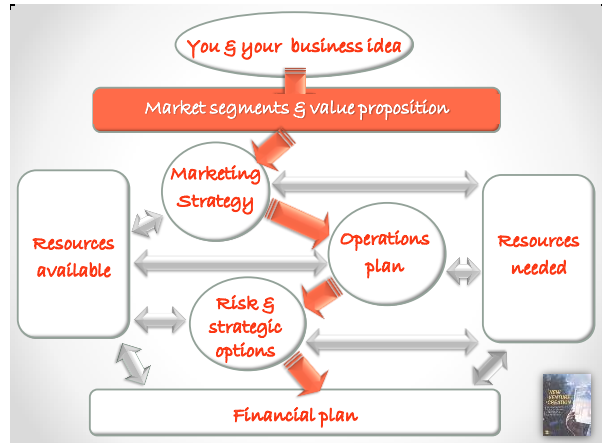


New Venture Creation

Chapter 4: Understanding your Market/Industry



Market Segments and Value Proposition

- Market segments are groups of customers with similar characteristics
- Value proposition is the benefits they are looking for – their motives for buying
- Based on an understanding of the market and industry



Market/Industry Definitions

- An industry is any group of firms that supply a market
- That market is likely to comprise a number of market segments
- All the companies in an industry do not compete in every market segment



Market/Industry Typologies

Life cycle

- Completely new
- Emerging
- Growing
- Mature
- Declining

Concentration

- Fragmented
- Consolidated

Geographic extent

- Local, regional, national
- Global



Desk Research

Advantages

- Cheap
- Quick
- Good for background information



Disadvantages

- Not specific for your business
- Can be incomplete or inaccurate
- Can be out-of-date



Field Research

Advantages

- Reflects your needs
- You control quality
- Up-to-date



Disadvantages

- Expensive (unless you do it yourself)
- Takes time
- Can tell competition what you are up to



Market size definitions

Size of a general market that might be interested in buying a product

Potential market

Size of the target market segment you wish to serve within the TAM

Total Available Market (TAM)

Size of your potential market – those in the potential market who might be interested in buying your particular product

Served Available Market (SAM)

Penetrated market

Size of the SAM you capture



Porters Five Forces



Competitors

The future

- Direct
- Indirect
- Future



Outcomes

- Opportunities and threats
- Strategic options
- Critical success factors

Key Questions

- What drives competition?
- What are the sectoral, performance and customer conventions that competitors adhere to? How important are they?
- What are the main dimensions of competition?
- How intense is competition?
- How can you be different and obtain competitive advantage?

Defining a Market: Amazon, Apple, Facebook, Google and Microsoft

1. What industries/markets do these five companies originate from?
2. Why are these markets converging?
3. What might this new industry/market look like?