Technology Entrepreneurship, Competition and Target Market Selection

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Techonology entrepreneurship challenges and opportunities

- Life in the XXI century is impossible without technology, but how much we want to embrace technology?
- Techonology lovers advocate for as much techonology as we can use. From the perspective of economic growth, facilitating the production process and the results obtained techonology, by far is the best solution.
- Automotive industry and automatization processes are praized for the benefist and the optimization of resources.
- Expanded adoption in almost all economic and industry activities are sufficient resons to focus on a global usage of technology .
- BUT the maiyn question is: how much techonology consumers are willing to accept in their lifes?
- Maybe is a paradox to ask such a question but there are examples of companies who put the major stake on technology and end up bankrupt. (Webvan)

Effects of new technology

- Several *factors* determine how much and in what way a particular business uses technology; these factors include:
- the firm's ability to use technology,
- consumers' ability and willingness to buy technologically improved products, (connection with an accurate evaluation for the target market- *The MOST important factor when launching a new business based on technology)*
- the firm's perception of the long-run effects of applying technology, (possible mistackes)
- the extent to which the firm is technologically based,
- the degree to which technology is used as a competitive tool and the extent to which the business can protect technological applications through patents.

Not all startups are alike

- Startups can be categorized in four basic categories:
- 1. bringing a new product into an *existing market*
- 2. bringing a new product into *a new market*
- 3. bringing a new product into an *existing market and trying to resegment that market as a low-cost entrant*
- 4. bringing a new product into *an existing market and trying to resegment that market as a niche entrant.*
- Four types of startups have very different rates of customers adoption and acceptance, their sales and marketing strategies differ dramatically.
- A company creating a new market might be unprofitable for the first 5 years, while another one in an existing market might be generating cash in 12-18 months.

- Also when it comes to expectations the time horizon and the profitability rate, startups are pretty much different on paper than in real life.
- Startups face enormous pressure from their investors to become profitable.
- In order to obtain funds the new ventures make unrealistic financial assumptions- about market size, growth rate, forecasts, ignoring the Market type they have to face.

- To be optimistic is good, to be realistic is far much better!
- These optimistic expectations become the plan of record, forcing execution towards unrealistic and unachievable goals.
- Then what is the solution? What startups have to keep in mind when planning to transform an idea into reality. What makes the difference between success and failure.
- Apparent solution: hire an expert in the area of marketing and market research.
- Is a good idea but is not enough!
- The solution relies on what is called the Technology Life Cycle Adoption Curve along with an accurate evaluation of the target market, but lets take them one by one.

Why the degree to which technology is used as a competitive tool?

- The Business context you will encounter with a stratup is represented either by a market at the beginning of the road, or by a market that is booming or a market that is already mature or even in decline.
- This aspect has to be very well understood because depending on the market type mature or new, you have to have different approaches. We can take the example of eMAG, 15-17 years ago.
- How were things then? They were a new player, at the beginning of the road, in a market dominated then by other big players with phisical stores and they were trying a new paradigm - to sell online. Lunching then an online store was completely different from how it is now.

- An example of a new market was ride sharing. I give this example because it is very easy for us all to understand.
- The first actor entering the market was Uber, then Bolt.
- If you follow their actions, you will see that they did not compete very much with each other.
- Being in the market at the beginning, it was much more important for both companies to create (convince consumers and expand clients network, forming the target market- discussed latter) this market, to grow and to be successful.
- When you are a pioneer, it is very important to position yourself in a way that you can win as much market as possible, not necessarily to the detriment of your competitors.
- A counterexample is currently the telecommunications industry. Here the players sell almost the same thing. What differs is the way the same thing is packaged and the price very little.

- It is a market that has the term ”red ocean”, meaning a kind of bloodbath. In the phase when a market is in the red ocean, players fight in prices.
- This is the first clue that the market is actualy declining.
- You can check this by looking at the financial data of most important companies. It is easy to see that their profit have been declining.
- A market in the **red ocean phase**, represents a challenge for you as a new investor, unless you know very well what you are doing, or manage to innovate actual products.

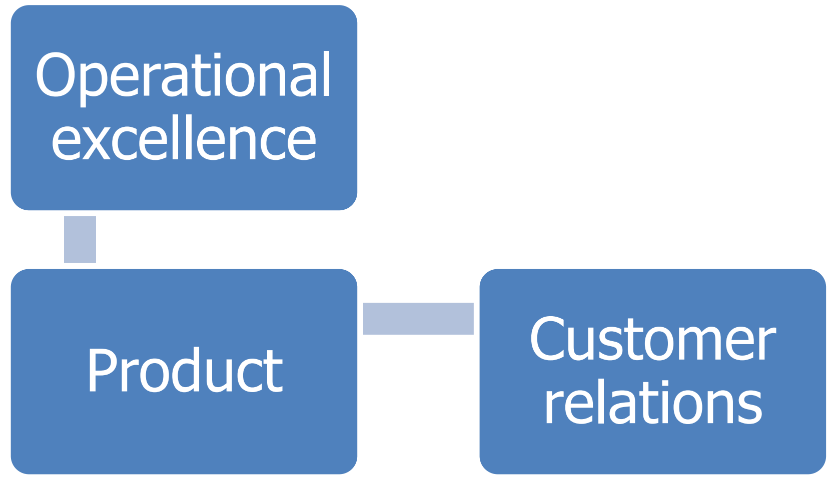
- If you manage to do something realy impossible - then you approach a strategy called blue ocean strategy.
- you are alone in a free blue ocean.
- best example, in business schools, is the iPod.
- Once upon a time there were CDs, on which you could put dozens, hundreds of songs, if they were MP3s.
- Then came the iPod, made by Apple, which was a much smaller device that stored many more songs, and it was much easier to search through the songs and switch between them.
- The iPod is often given as an example of a blue ocean strategy. That is, he entered a market that was mature, already occupied, consumed, and yet he turned it upside down, did something completely new in a red ocean market.

- The business universe consists of two types of markets. Red oceans and blue oceans. A concept developed by Prof. W. Kim and Renee Mauborgne.
- *Red Oceans are existing markets where the boundaries between industry and competition rules are well drawn. Companies strive to outperform their rivals and satisfy as much of an existing demand as possible.*
- As the ocean water crowds, the fierce competition makes it bloody. Competitive or market strategies have exactly this goal: to occupy the red oceans.
- Instead*, the blue ocean or market creation strategies aim at creating and occupying unknown markets, in which demand is created and not disputed.*
- In some cases, this action gives birth to whole new industries, although most of the blue oceans appear when a company changes the boundaries of an existing industry.

- The blue ocean is a new and undisputed market space, and the strategy focuses on value and innovation.
- The middle way.
- A growing market, in which you are neither at the beginning nor towards the end, in which, although there are established, big and well-known players, there is still room for your business.
- The best strategy in such a scenario is to be competitive.
- Case I: no competition.
- If you don't have competition, it's almost certain that you fall into one of two situations:
  - A. either you haven't done your homework and you don't understand very well the market and who your competitors are
  - B. there really is no market and if there is no market, there will be no business for you ☺

A company can be competitive on three axes.

- *Operational excellence*. When you have operational excellence, the consequence is that you become very **competitive in price.**
- Ryanair has neither the greatest products nor the greatest relationship with customers, but they have very low prices and manage to be competitive at very low prices.
- **The price trap: start a business with this idea in mind.** It is often a bankrupt strategy because the lower price is a consequence of something you are already doing extraordinarily well, and you do not simply start with a low price.
- **The second axis is the *Product*. When you do special, extraordinary things.** Here an example is iPhone, (Romanian example FruFru, which seems to me a very good example, as proof, they were bought by Unilever)
- **The third axis is that of *Customer Relations*,** where luxury hotels are often given as examples. But what I like most is Zappos, an online store set up in the United States in '99, which set out from the start - we won't be the cheapest, nor will we have out-of-the-ordinary shoes - but we'll be exceptional at the chapter on customer relations.



- A company can be very good on one axis and good on a second axis or it can be exceptional on only one.
- Quite impossible to be very good on all three axes. If you are not exceptional on at least one axis, you probably do not manage to be competitive.
- The Ryanair example seems the easiest to understand. They are exceptional in having a very low price, but for the other two axes they are rather modest.

Some ideas on how to become competitive

- First condition is **to be different**. When you're the same as everyone else, customers don't even know where to get you.
- Maestoso bags: https://www.zf.ro/afaceri-de-la-zero/afaceri-de-la-zero-de-la-fast-fashion-la-slow-fashion-claudia-tecuceanu-licentiata-in-arhitectura-creeaza-accesorii-de-300-000-de-euro-intr-un-atelier-din-bucuresti-18901484
- Industry extremely consumed
- New design, functionalities
- A better understanding of demands and a much more suitable product, a better anticipation of the market trends.

- Finally, it is critical to be effective in promotion.
- Promotion is another aspect through which we can stand out from our competitors.
- And here, we hear entrepreneurs often talking, I promote myself on Google, I promote myself on Facebook. That works, that doesn't work.
- Google and Facebook are just channels through which we can reach our potential customers.
- What is critical is how we target, so that we do not throw money on Google and Facebook, to reach people who will never be our buyers.
- And what kind of messages are we sending!

- Second condition offer **a memorable experience**.
- When selling mass products, it is hard to be competitive but not impossible.
- It's much easier to be friendly and human when you're little.
- That is, when you have a small store and you have a few dozen or hundreds of customers, you can hand-write a note to your customers, compared to the case of a huge store where there are robots that walk the goods through warehouses.
- It is critical to offer this memorable experience.
- Short example:
  - 412 billion $. What does this number mean? This is the amount that companies give to marketing actions, every year.
  - Result:
  - 10,000 promotional messages a day and none of these messages have been optimized for the human brain. Consequently, people are confused, not convinced.

- Third condition
- **to constantly follow the market** and its evolution.
- constantly attentive to the needs of our clients.
- Examples Kodak and Nokia, which were two brands that dominated the world, at one point, in their fields and which in a few years turned to ashes.
- The reason is exactly this: they have not listened to the market, they have not listened to the customer's need, they have not adapted.
- So, they disappeared.

Why target market is important? Target markets: Segmentatin and Evaluation

- A market is an agregate as people who as individuals or oranizations demand products, who have the ability, willingness and authority to purchase such products.
- There are five steps to complete with target market selection:
- 1. identify the appropriate targeting strategy
- 2.Determining which segmentation variables to use
- 3. develop market segment profiles
- 4. evaluating relevant market segments
- 5. final selection of target markets

1. Identify the appropriate targeting strategy

- When a company designs a single marketing mix and directs it at the entire market for a particular product, it is using an undifferentiated targeting strategy.
- Such a strategy can be used especially for homogenous markets, for a heterogeneous markets the strategy has to be segmented through a differentiated target strategy (you have different channels, different strategies, different expectations)
- Both strategies divide markets into segments consisting of individuals groups or organizations that have one or more similar characteristics.(age, gender, revenue, leisure's, social class, professions, a.s.o)
- When using a concentrated strategy an organization directs marketing efforts towards a single marketing segment by using only one marketing mix(Price, Promotion, Product, Distribution).

- When it comes to a differentiated marketing strategy an organization directs its marketing efforts at two or more segments

- Conditions that must exist for effective market segmentation:
  - Consumer needs for a heterogeneous product
  - Segments of the market should be identifiable and
  - The total market should be divided so that segment could be compared with respect to estimated sales , costs and profits
  - At least one segment should provide potential profit to justify developing and maintaining a special marketing mix
  - The company must reach the chosen segment with a particular marketing mix.

2.Determining which segmentation variables to use

- A segmentation variable is a characteristic of an individual, organization, or group, used to divide a total market into segments .
- The segmentation variable should be related to:
  - Customer's needs for..
  - Uses of..
  - Behavior toward the product
- Segmentation variables for consumer markets:
  - Demographic(age, gender, ethnicity, income)
  - Geographic (population, market density, climate)
  - Psychographic (personality, motives, lifestyle)
  - Behavioristic (expected benefits, brand loyalty, price sensitivity, fashion)

  For organizations the segmentation variables are considered (geographic, customer size, product use, type of organization)

3. Develop market segment profiles

- The market segment profiles describe the similarities among potential customers and differentiate the potential consumers from the whole market.

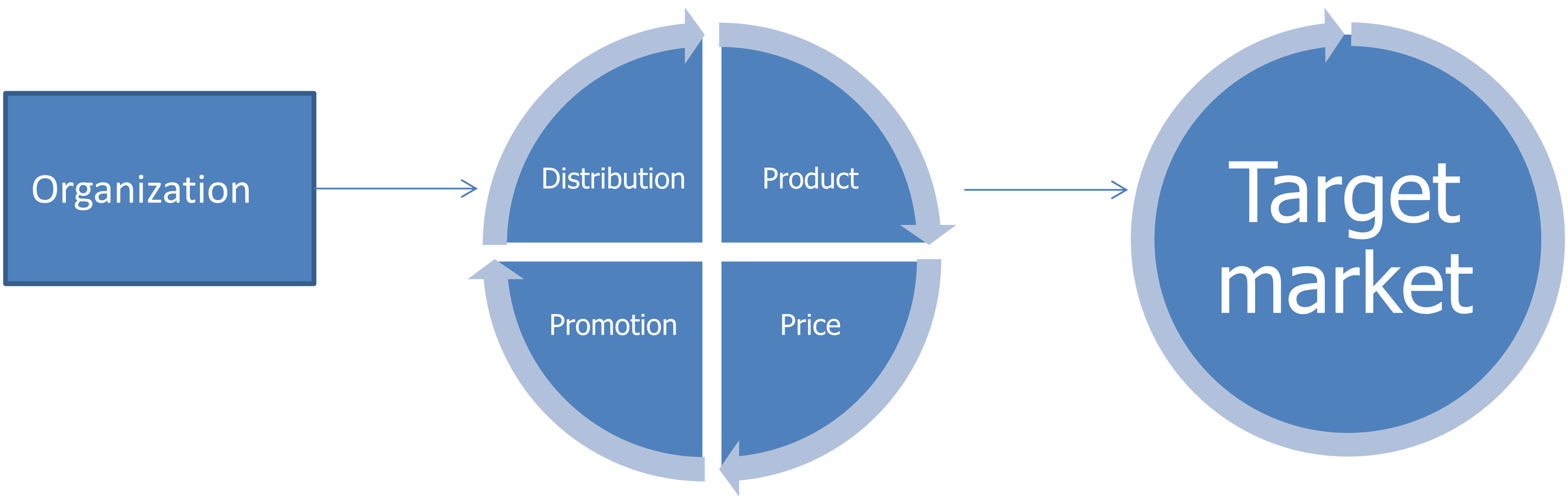
4. Evaluating relevant market segments

- Evaluating relevant market segments requires that several important factors (estimated sales, competition, estimated costs associated with each segment) be determined and analyzed.

5. Final selection of target markets

- Involves the final selection of the specific target market

Examples of strategies

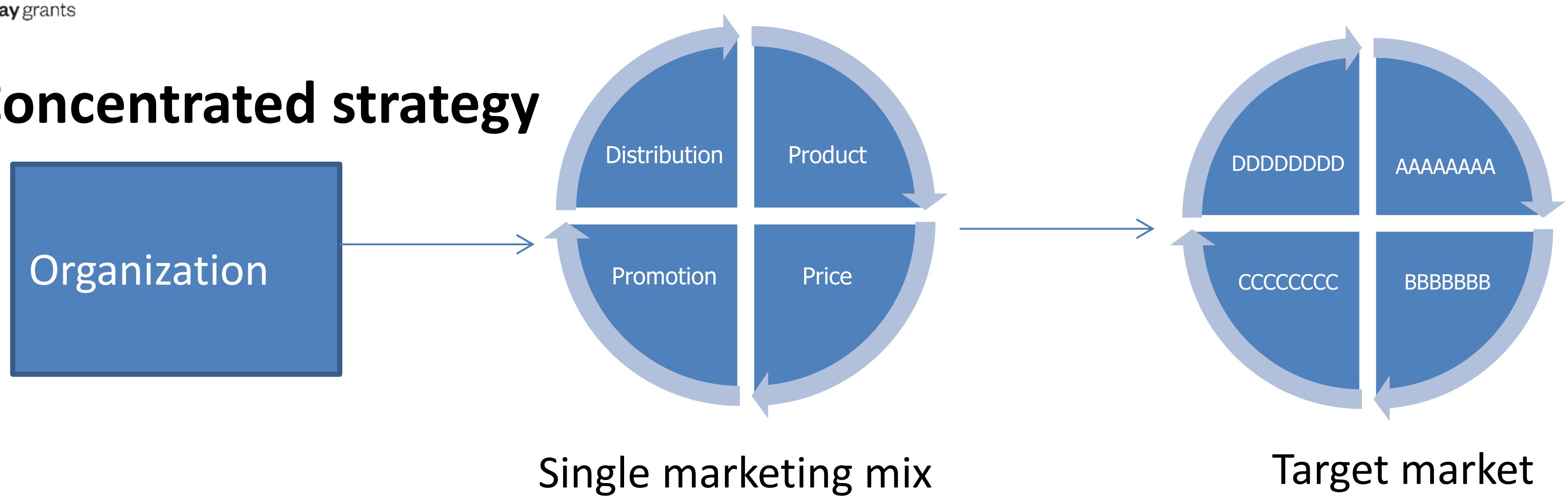


Single marketing mix

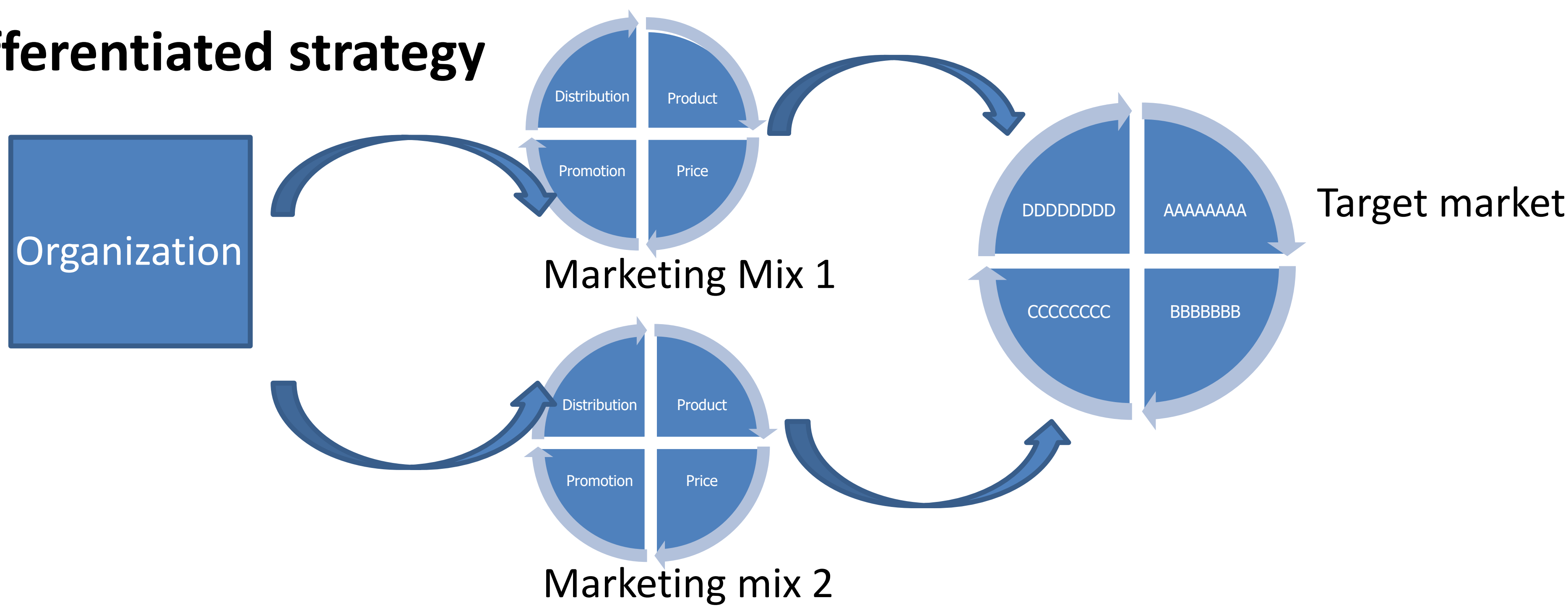
Target market

Figure 1 Undifferentiated strategy

Concentrated strategy



Differentiated strategy



Target market analisys example

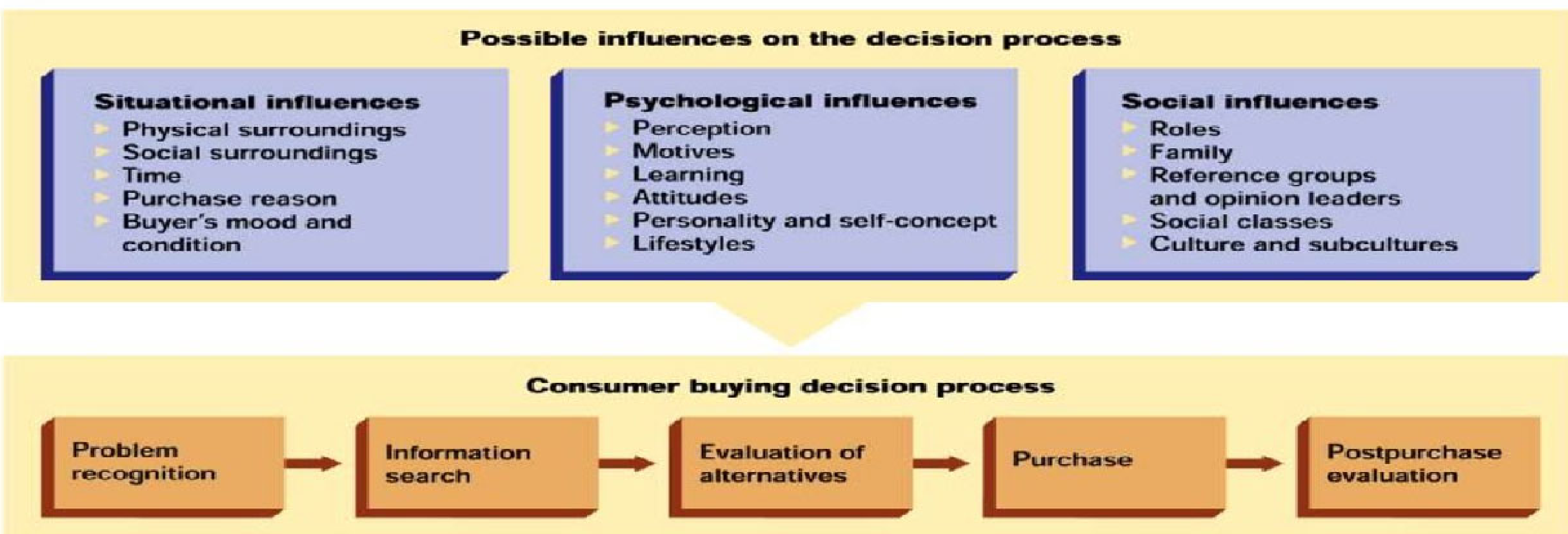
Products	Gender/ Rural/urban area/ age	Occupation/ income	How much and where presence online?	Hobby and lifestyle	Brands /smartphone
Books	Women/ men/ 22-55	Education/ Research/ HR/parents	Facebook/ blog/	Personal development/ reading /self-taught	Diverta/Samsung/ Apple/
Toys	Womens 27-43/ urban area	Business/ Montessori orientation/ Education /1000euro-2000 euro	Lunch/ at night/ facebook/ blogs	Cooking/ healthy nutrition/ casual style	Samsung, Apple Mothercare/ H&M
Wine	Men 30-35 urban area	Business relationship with the client/ corporations	Afternoon/ evening/ facebook/ instagram/ 9gag	Cooking, hiking/ fitnes/ smart casual/ city breaks	Fossil/ NB/ Levis/ 7 card/ Salomon Huawei /

Consumer buying behavior

- A **consumer market** consists of purchasers and household members who intend to consume or benefit from the purchased products and who do not buy products with the purpose to obtain profit.
- **Consumer buyer behavior** is the decision process and acts of people involved in buying and using products and refers to the buying behavior of ultimate consumers.
- Types of consumer problem solving process
  - 1. **Routinized response behavior**, consumers buying frequently purchased low-cost items requiring little research and decision effort
  - 2.**Limited problem solving**, products purchased occasionally, when buyers need to acquire information's about an unfamiliar brand

- 3.**Extended problem solving**, purchasing an unfamiliar expensive or infrequently bought product
- **IMPULSE BUYNG**: Is it not a consciously planed buying behavior but involves a powerful urge to buy something immediately.

Consumer Buying Decision Process and Possible Influences on the Process



The Technology Life Cycle Adoption Curve

- Since the early 1990's the most important model recommended for startups when it comes to marketing success it is known as the Technology Life Cycle adoption Curve and the notion of Chasm.
- The technology Life Cycle Adoption Curve is directly related to the development of new products, ideas, services.
- A new product may be:
  - An innovation
  - A product that a given firm has not marketed previously, although there are substitutes from other producers
  - A product coming from one market and is introduced to another market

How businesses develop a product idea

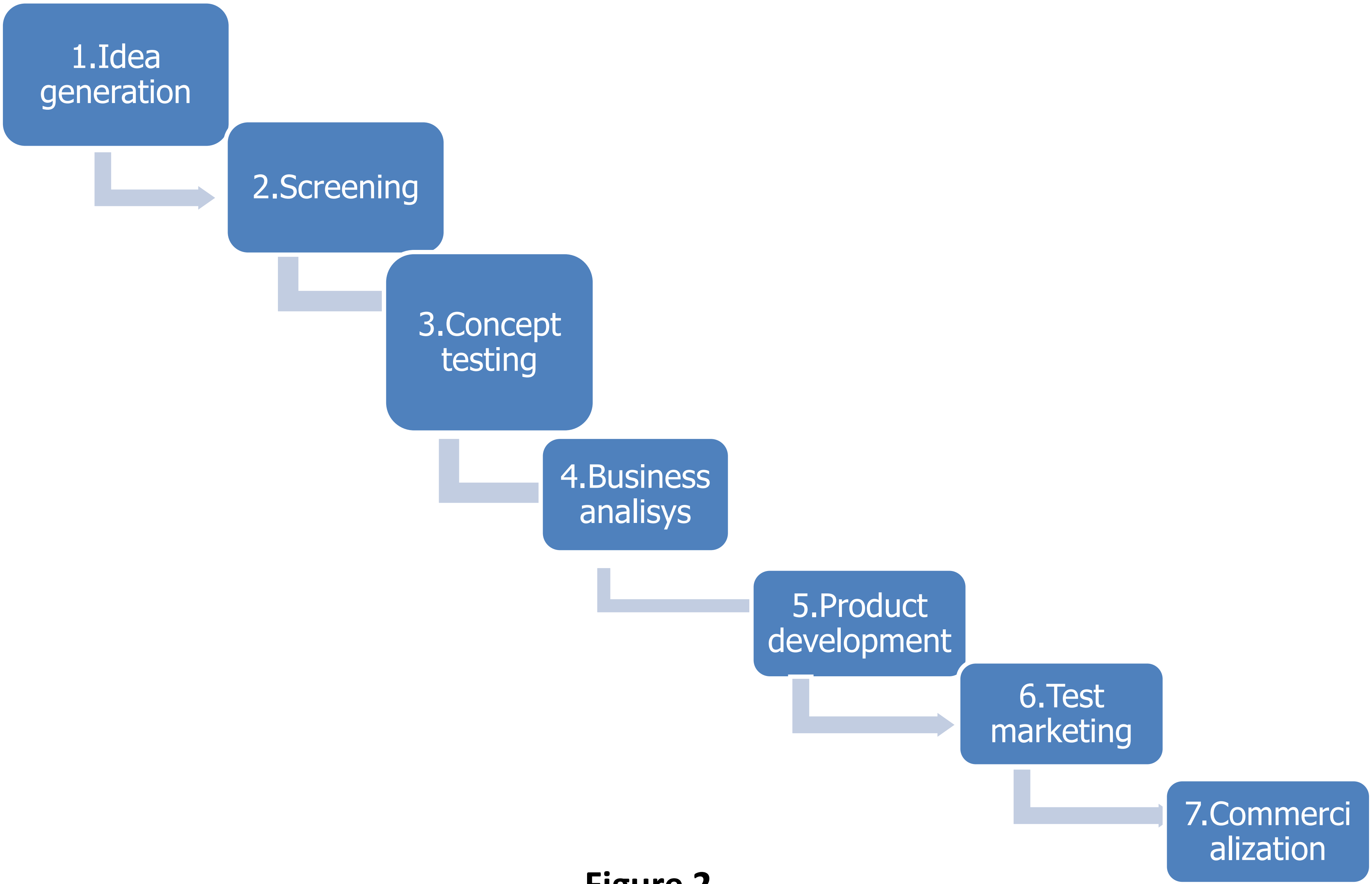


Figure 2

- 1. Idea generation phase- screening for new ideas or products from internal or external sources
- 2.Ideas with the greatest potential are selected. IMPORTANT questions to ask as when reviewing an idea:
  - What will the product be in the mind of the consumer?
  - What sales and promotional methods will be appropriate and how profitable the product will be?
  - The product is appropriated with the vision mission and image of the company?
  - To whom I am addressing with my product?
  - Do I have a potential demand and what is the hypothetical evolution for my target market (demand)?
  - Is there any competition ? Possible? Future?
  - What is the overall probability of success?

- 3. The concept testing, a small number of consumers are invited to review a brief description of the product and to express their initial impression and their early buying intentions.
- 4.Business analysis stage, the potential contribution to sales, profit and costs
- 5. The product is technically feasible and cost sustainable
- 6. Limited introduction of the product in areas chosen to represent the target market
- 7.Full scale production, begins and marketing strategy is developed.

- The process that buyers go through in accepting a product includes:
  - Awareness
  - Interest
  - Evaluation
  - Trial
  - Adoption (directly related to Technology Life Cycle Adoption Curve)
- Most of new startup's face major challenges in the adoption stage which is actually the moment of the truth.
- (Steven Blanc, The four steps to Epiphany) The technology Life Cycle Adoption Curve was developed by Everett Rogers and popularized and refined with the term of chasm by Geoff Moore. It introduces entrepreneurs to five thought-provoking ideas:
- Technology is adopted in phases approach by distinct groups: technology enthusiasts, visionaries, pragmatists, conservatives, and skeptics.
- The first two groups, the technology enthusiasts and visionaries, are the "early market." The next two groups, the pragmatists and conservatives, are the "mainstream market."

- The shape of the overall market for any product approximates a bell curve. (figure 3) The early market starts small and grows exponentially into the mainstream market.
- There is a “chasm” between each of the different groups, with the largest chasm being between the early market and the mainstream market. These chasms are caused by the different product needs and buying habits of each group.
- The biggest problem in crossing the chasm is that few of the hard-won early marketing and selling lessons and success can be leveraged into the mainstream market, as mainstream customers do not find early adopters as credible customer references.
- Therefore, completely new marketing and sales strategies are necessary to win over this next, much larger group of customers.

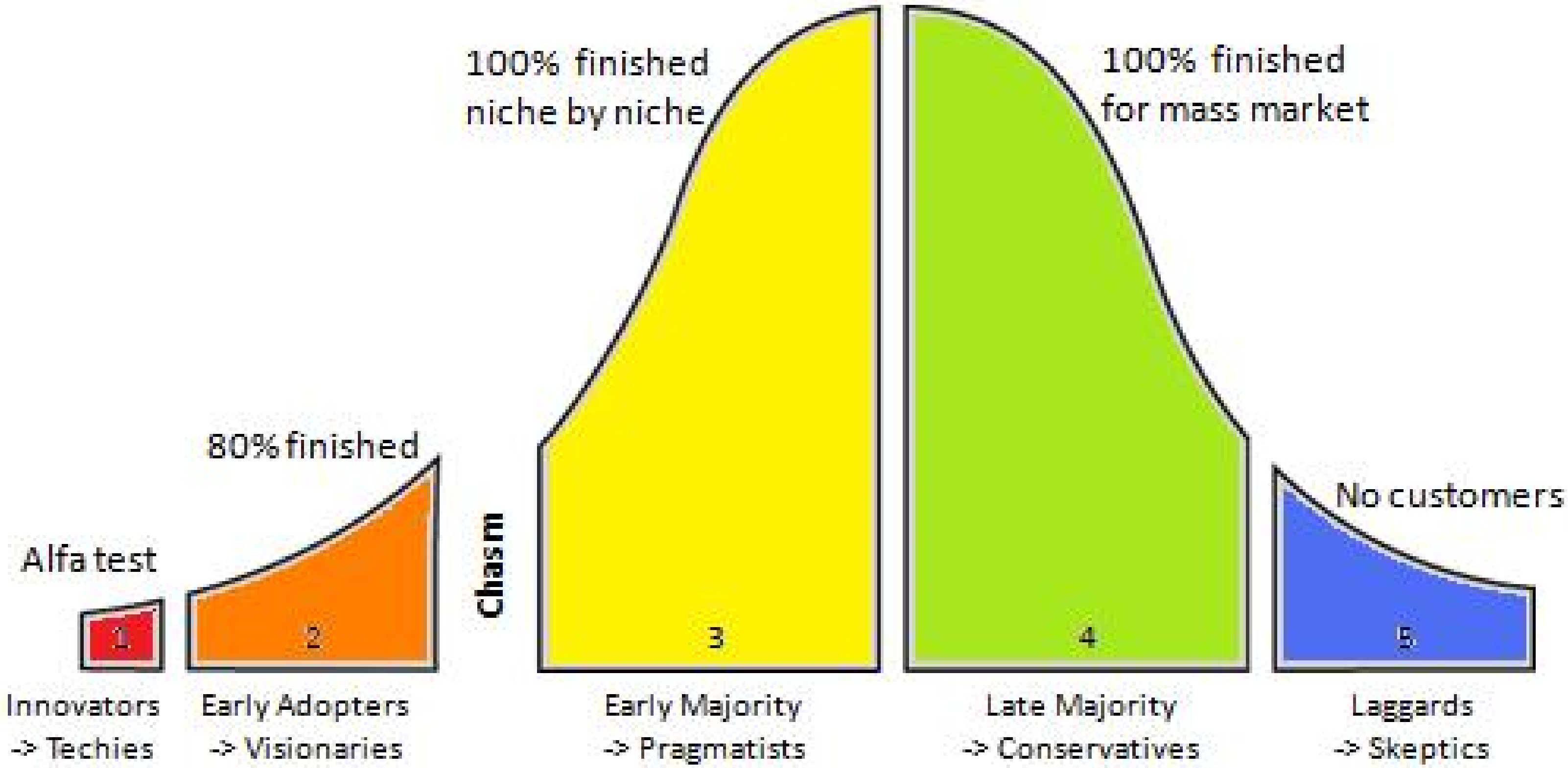


Figure 3 Technology Life Cycle Adoption Curve

As stipulated also by prof Blanc it is obvious that some of the startups hope and fear the chasm, which is actually the "break- even point" for new products. From this point forward companies expand their production according to a broader target market. Success is close to the pockets of shareholders.

Materials

- The Four Steps to the Epiphany Successful Strategies for Products that Win Steven G. Blank Second Edition
- Blue Ocean Strategy by W. Chan Kim and Renée A. Mauborgne
- https://www.romania-insider.com/unilever-majority-stake-frufru
- why-webvan-failed-and-how-home-delivery-2-0-is-addressing-the-problems