industry to help influence the rate of adoption.

**Future markets** – After attacking the identified target markets, you must look at what's next. Often, a new therapeutic approach is applicable to a number of disease indications, or a novel diagnostic methodology can be used for more than one disease model. Leveraging your previous investments in technology and market development is critical to the continued growth of your company.

## Researching Your Target Market

To generate a thorough analysis of your market environment, you'll need to compile data from a variety of sources. Two types of research provide this information, secondary research and primary research. A good place to begin your research is with secondary research materials. Secondary research uses data from published sources where someone else has already done the work of collecting facts and, perhaps, drawing conclusions for you.

Since the facts and figures you gather in your research will significantly affect the design of your marketing plan, it's especially important to consider the source of your information. You must base your assumptions on reliable data, and your investors will demand that information come from reputable organizations or individuals.

It's also important to consider the timeliness of your data. Information printed in an industry journal in 1990, for example, will not provide facts timely enough to support future projections.

### Secondary Research Materials

Most of the information you need is out there. It's just a matter of finding it. Your research will proceed much faster if you know where to look for specific data.

### The Internet

The Internet offers a nearly endless bank of secondary research materials. You will find valuable information in places such as trade association Web sites, electronically published magazines and journals, competitors' Web sites, and government bureaus' online documents.

It is essential that you assess your sources when researching on the Internet. Some questionable organizations can have very professional-looking sites with official-sounding names.



The Kauffman eVenturing™ Web site ([www.eVenturing.org](http://www.eVenturing.org)) and the James J. Hill Reference Library's online library, Hillsearch ([www.hillsearch.org](http://www.hillsearch.org)) are good places to start searching for information. Designed specifically to serve the needs of entrepreneurs, these two sites pull together the best information from other Web sites. Whether you want to research market data, read other entrepreneurs' insights, or network with other professionals, these two sites give you access to some of the most powerful tools on the World Wide Web.

### Libraries

Libraries usually contain the following sources of secondary research material:

- Local newspapers
- General business periodicals such as *Business Week*, *Fast Company*, *Forbes*, *Money*, *Fortune*, *Nation's Business*, and *The Wall Street Journal*
- Publications focused on entrepreneurship such as *Entrepreneur*, *Success, Inc.*, and *Home Office Computing*
- Periodicals that report on industries, products, services, companies, competitors, and proposed products
- Financial information and statements from existing businesses in Dun & Bradstreet corporate reports and Standard & Poor's *Profiles*
- Online databases such as Business and Company ASAP that can be searched by keyword or industry codes
- The *Statistical Abstract of the United States*, which provides information such as income levels, employment figures, and industry outputs
- Publications by the Small Business Administration (SBA) on various topics concerning the challenges of starting and growing a business

### Colleges and Universities

Most colleges and universities have research centers. Some of these research centers have business divisions that assist aspiring entrepreneurs and business owners in reviewing the technical feasibility of an idea or new business. Colleges and universities with technology programs can offer entrepreneurs a wealth of resources, including research tools, specialized databases, and academic experts.

### Local Resources

Useful local resources include both private and governmental entities.

**Chamber of Commerce** – Many local chambers of commerce provide market research information or refer people to local sources that might have information about their specific markets, including population and sales data.

**Small Business Development Center (SBDC)** – The SBDC in your local area might also be able to assist with the collection of needed marketing information. Usually its assistance is free of charge.

**Tip** If your local library is small, you may want to search at a university or larger public library.



**U.S. Department of Commerce (USDC)** – The USDC has 47 offices throughout the country. It has a vast amount of data at its disposal, both published and unpublished. Typically, it can provide information by industry type, size, and geographic location. You can contact the USDC directly and ask staff members for assistance in collecting needed information. They may charge for preparing this data or they may do it for free, depending on the amount and complexity of your needs.

**Small Business Administration (SBA)** – The SBA of the federal government has many regional offices to assist entrepreneurs.

### **Trade and Industry Associations**

Almost every industry has a trade association. Trade association journals can be one of the best market sources of industry numbers, market statistics, demographic information, and financial data. Trade associations furnish industry guidelines that can assist entrepreneurs in tracking their business.

Most trade associations also provide information on industry sales. Much of their information is reported in percentages, which is especially helpful in comparing the performance of one business to that of a similar business. These percentages are broken down further by the size of business, sales volume, and geographic area. For example, they can tell you the average sales, marketing expenditures, and inventory turnover for a particular type of business or typical gross and net margins for comparable businesses.

Trade associations conduct national and regional meetings where you can identify major competitors, discover leaders in the industry, and meet suppliers and distributors. By attending some technical sessions, you may pick up information about the future direction of the industry, spot new trends, and preview the newest products and services. In conjunction with their annual meetings, many organizations hold trade shows and conferences, which may provide additional information.

### **Market Researchers**

If this secondary research seems overwhelming and time-consuming, you might consider paying search firms to do the work. Graduate students or library research assistants can also be hired to obtain the needed information from these sources.

**TIP** The key to using associations for research is to find an association that is appropriate for your business. Begin by calling the association to determine the services it offers and use any assistance it can provide.