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Marketing for Entrepreneurs 3E

Concepts and Applications
for New Ventures

Frederick G. Crane

NOT FOR RESALE



Marketing for Entrepreneurs

Third Edition

*To my beloved horse Cortez, a faithful friend who I miss every day. And
to my wife and partner, Janae, our beautiful daughters and grandchildren,
and to all our animals: horses, dogs, cats, and Nigel the goat!*

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Frederick G. Crane

Northeastern University



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• Preface •

This book has been written for three types of potential entrepreneurs or existing entrepreneurs:

1. Potential entrepreneurs/entrepreneurs who have a marketing opportunity and are looking for advice on possible opportunity refinement and then guidance as to how to wrap an effective marketing plan around that opportunity.
2. Potential entrepreneurs/entrepreneurs who are attempting to determine the best marketing opportunity from a predetermined set of opportunity options and then need help in constructing a robust marketing plan around the chosen option.
3. Potential entrepreneurs/entrepreneurs who need guidance with regard to how to recognize, discover, or create marketing opportunity and then need a template for crafting a marketing plan to exploit the chosen opportunity.

It has been my experience that only a minority of budding entrepreneurs have well researched the marketing opportunity component of the new venture process, while the majority have not done their homework and are sorely lacking a strong foundation upon which to build the venture. In other words, they may believe an opportunity exists, but they have not taken the time and energy to fully vet the opportunity through insightful market and customer research.

I say that because I continue to see experts who cite many reasons for the high failure rates of entrepreneurial businesses including management incompetence, lack of industry experience, undercapitalization, lack of strategic focus, poor cash management, and uncontrolled growth. But, in my view, the primary reasons for new venture failure are the entrepreneur's inability to recognize, discover, or create the right marketing opportunity; the inability or unwillingness to fully research the opportunity; and/or an incapability to exploit that opportunity effectively. You may have great management skills, excellent industry experience, and plenty of cash. But this will not help you if you are pursuing the wrong opportunity or if you fail at market execution. In other words, wrapping a good-looking marketing plan around a bad (or wrong)

opportunity or spending resources on a bad (or wrong) opportunity is akin to putting lipstick on a pig!

This book is intended to help you understand and apply entrepreneurial marketing concepts that should increase your likelihood of venture success. In Chapter 1, you will learn why marketing is different in an entrepreneurial context. It also discusses how social media is changing the entrepreneurial game. Chapter 2 discusses how you can find and evaluate the right marketing opportunity. The importance of the right business model to effectively exploit the opportunity is also discussed in Chapter 2. In short, a good opportunity can be negated by not having the right business model. Using marketing research to ensure entrepreneurial success is discussed in Chapter 3, including how to use social media as a marketing tool. In Chapter 4, you will gain a deep understanding of customers and competition. Chapter 5 details three very important concepts for the entrepreneur wishing to achieve business success: segmentation, targeting, and positioning. In Chapter 6, you will learn about the new product and service development process. How to build and sustain a strong entrepreneurial brand is discussed in Chapter 7, including how to build and sustain your brand in the social media marketing era. In Chapter 8, we will discuss how to effectively price your offering and avoid the trap of cost-plus price setting. It also discusses the role social media can play in terms of pricing strategy. Chapter 9 provides insight into entrepreneurial channel development and supply chain management. The importance of entrepreneurial promotion and how to do it cost-effectively is outlined in Chapter 10. Social media is such an important part of new venture creation and in the promoting of such ventures that we devote an entire new chapter (Chapter 11) to social media. Chapter 12 discusses the entrepreneurial marketing plan and provides the basic anatomy of such a plan. In Appendix A, you will find a good example of an excellent entrepreneurial marketing plan developed by a team of students I have taught.

New to This Edition

This Third Edition has been fully updated. It includes an entirely new chapter on social media (Chapter 11) as well as new examples, new profiles, and new coverage of timely topics such as social forces in the external environment, minimally viable products, data analytics, surge pricing, just-in-time (JIT) inventory, and COVID-19.

Chapter 1

- New learning objectives
- New opening startup example—women-founded venture—Blistabloc
- New definition of marketing
- New Entrepreneurial Marketing Spotlight—women-founded venture

- New—new-to-world product example—PAL-V flying car
- Updates on entrepreneurial networks
- New section on social forces in external environment that discusses health consciousness, value consciousness, eco-consciousness
- New coverage of the entrepreneur concept of ecopreneurs
- Updated technology forces section—Internet of Things (IoT)
- Updated environmental scan of the USA

Chapter 2

- New learning objectives
- Address opportunities stemming from COVID-19
- For example of niche opportunity—HayChix—women-founded venture
- New concept introduced—customer value proposition (CVP)
- Expanded discussion of business models and revenue models

Chapter 3

- New learning objectives
- New section on user experience (UX) research
- New Entrepreneurial Marketing Spotlight—Laura Klein—UX expert
- New section on social media as a marketing research tool
- New section under marketing information system—data analytics and business intelligence (BI)

Chapter 4

- New learning objectives
- New material on Chinese Americans
- New concepts introduced: self-concept, ideal/aspirational self
- MSMEs—micro-small, medium enterprises

Chapter 6

- New learning objectives
- New discussion of an important characteristic for new product/service success—a superior experience

- New concept—minimally viable product
- New section on reasons for product/service failure

Chapter 7

- New learning objectives
- New section on social branding
- New Entrepreneurial Marketing Spotlight—woman-founded venture and her brand. Amy Errett, founder of Madison Reed

Chapter 8

- New learning objectives
- New concept added: surge pricing
- New section on how social media can help with pricing strategy

Chapter 9

- New learning objectives
- Introduction of just-in-time (JIT) inventory
- Introduction of reverse logistics

Chapter 10

- New learning objectives

Chapter 11

- Entirely new chapter on social media

Chapter 12

- New learning objectives

Acknowledgments

This book is based on my experience growing up in a family business, as a founder of several successful startups, as an investor in entrepreneurial businesses, as an advisory board member for several entrepreneurial firms, and as a consultant to entrepreneurs and to those who fund and support entrepreneurial enterprises. It is intended to help you better understand marketing and its application in an entrepreneurial context. My hope is that the concepts, methods, tools, and approaches outlined in this book will help you identify, create, and grow a successful new venture. Your success will be vital to the continued health of our new entrepreneurial-based economy. Therefore, this book is dedicated to all the aspiring entrepreneurs who wish to take the risk to start a new venture. It is hoped that the insight provided in this book will ensure that the risk taken will be amply rewarded.

I would like to thank my family for their love and patience while I crafted this book, especially my wife Janae, who is my partner and soul mate. I also want to thank the leadership at the College of Business at Northeastern University for supporting my entrepreneurial efforts. I would also like to thank my acquisitions editor, Maggie Stanley, as well as the other members of the SAGE team who contributed to the development and completion of the book.

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- Adam Frost, *Liverpool John Moores University*

Frederick G. Crane, PhD

• About the Author •

Frederick G. Crane

Dr. Crane is an Executive Professor of Entrepreneurship & Innovation at the College of Business at Northeastern University; former editor of the *Journal of the Academy of Business Education*; and co-founder of Ceilidh Insights LLC—an innovation management training, intellectual property consulting, and consumer insight company. He was formerly a professor of marketing and entrepreneurship at the University of New Hampshire and a chair and full professor at Dalhousie University.

At Northeastern, he developed the graduate new venture creation course; the undergraduate innovation course, which is now taught campuswide; and developed the online MBA course on innovation and enterprise growth. He also serves as the faculty advisor for the Private Equity and Venture Capital Club. Every semester, at least one of his teams from his new venture creation course goes on to commercialize a business.

Dr. Crane grew up in a family business and also started and operated several of his own businesses, including successful management consulting, innovation/design, and research firms. In addition to founding his own businesses, he has also been an angel investor and has worked as a consultant for angel investors, venture capitalists, and government agencies on venture funding projects. As a corporate consultant for more than 20 years, Dr. Crane has completed more than 200 consulting assignments for companies/organizations in more than two dozen countries. He has worked for both small businesses and Fortune 500 companies, assisting them with the development and execution of strategic plans, corporate venturing, consumer research, innovation/new product development, and branding projects. He has also developed and participated in numerous corporate training and executive education programs for major corporate clients in the educational, financial services, health care, high-tech, packaged goods, pharmaceutical, and telecommunications fields. Additionally, he has conducted more than 100 workshops on MSME education.

His academic research activities have resulted in more than 100 publications, including more than 20 books. His current research stream intersects the domains of innovation, entrepreneurship, and corporate venturing.

Dr. Crane has also received numerous awards for teaching excellence over the past 20 years.

Dr. Crane lives on a farm with his wife and their beloved horses and dogs. One of his major passions is equine rescue, especially the welfare of wild mustangs. Profit from his book sales goes to these causes.



Marketing in an Entrepreneurial Context

Learning Objectives

- 1.1 Define marketing.
- 1.2 List the seven steps in the marketing process.
- 1.3 Explain why marketing in new ventures is different.
- 1.4 Explain how to use marketing to discover and satisfy customers' needs.
- 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.
- 1.6 List the five forces in the entrepreneurial marketing environment
- 1.7 Explain the concept of environmental scanning

So, you want to be an entrepreneur! That's great. It can be a challenging and rewarding experience. And if I asked you why you wanted to be an entrepreneur, I bet many of you would say it is because you want to make money. Well, that is the first mistake most entrepreneurs make. In fact, the actual purpose of an enterprise is not to make money. Instead, experts tell us that the actual purpose of an enterprise is the creation and retention of satisfied customers.¹ How well you perform these vital tasks will be reflected in the level of profitability of your enterprise. In other words, your profit

is simply the scorecard with respect to how well you stay wedded to your real purpose.

You must understand this important point, or your entrepreneurial career is likely to be truncated. Moreover, it is critical for you to understand marketing's role in creating and retaining satisfied customers. Simply put, it is marketing that enables you to discover, create, arouse, and satisfy customer needs and wants. In entrepreneurial terms, we often say that a successful enterprise is built by a smart entrepreneur who finds a source of "market pain" and creates a "unique" way to cure it!

For example, consider the young entrepreneurs who started Blistabloc (www.blistabloc.com). Katherine and Jacy were students of mine in my entrepreneurship course, and I also mentored them along their entrepreneurial journey. Katherine is a marathon runner and Jacy is a fitness instructor. They simply got tired of getting blisters on their feet when they stepped out of their sneakers and into real shoes! And they discovered they were not the only ones. Moreover, they and others were unhappy with the current solutions—bandages and lotions. So they spent hundreds of hours conducting research on possible solutions and carried out intense customer interviews. They created patent-pending inserts that go into all types of footwear to prevent blisters. It is an acrylic-adhesive that stays in place for years! They sell them in packages of four—two large for the heel area and two small for use around straps and the sides of footwear. They are off to great success, including winning Mass Innovation Night's Favorite product.

So I you can see, Blistabloc is an example of a successful entrepreneurial startup that was based on a key concept in marketing: discovering customer needs and satisfying them. Or, as we say, finding a source of market pain and finding a unique way to alleviate that pain! Blistabloc also illustrates the need for entrepreneurs to consider how to sustain the growth for their enterprises. In this case, that means scaling up the business via multiple channels, expanding geographically, and finding novel ways to reach customers including online engagement. You will read about them in the Entrepreneurial Marketing Spotlight.

Marketing: Defined

LO 1.1 Define marketing.

Many people are confused or have misconceptions about the concept of marketing. First, do not confuse marketing with advertising, selling, or common sense. Although advertising is one of the more visible forms of marketing, it is but one small element of marketing. Marketing is not selling. In fact, some experts suggest that if entrepreneurs engage in effective marketing, it can reduce the need for selling. Marketing is not simply common sense. While

good entrepreneurs are often perceptive and intuitive, these traits alone are not sufficient for making successful marketing decisions. Effective marketing requires intimate knowledge and understanding of consumers and competition that goes beyond simple common sense.

Second, be wary of the many misconceptions about marketing, including many negative ones. For example, marketing is not hucksterism; it is not selling unwanted things and taking the customer's money. Nor is marketing about manipulating, fooling, or tricking the customer.² Instead, **marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.³ This definition stresses the importance of creating and delivering genuine value (benefits) in the offerings marketed to customers. As an entrepreneur, your business venture must create and deliver customer value or benefits. If not, there is absolutely no reason for customers to buy from you. Moreover, while gaining your first customers is critical for your venture, you must also use marketing to retain those customers by satisfying those customers and forging long-term relationships with them. If you do, you will find that these customers will remain loyal to your enterprise and can be a valuable resource in recommending your business to others.

The Seven Steps in the Marketing Process

LO 1.2 List the seven steps in the marketing process.

As an entrepreneur, you will have to understand and follow the seven steps in the marketing process to create and sustain a successful venture:

1. Identify and understand customer needs.
2. Develop products, services, or experiences to meet those needs.
3. Price the products, services, or experiences effectively.
4. Inform customers that these products, services, or experiences exist.
5. Deliver the products, services, or experiences efficiently and conveniently for the customer.
6. Ensure customer satisfaction during and after the exchange process.
7. Build long-term relationships with the customers.

Northeastern University alumnae Katherine Connors and Jacy Quill find themselves in the Entrepreneurial Marketing Spotlight by demonstrating that they have mastered many of the steps in the marketing process.

ENTREPRENEURIAL MARKETING SPOTLIGHT

Katherine Connors and Jacy Quill are entrepreneurs. And I had the privilege of teaching them as well as mentoring them. These women co-founded Blistabloc—a novel solution for preventing blisters caused by footwear. As I pointed out earlier, it is a patent-pending acrylic-adhesive insert that fits inside footwear. Basically, their success can be largely attributed to the fact that they embraced the marketing process. First, being marketing oriented, they discovered that many potential customers for their product experienced the same problem they themselves had—blisters on their feet! Second, they also discovered that people were unhappy with the current solutions to their blister problems, namely bandages and skin lotions. Third, based on these discoveries, they developed a unique and patented product designed to meet the needs of those suffering from blistered feet. The key to their solution is actually preventing blisters from happening in the first place. This makes the solution distinctive and valuable. Their branding promise is simple: “Goodbye blisters, hello happy feet!” They are dedicated to their business and customers, and they are off to a great start with their new venture. We welcome them to the entrepreneurial marketing spotlight.⁴

Why Marketing in New Ventures Is Different

LO 1.3 Explain why marketing in new ventures is different.

Marketing in an entrepreneurial context is different from an established corporation. As an entrepreneur, you will face different marketing issues compared to executives in a corporate environment.

For example, unlike your corporate counterparts:

- The entrepreneur must use marketing to identify new products, services, or experiences to market to new customers and not simply use it to sell existing products and services to existing customers.
- The entrepreneur must use marketing to obtain his or her “first customer” (gain the first dollar of business) and not simply manage an existing customer base.
- The entrepreneur must use marketing to build a new and compelling brand and not simply manage an existing brand.
- The entrepreneur must use marketing to establish effective marketing channels of distribution and not simply manage existing distribution methods.

- The entrepreneur must use marketing to establish initial price points for his or her offerings and not simply manage current prices for existing offerings.
- The entrepreneur must use marketing communications to persuade customers to try his or her offerings and not simply remind customers to continue to buy.
- The entrepreneur, because of resource scarcity, must find creative ways to leverage his or her marketing efforts, especially early in the venture startup phase.

Unfortunately, venture failure continues to be the rule and not the exception. But marketing can help you improve your odds of venture success. It can help provide you with a solid understanding of customers and markets, identify and validate the right opportunity, and determine how best to capitalize on that opportunity. One of the biggest problems faced by many entrepreneurs is the tendency to chase “too many rabbits.” In other words, you must focus and not try to be all things to all people. Marketing can provide this focus. In short, it can help you zero in on the right customers—your **target market**—the specific group of customers toward which you direct your marketing efforts or marketing program. In the entrepreneurship world, particularly from the investor’s perspective, the target market is often referred to as the “**addressable market**.” It is marketing—specifically, marketing research—that allows you to determine this target market—the addressable market—and then enables you to configure your marketing program.

Using Marketing to Discover and Satisfy Customer Needs

LO 1.4 Explain how to use marketing to discover and satisfy customers’ needs.

It is important for you to recognize that if you wish to improve your odds of venture success, you must use marketing to discover and satisfy customer needs. The discovery process sounds simple, but it is not. Thousands of ventures fail every year in the United States, and in many cases, the failure is a direct result of the entrepreneur failing to carefully examine customers’ needs or simply misreading those needs. Granted, it is often difficult to get a precise reading on what the customer needs. But as an entrepreneur, you have to be willing to be persistent and creative to uncover customer needs.

One of the best ways to do so is to go into the market to talk with and listen to customers. Through dialogue and active engagement with the customer, you will gain an understanding of the customer. In the entrepreneurship field, we

often refer to this process as obtaining “the voice of the consumer.” Voice-of-consumer research will be discussed later as an important part of finding and evaluating business opportunities.

After properly discovering customer needs, the entrepreneur must begin the task of designing his or her business to satisfy those needs. In fact, recent research involving 45 successful entrepreneurs revealed that delivering customer satisfaction was a key imperative for venture success.⁵ But, as stated earlier, your venture cannot satisfy all consumers’ needs, so you must concentrate your efforts on a specific group of potential customers—your target market. Selecting the proper target market involves the process of **market segmentation**—placing customers into groups (segments) that (1) have common needs and (2) will respond to a specific marketing offer. We will discuss segmentation in depth in Chapter 5.

For now, it is sufficient that you know that you will select a given segment (or segments) to pursue—your target market(s)—and create the marketing offer, designed to appeal to the target market and satisfy its needs. This marketing offering is called your **marketing mix**. The marketing mix is what gets integrated into a tangible marketing program that your business will use to gain and keep customers. For Product-Based ventures, your marketing mix consists of five elements, or **5Ps**: product, price, promotion, place, and people. For a Service-Based venture, the marketing mix consists of eight elements, or **8Ps**: product, price, promotion, place, people, physical evidence, process, and productivity.

The 5Ps of Product-Based Ventures

LO 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.

A marketing program for a Product-Based venture—a venture that markets “tangible” or physical products—would consist of a combination of five marketing mix elements. The 5Ps are used to create, communicate, and deliver value to your customer:

- *Product*: The product to satisfy the customer’s needs
- *Price*: The cost to the customer
- *Promotion*: The means of communication between you and the customer
- *Place*: The means of getting the product into the customer’s hands
- *People*: The individuals who will work with you and your venture

Figure 1.1 shows the 5Ps for Sephora, a very successful beauty and skincare enterprise.

Sephora has a unique open-sell environment with more than 200 brands plus Sephora's private label. The company emphasizes training of its people and even opened Sephora University in San Francisco to educate its personnel on both products and customer relations. The company also has one of the world's top beauty websites and hosts social media including an online beauty community as well as mobile technology including an iPhone app. The company has achieved outstanding year-over-year sales growth since its launch.

FIGURE 1.1 • The 5Ps for Sephora

Product: Broad range of quality skincare, makeup, and fragrances for women and men (nationally branded and private label)

Price: Above market

Promotion: Public relations, catalogs, customer loyalty program, website, social media, and mobile marketing including an iPhone app

Place: More than 500 stores (more than 200 inside JC Penney stores) in 24 countries, online (www.sephora.com), and 1-877-Sephora

People: Highly trained, knowledgeable, and customer-centric consultants

The 8Ps of Service-Based Ventures

LO 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.

A marketing program for a Service-Based venture—a venture that markets “intangibles”—would consist of a combination of eight marketing mix elements (8Ps):⁶

- *Product:* The product (service) to satisfy the customer's needs
- *Price:* The cost to the customer
- *Promotion:* The means of communication between you and the customer
- *Place:* The means of getting the product into the customer's hands
- *People:* The individuals who will work with you and your venture
- *Physical evidence:* The “tangibles” that surround your service
- *Process:* The way the service is created and delivered
- *Productivity:* Balancing service output with service quality

Figure 1.2 shows the 8Ps for Southwest Airlines, one of the most successful entrepreneurial airline startups in America. In fact, Southwest Airlines went from a small startup with just a few planes to a major carrier in less than 20 years. It has also been the most consistently profitable airline in the United States and has achieved high levels of customer satisfaction year after year.

FIGURE 1.2 ● The 8Ps for Southwest Airlines

Product: Low-cost, no-frills, convenience, point-to-point airline passenger service

Price: Low prices, below market

Promotion: Broad range of marketing communications, including broadcast television, sponsorships, and its website

Place: Major markets but often in secondary airports adjacent to major airports to keep costs down

People: Specific emphasis on training to achieve excellent customer service

Physical evidence: Keeping the planes clean and safe; allowing employees to dress casually; and strong branding, color language, etc.

Process: Using the same plane type to make it easier for employees to manage operations and making it easy and simple to fly with Southwest, including online booking

Productivity: Key emphasis on a 15-minute turnaround time (getting the plane ready after landing and getting it back in the air safely)

Market Fulfillment Versus Market Creation

It is safe to state that most new ventures are based on the concept of market fulfillment. That is, the entrepreneur enters an “existing market” and uses the conventional marketing process. But some new ventures are based on “market creation”—creating a new market that did not currently exist. In this case, the consumers generally have no idea about a need for such a new product, service, or experience.

In the case of market fulfillment, the conventional marketing process of discovering and satisfying customer needs really does work quite well. But it does not work so well when an entrepreneur is attempting to create entirely new markets.⁷ Henry Ford, the famous automobile pioneer, once said, “If I asked the customer what they really wanted, they’d have said a faster horse!”

Basically, Ford was telling us that when we try to discover what customers want, they will often simply ask for better versions of existing products. In Ford’s case, consumers could not have even imagined the possibility of a “horseless carriage”—the first automobile! Thus, this approach will not likely help an entrepreneur who wishes to produce breakthrough or new-to-world innovations. These concepts are radically different and are sometimes beyond

the comprehension of the customers. In short, customers may not recognize that they need or want such innovative concepts.

For example, FedEx created the overnight package delivery market, a market that did not previously exist and a market that customers did not know could exist. CNN created the 24/7 cable news market, and again, customers did not imagine such an offering being developed. A more recent example is the “flying car.” We have often heard ourselves and others say, “I wish my car could fly,” never really thinking it would be possible. Well, now it has become reality. Co-founders Robert Dingemans and John Bakker created the world’s first commercial flying car, the PAV-L—which stands for “personal air and land vehicle.” Like many people, they dreamed about a flying car to avoid commuter traffic. But as pilots, they also dreamed about not wanting to leave their planes behind when traveling. Hence, they developed a car that could fly and a plane that they could drive! You can get the keys to this vehicle in 2022, and it will cost you between \$400,000 and 600,000!¹⁸

So, in short, entrepreneurs of new-to-world concepts really have no market at the time of invention; they have to create one. In doing so, these entrepreneurs go beyond the conventional marketing process and often create markets with enormous potential for sustained growth.

How Social Media Is Changing the Entrepreneurial Game

Social media is simply changing how business is done and how consumers shop for and buy products and services. Still, many existing corporations are struggling with how to harness and manage this concept. In fact, many are using social media in the wrong ways. At the same time, however, social media is opening up opportunities for entrepreneurs who would be well advised to recognize and embrace it—correctly. Importantly, this also means using social media to complement but *not* replace your traditional marketing and promotional efforts.

But first things first: you must understand social media. In my view there are several components to social media: (1) social platforms—the social networks/communities created by individuals and/or organizations such as Facebook; (2) social content—the blogs and photo, audio, and video sharing offered on these platforms; and (3) the overall social interactions taking place among members on these platforms.

The power of social media is awesome. For example, Facebook has hundreds of millions of users worldwide; on Twitter, there are billions of tweets made per month; and on YouTube, there are billions of views per day. Thus, what is really important for you to know is whether or not you decide to participate and use social media, your likely target-market customers probably are using it. In other words, social media can be exclusively online consumer-generated efforts by customers who talk about, promote, build, or hurt brands. And you

might not be able to control this activity! On the other hand, social media can also be used by you to promote your venture and brand. In doing so, while you still may not fully control what customers communicate about your venture and brand, you can certainly influence it.

Using social media, customers are empowered to communicate with organizations and other customers. It is creating a new form of economy—what Erik Qualman calls *socialnomics*—in which customers no longer search for products or services but rather find them via social media. In doing so, customers are changing the rules of business and the way they shop.⁹ For example, a social media platform like Facebook has millions of users who can instantly connect and communicate about a new business or brand—either helping to build it or destroy it! Therefore, as an entrepreneur you cannot be a bystander—you must actively engage and leverage social media.

However, you must do it right, or you will be rejected by the customers you are intending to reach and influence. Clearly, social media allows budding entrepreneurs with scarce resources to keep marketing costs low while directly reaching potential customers 24/7 on a global basis. But, again, you must play by the new rules of the game as established by customers who are present there. For example, Blistabloc makes good use of social media including Facebook, Twitter, and a blog component on their own website. It engages its customers and offers them content with good value including important information about its product.

In addition to using social media to communicate with customers, entrepreneurs also have many dedicated social media sites to help them with their entrepreneurial efforts. For example, there are many social networks established exclusively for entrepreneurs. So besides Facebook and Twitter, which are must-haves for entrepreneurs, social networks you need to check out are (1) Entrepreneur Connect, (2) Partnerup, (3) StartupNation, (4) LinkedIn—but only the startups group on this site, (5) Biznik, (6) The Funded, (7) Young Entrepreneur, (8) Ryze, (9) Founders Network, and (10) Periscope. They offer excellent resources for the aspiring entrepreneur like you. Social media is so important to entrepreneurs that we have a dedicated chapter on this subject in this book.

The Five Forces in the Entrepreneurial Marketing Environment

LO 1.6 List the five forces in the entrepreneurial marketing environment.

Most entrepreneurs believe they are clearly in control regarding the type of business they wish to operate and how they operate it. However, businesses do not operate in a vacuum. In fact, a host of factors or forces in the marketing

environment are largely beyond the control of the entrepreneur. These forces can be placed in five groups: social, economic, technological, competitive, and regulatory forces. Examples are what consumers themselves want and need, changing technology, the state of the economy in terms of whether it is expanding or contracting, actions competitors take, and government restrictions. These external forces may serve as accelerators or brakes on marketing, sometimes expanding a venture's marketing opportunities and at other times restricting them. Importantly, successful entrepreneurs evaluate these forces to determine what business opportunities such forces might provide. And entrepreneurs continue to monitor these forces to determine how best to adapt their businesses to survive and grow.

This is in contrast to other, typically unsuccessful, entrepreneurs who treat these external forces as rigid, absolute constraints that are entirely outside their influence. These entrepreneurs simply fail to anticipate and respond to these external forces. But successful entrepreneurs who are forward looking and action oriented do take advantage of these external forces. In other words, they find opportunities that are created by these external forces by aligning their enterprise to capitalize on these forces.

For example, one entrepreneur saw the rising incidence of obesity in America, an external factor seemingly beyond his control. But by observing and analyzing this trend, he developed a "plus size" retail clothing business and became a successful entrepreneur. Another entrepreneur noticed the aging population of America, especially the growth in the grandparent population who wanted to stay connected with their grandchildren. Capitalizing on this trend, the entrepreneur rolled out a new online business called grandparents.com.

As mentioned, there are **five environmental forces** in entrepreneurial marketing: social, economic, technological, competitive, and regulatory forces.

Social Forces

Social forces include the characteristics of the population, as well as its values and its behavior. Changes in these forces can have a dramatic impact on what opportunities are available to the entrepreneur. For example, there have been some major demographic shifts in the United States, including growing ethnic diversity and an aging population. If current trends continue, niche marketing opportunities based on ethnicity and age will continue to emerge. For example, some entrepreneurs have built their businesses to appeal directly to specific generational cohorts (i.e., for age groups such as older adults, baby boomers, Generation X, Generation Y). Other entrepreneurs have launched businesses to appeal to specific ethnic groups, particularly ethnic food businesses.

A second social force is culture, and in recent years, Americans have experienced notable cultural changes that have affected consumer attitudes and values. For example, with more working women, the number of tasks to do is

expanding, while the time available to do them is shrinking. This has led to the phenomenon of *time poverty*. Entrepreneurs are responding to this trend by creating ventures that help alleviate or reduce the consumer's time poverty such as delivery services, online shopping businesses, and ready-to-eat foods including foods for dashboard dining (car-friendly food products). Another emerging cultural trend is that Americans are becoming more experiential. That is, they are seeking new experiences and are willing to try new things, including global travel and new forms of entertainment, dining, and adventure tourism.

There are also three other notable cultural shifts, that is, toward health-consciousness, value-consciousness and eco-consciousness. Health-consciousness has led to opportunities for entrepreneurs to enter the fitness and exercise space, the health supplement space, and self-diagnostic kit space. Americans are also becoming more value-conscious and entrepreneurs can capitalize on this trend by offering the best quality, best performance at a value-based price. A tangible sign of this value-consciousness is a company like Groupon—an online couponing company. Another key shift is eco-consciousness—or going green—where consumers are concerned about the impact their consumption has on the environment. This eco-consciousness has led to the emergence of *ecopreneurs*—entrepreneurs who see business opportunities through an environmental lens. For example, Earthcycle Packaging is a company that developed an eco-friendly package made from a renewable source called palm fiber, which decomposes in less than 90 days and helps keep soil healthy.

Economic Forces

Another environmental force is the nature of our economy. Entrepreneurs must recognize what is happening at the macroeconomic level of the economy, such as whether the economy is growing as well as determining the state of consumer confidence in the economy, which will affect business and consumer spending. At the microeconomic level, entrepreneurs must determine if the consumer actually has the ability to buy particular products and/or services. Many Americans have seen erosion of their actual spending power, and this has led to a trend called *customer value-consciousness*. Many entrepreneurs have successfully built businesses to respond to this trend, such as “dollar store” retail formats.

Technological Forces

Another environmental force is dramatic technological change. In fact, new technologies are forever changing the way consumers shop and what they buy. Moreover, new technologies are enabling entrepreneurs to create unique new businesses or enhance how they can conduct their businesses.

One of the most important technologies that has changed the marketing landscape is the Internet. As discussed earlier, it was technology that gave rise to social media, which has fundamentally changed the rules of the game as

it pertains to how consumers behave and how business is done. Technology, including the Internet, has enabled new entrepreneurial enterprises to be built and fully operationalized, leveraging this important technological force—in other words, developing and managing online or pure-play e-businesses that exist only in an electronic marketplace.

A good example is Craigslist with its electronic classified ad business. Other brick-and-mortar enterprises also leverage the Internet as part of their overall marketing efforts. There are many other examples of successful online businesses, many of which are entrepreneurial ventures. As mentioned earlier, many leverage social media websites as well as their own highly interactive websites to conduct their businesses.

Now, the new capability of a completely wireless world, including the **Internet of Things (IoT)**—a network of products embedded with connectivity-enabled electronics including sensors and software to collect and exchange data in real-time without human intervention—is allowing consumers to stay connected and informed 24/7 regardless of where they are, and this is also providing new opportunities for entrepreneurs wishing to provide goods and services to this wireless and mobile population. The Internet has also opened up global marketing opportunities and the rise of international entrepreneurship, where entrepreneurs can serve global markets without the constraint of physical or geographic boundaries. One thing you have to remember as a budding American entrepreneur is that 95 percent of the consumer population lives outside the United States. You should not have to confine yourself to your domestic market when opportunities to reach across time and space are now available to you.

Competitive Forces

Competitive forces in the external marketing environment are very important for the entrepreneur to consider. The first thing every successful entrepreneur realizes is that there is always some form of current competition in the marketplace. So, if you seek funding for your enterprise, never go to a bank, angel, or private equity firm and state that your business has “no competition.” In one way or another, it certainly does. Therefore, competition should be considered broadly as any alternative that could satisfy a specific customer’s needs. This includes a variety of forms of competition ranging from pure (direct) competition—where every company offers a similar product to a similar customer—to total budget competition—where customers consider spending their scarce resources across seemingly dissimilar offerings (e.g., spend money on an MBA vs. buying a new boat). The trend in America in terms of competition is that most industries and markets are highly competitive, and the consumer has tremendous choice in terms of providers. Therefore, an entrepreneur has to determine “how to compete” and “how to differentiate” his or her business from the existing competitors.

We will discuss competition in more detail in Chapter 4. But for now, you must recognize that competition is an external force that will surely affect the type of business you will build and the competitive strategy you craft. For example, most entrepreneurial startups do not have the size and scale to compete on price, so most attempt to compete on a nonprice dimension emphasizing some clearly superior performance deemed valuable to the customer (e.g., great customer service).

Regulatory Forces

Entrepreneurs must also be conscious of the fact that regulatory forces can influence the nature or scope of opportunities in the marketplace. Regulations consist of restrictions that local, state, and federal laws place on business with respect to the conduct of its activities. Regulation exists to protect companies and consumers and ensure a competitive marketplace. New regulations and deregulation can both provide opportunities for entrepreneurs. Deregulation of several industries over the past few decades has led to the emergence of new enterprises. For example, deregulation of the U.S. telecom industry allowed for the startup of new long-distance telephone companies and, later on, the development of numerous wireless phone companies. Similarly, deregulation of the U.S. airline industry produced opportunities for many regional airline startups, including Southwest Airlines and JetBlue. Greater regulation has also provided opportunities for entrepreneurs. For example, when the Environmental Protection Agency enacted stronger regulations to ensure cleaner air and water, many companies turned to entrepreneurs for new technologies to ensure compliance.

Environmental Scanning

LO 1.7 Explain the concept of environmental scanning.

Environmental scanning is the process of continually acquiring information on the external marketing environment to identify and interpret potential trends that may lead to entrepreneurial business opportunities. Entrepreneurs engage in environmental scanning to uncover opportunities that others may miss or ignore. Many refer to the environmental scanning process as “trendspotting.” For some entrepreneurs, the goal is to discover “the next big thing” or at least identify market trends that might lead to the development and launching of a new enterprise.

One of the things you will have to understand as you attempt to engage in environmental scanning is determining what is a true trend. A trend is the specific or general direction in which a society is headed, which transforms things from what they are today to something different in the future. A trend makes a difference in the way people live and work. Trends are enduring phenomena that are radically affecting the way consumers behave in the marketplace

and/or the way we do business. Trends create major structural changes in society: sociocultural, economic, or technological. A trend is different from a fad, which comes and goes quickly. A fad does not change society, but a trend does. Environmental scanning is an important skill for entrepreneurs to possess. To become a good scanner, you will have to do the following:¹⁰

- *Adjust your reading, listening, and viewing habits.* This means focusing on things of substance and relevance to your goal of becoming an entrepreneur. Of particular importance is becoming a broad-based reader to discover societal trends that underpin market behavior. You need to make a commitment to scan for information that will provide clues about possible marketing opportunities.
- *Network with the right people.* This means staying engaged with knowledgeable and informed individuals and to remain open to learn from these people. One expert suggests that you “take a neuroscientist, sociologist, psychologist, or artist to lunch.” These people can provide insight into human behavior, how markets develop, and how consumers think and feel about their experiences in the marketplace. Networking also involves being tapped into your community to keep in touch with trends that are affecting the people who might become your customers.
- *Be self-observant.* This means spending time discovering what makes you tick, what is important to you, and what challenges or problems you face. You might not be the typical consumer, but this is a good exercise in uncovering what possible trends are driving your behavior. You can then determine whether what affects you may also affect others.
- *Challenge your assumptions.* In many cases, there are traditions in society and/or in particular industries that may have outlived their usefulness. For example, there is an American tradition for school-age students to have a two-month summer vacation. And most people do not know why this tradition persists. Well, it is a carryover from the agrarian society, when children in farming families took time off from school to help harvest the crops. Today, many educational institutions are challenging this tradition, and this has led to entrepreneurial opportunities such as private schools offering year-long programs or innovative summer learning programs.
- *Spend time watching and talking with customers.* This is perhaps one of the most important steps in the environmental scanning process. Good environmental scanners focus their time on interacting with customers to determine their current and future needs. Successful entrepreneurs, in fact, pinpoint not only where customers are today (in terms of needs) but where they are heading in the future. One of the

greatest insights you can glean from spending time with customers is understanding their behavior as it pertains to consumption. In other words, what types of buying behavior they engage in—what they buy, how, when, where and why. In Chapter 4, we will discuss the concept of “ritualistic behavior”—behavior consumers engage in in a consistent and recurrent manner and how this may help you uncover opportunities to enable customers to do so in cheaper, faster, better, or more satisfying ways.

What is also important is to recognize that not all trends affect all consumers or affect them in the same way. Moreover, for each trend you might identify, there may be other “countervailing” trends that might be important for you to consider. For example, a novice environmental scanner might conclude that the United States is experiencing a health-consciousness trend. But this may be only partly true. Many Americans are more concerned about their health, and this has opened up opportunities for entrepreneurs who provide health-oriented goods and services. But clearly, not all Americans have embraced health-consciousness, since many individuals remain overweight in this country. Accordingly, some entrepreneurs are building businesses to cater to overweight individuals, including plus-size clothing companies.

Finally, good environmental scanners not only interpret trends but also act on trends that offer the best business opportunities. This is illustrated by the Noah principle. That is, “Predicting rain doesn’t count; building arks does.” Thus, environmental scanning requires both market vigilance and marketing action.

An Environmental Scan of the United States

An environmental scan of the U.S. marketplace might uncover key trends, such as those listed in Figure 1.3. These trends are categorized under the five environmental forces discussed earlier.

Although the list of trends is far from complete, it reveals the breadth of an environmental scan—from the growing ethnic diversity of the American population to the shift to the experience economy to the increasing use of new technologies. As you examine the trends listed in Figure 1.3, you should be able to think about the implications of such trends and whether you can find opportunities that will stem from these trends.

As an entrepreneur, you have to understand marketing and its role in achieving venture success. Marketing helps you identify the right opportunity, and it plays a pivotal role in capitalizing on that opportunity. It is also critical that you understand the external marketing environment and recognize the opportunities and constraints it can place on your enterprise. Staying close to the market is the best way to ensure that you are building your enterprise on a solid foundation.

FIGURE 1.3 • An Environmental Scan of the United States

Social	<p>Growing ethnic diversity</p> <p>Aging</p> <p>Time poverty</p> <p>Health consciousness</p> <p>Value consciousness</p> <p>Eco consciousness</p> <p>Binge-watching TV programming</p> <p>Video bloggers growing in popularity and influence</p>
Economic	<p>Growth in electronic commerce economy</p> <p>Shift toward an experience economy</p>
Technological	<p>Diffusion of digital and mobile technologies</p> <p>Growth in biotechnology and nanotechnology</p> <p>Advances in medicine and medical treatments</p> <p>The Internet of Things (IoT)</p> <p>The emergence of CAMS – cloud, analytics, mobile and social</p>
Competitive	<p>Increase in global competition</p> <p>Emergence of China and India as global competitors</p> <p>Mergers and acquisitions to improve competitiveness</p> <p>Emergence of entrepreneurial enterprises</p>
Regulatory	<p>Increased protection for intellectual property</p> <p>Increased emphasis on free trade</p> <p>Deregulation to encourage competition</p> <p>Increased emphasis on consumer privacy</p>

Key Takeaways

- Understand marketing and its central importance to entrepreneurial success.
- Use marketing to find a source of existing “market pain” and craft a unique way to cure it. Or use marketing to create an entirely new market.

- Accept the reality of the social media era and learn to harness it for entrepreneurial success.
- Use marketing to zero in on the “right customer”—your target market.
- Go into the market to talk with and listen to customers (obtain the voice of the consumer).
- Become an environmental scanner and discover truly sustainable marketing opportunities.

Entrepreneurial Exercise

Engage in some environmental scanning through broad-based reading or other means. Spot some trends. What are they? What type of marketing opportunities do these trends offer the potential entrepreneur? Now, make a list of two to three opportunities, and go into the market and talk to five to six potential customers to get their feedback on the opportunities. Do the customers agree there is an opportunity or not?

Key Terms

Addressable market 5
Marketing 3
SPs 6
Target market 5
8Ps 6

Market segmentation 6
Five environmental forces 11
Marketing mix 6
Environmental scanning 14
Internet of Things (IoT) 13

Notes

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2

Finding and Evaluating the Right Marketing Opportunity

Learning Objectives

- 2.1 Explain how marketing opportunities can be recognized, discovered, or created.
- 2.2 Explain the characteristics of a good opportunity.
- 2.3 Recall where to look for opportunities.
- 2.4 Describe the importance of veiled and niche opportunities.
- 2.5 Evaluate marketing opportunities using a template found in this chapter.
- 2.6 Explain how to prepare market estimates using voice-of-consumer feedback.
- 2.7 Describe the relationship between opportunities and business models.

As you know, venture failure is the norm and venture success the exception. Why is this? Well, in most cases, the reality is that many business failures can be traced back to the fact that the venture was built based on a bad or wrong **opportunity**.¹ Yes, would-be entrepreneurs are constantly coming up with so-called possible opportunities for potential businesses.

But some opportunities are simply better than others. One of the problems entrepreneurs often have is that they tend to focus inwardly (often because of their backgrounds and/or experiences) on opportunities that they think are good opportunities. Another major problem is that some entrepreneurs simply fail to find out what the potential customer thinks about the possible business! For some entrepreneurs, it is the “Field of Dreams” mentality—if you build it, they will come. But the cold, hard fact is that most consumers are pretty happy with the products and services they buy from existing businesses. They are not, in fact, waiting anxiously for you to start your enterprise. Such an assumption on your part often gets in the way of truly finding and evaluating the right opportunity and generally results in venture failure. Ultimately, it is recognizing, discovering, or creating the right opportunity and exploiting it effectively that leads to entrepreneurial success. In fact, forget about what professors who never started a venture tell you about what leads to venture success or failure. A study involving 45 successful entrepreneurs—real people who started real businesses—found that the “right opportunity” was the number-one imperative for venture success.²

Thus, your first task is to find a way to separate the good opportunities from the bad. Once you accomplish that, you must then put a plan in place that is designed to capitalize on that good opportunity.

Opportunities Can Be Recognized, Discovered, or Created

LO 2.1 Explain how marketing opportunities can be recognized, discovered, or created.

There are actually three views regarding entrepreneurial opportunities. That is, opportunities can be recognized, discovered, or created. With opportunity recognition, the entrepreneur recognizes (deduces) that supply and demand are known to exist. The entrepreneur simply matches up supply and demand through an existing firm or a new firm (e.g., a franchise). When the COVID-19 pandemic hit us, you didn’t have to be a genius to recognize that there was going to be demand for facemasks given government mandates to protect the population! So many entrepreneurs jumped on that opportunity to supply masks.

With opportunity discovery, the entrepreneur inductively determines that either supply or demand exists (not both), and the other side has to be discovered. For example, there is demand for cures for certain illnesses but no supply, and there was a supply of personal computers (when first invented), but demand had to be discovered. Again, with the COVID-19 pandemic, pharmaceutical firms rushed to be the first to supply vaccines given that there was and is plenty of pent-up demand for such.

Finally, with opportunity creation, the process used by the entrepreneur is abductive (inference), and neither supply nor demand exists in any obvious

manner, and one or both may have to be created (e.g., new social media platforms). Thus, it is entirely possible that an opportunity is something that is “out there,” waiting for the entrepreneur to recognize or discover it. And, at the same time, it is also possible that an opportunity can be created by the entrepreneur!³ This is consistent with our discussion of market fulfillment and market creation. Either way, some opportunities are simply better than others, and you have to understand the characteristics of a good opportunity.

Characteristics of a Good Opportunity

LO 2.2 Explain the characteristics of a good opportunity.

Some leading experts in the field of entrepreneurship suggest that a good opportunity should possess the following characteristics:⁴

1. It creates significant value for customers by solving a significant problem or filling a significant unmet need for which the customer is willing to pay a premium price.
2. It offers significant profit potential to the entrepreneur and his or her investors—enough to meet their risk/reward expectations.
3. It represents a good fit with the capabilities of the entrepreneur and the management team—that is, you have the experience and skills to pursue it.
4. It offers sustainability over time—it is not based on a fad.
5. It can obtain financing.

Also, as you will see later, a good marketing opportunity will have validation from the intended customer. In short, the true litmus test for the marketing opportunity is whether the customer thinks it is a good idea and would be willing and able to pay for it.

One of the first things you need to do is to determine whether the opportunity offers significant value to the intended customer. And, importantly, find out if the customer will pay the price to receive the value offered.

This value can come in various forms. For example, what you offer might satisfy the customer in a much better way than established competition. For instance, perhaps you simply deliver a product or service faster or more reliably than the competitors. Another way of creating value is by offering something that meets or exceeds the needs of customers that have not been satisfied adequately.

So, for example, assume some customers are currently unhappy with their airline options flying from Boston to Miami—either the cost is too high or the schedule is too inconvenient. A new carrier could emerge, offering better prices

and greater convenience, and might become a successful new player in the market. Finally, another way of creating value is to offer something that satisfies the “latent needs” of customers. Latent needs are needs the customer is not even consciously aware of. In other words, you attempt to offer an entirely new solution to a problem that the customer was not aware he or she had.

Remember our discussion on market fulfillment versus market creation in Chapter 1? In the first two situations mentioned here, you are simply trying to meet existing needs better or to address existing dissatisfaction with available alternatives (market fulfillment: opportunity recognition/discovery). In the last situation, you are offering customers a novel solution to a problem they were not really aware they had. For example, you probably didn’t realize that you had a need for an Apple iPod. But when Apple offered you this solution, you realized it was something valuable and something for which you would pay a premium price. In this case, Apple created a new market (opportunity creation).

Another characteristic of a good opportunity is that it also offers the potential for significant profit. Clearly, the notion of *significant* would vary depending on the entrepreneur. For example, for some of you wishing to own and operate a lifestyle business, the amount of profit you would deem significant is an amount that allows you to live a comfortable life. However, for those who wish to build a high-growth venture, a business that has financial investors, significant profit might mean a 20 percent profit margin on a \$10 million business.

With a good opportunity, there is also a good “fit” between the opportunity and the entrepreneur (management team) in terms of industry experience and knowledge, as well as managerial, financial, and technical capabilities. Importantly, there is a good fit if you are passionate about the opportunity and are prepared to make a high level of personal commitment to capitalize on the opportunity.

A good opportunity is also one that offers sustainability over time. In other words, the opportunity is durable and will last over the long term. Many ventures are built on fads that come and go quickly, and thus the business itself may have a short life span. But a venture built on an enduring trend is more likely to produce sustained profitability over time. However, you must also recognize that sustainability in terms of customer demand is not enough. Sustainability also means you are offering something valuable to the customer that a competitor would find hard to copy. If what you offer is easily imitated by competitors, you do not have a sustainable opportunity.

Finally, another important dimension of a good opportunity is that it can obtain financing. If you seek out financing, your backers or investors must have confidence in the business venture and be willing to make the cash injection. If the backers or investors do not believe you have a solid opportunity, they will not financially support the venture.

Now, because Jeff Timmons, a leading entrepreneurship expert, has contributed so much to our understanding of entrepreneurial opportunities, he deserves a place in the Entrepreneurial Marketing Spotlight!

ENTREPRENEURIAL MARKETING SPOTLIGHT

Jeff Timmons (now deceased) was the Franklin W. Olin Distinguished Professor of Entrepreneurship at Babson College. For more than four decades, Jeff was a pioneer in entrepreneurship education and entrepreneurial research. He published more than 100 articles and more than a dozen books on entrepreneurship. As a professor, he practiced what he taught and was directly involved in the real world of entrepreneurship as an investor, director, and adviser to private companies. Perhaps one of Jeff's greatest contributions to the field of entrepreneurship was his work that focused on entrepreneurial opportunities. Jeff believed that a superior opportunity has the qualities of being attractive, durable, and timely and is anchored in a product/service that creates or adds value for the customer, usually by solving a "painful" problem. He also stressed that successful entrepreneurs are opportunity focused. And he always emphasized that the best opportunities often do not start out that way. They are crafted, shaped, molded, and reinvented in real time and market space. Importantly, he always stressed that at the heart of the entrepreneurial process is the opportunity! And successful entrepreneurs know the difference between a good opportunity and a bad one. For his dedication to entrepreneurship and for his contribution to our understanding of entrepreneurial opportunities, Jeff deserves to be in the Entrepreneurial Marketing Spotlight.⁵

Finding Marketing Opportunities: Where to Look

LO 2.3 Recall where to look for opportunities.

I have argued for many years that environmental scanning may be one of the best ways to find optimal opportunities for your venture. In fact, a study of successful entrepreneurs revealed that these individuals engaged in environmental scanning.⁶ And as you read in Chapter 1, environmental scanning includes not only examining trends/changes in the marketplace but also watching and talking to consumers. Closely looking for structural changes in society and determining how these changes will affect the needs of consumers (their "pain") is vital if you wish to pinpoint the right opportunities for your business. The major categories of environmental forces discussed in Chapter 1 that are assessed through environmental scanning were social, economic, technological, competitive, and regulatory.

Social Change

Numerous social changes (demographic and cultural) are having a dramatic impact on the types of entrepreneurial opportunities available in the marketplace. In Chapter 1, we discussed a few of these changes, including the growing

ethnic population of America, the aging population, and time poverty. Each of these changes offers potential opportunities for the entrepreneur.

Another notable social change is eco-consciousness or going green. Many Americans are more sensitive about the impact their consumption has on the natural environment. This has led to demand for more environmentally safe or more environmentally friendly products, buying products that can be reused or recycled, or actually reducing consumption altogether. The trend toward eco-consciousness has opened up opportunities to a new breed of entrepreneurs called *ecopreneurs*: entrepreneurs who see opportunities through an environmental lens. For example, one entrepreneurial startup, Earthcycle Packaging, created an eco-friendly package made from a renewable resource called *palm fiber*, which composts in less than 90 days and provides a healthy contribution to the soil.

Finally, Americans are becoming more experiential. We are more willing to try new things and to seek out new experiences. Spending on foreign travel is up, and spending on entertainment and dining outside the home is up, particularly at ethnic restaurants. Some have referred to these experiential consumers as “trysumers”—consumers who are daring in how and what they consume. They are enabled by mobile communications technologies such as wireless phones and personal navigation devices. They can travel off the beaten path and still feel safe and in touch.

Since many of these trysumers want to try new things and not buy, new venture startups have emerged to cater to this group. For example, British Fractional Life is a venture that offers consumers a variety of asset-sharing options ranging from luxury handbags and cars to even helicopters, all available in shares or time slots. Some trysumers are even “trysexuals.” In response, Match.com and other dating sites offer “try before you buy/rate before you date” services as well as casual encounters and speed dating.⁷

Economic Change

One of the major structural changes in our economy is the fact that we are now part of a globally interconnected marketplace and networked marketspace. This might present competitive challenges for you given that your competitors for your venture may no longer be simply down the street from you but in Korea, China, or India. On the other hand, this new economy also offers you access to the 95 percent of the population that lives outside of the United States. All too often, young entrepreneurs see opportunities only within the confines of America, and this is myopic thinking in the new economy.

Another key structural change in our economy is the shift from a manufacturing economy to a services, even experience-based, economy. We are building fewer things for people, and we are “doing” more things for people. In fact, 70 cents out of every consumer dollar is being spent on services, not tangible

products. Therefore, it is not surprising to see why so many business startups are service based or experience based, because that's where the money is!

Technological Change

Rapid and ongoing technological change is one of the most important triggers of entrepreneurial opportunity. Nanotechnology (super-small, mini-electronics), biotechnology (e.g., implantable health monitoring systems), intelligent robots, and smart cars that can park themselves are all part of our consumer and competitive landscape. Technology is changing how we live and work and allowing us to do things that we simply could not do before. Information and communications technologies (ICTs), including the Internet and the Internet of Things (IoT), have become widespread, and entirely new business concepts have emerged as a result. For example, the Internet has given rise to Voice over Internet Protocol telephone services that now compete with traditional telecom providers. There are commercial-free satellite radio and streaming services that compete with broadcast and cable television. In addition, the emergence of social media is creating opportunities for some tech-oriented entrepreneurs looking to start their own social media sites or working on social media applications.

Some things the aspiring entrepreneur must do when assessing technological change and the possible opportunities it provides are (1) determine the magnitude of the change, (2) examine the generality of the change, and (3) assess the commercial viability of the change. In short, the larger the technological change, the greater the opportunity. Technology that is general purpose (e.g., laser) will offer more opportunities than single-purpose technologies. And some technologies, while bringing about change, may not be commercially viable to build a business around.⁸

Competitive Change

The competitive nature of the economy is also evolving. There is both intense local and globalized competition in almost every industry sector. Moreover, mergers and acquisitions have also changed the competitive dynamic by either opening up or closing down opportunities for entrepreneurial firms. For example, the airline industry has seen a consolidation and an application of a hub-and-spoke design. This has allowed for entrepreneurial startups to enter the industry with point-to-point air travel design. Large consolidated companies that now focus on serving large business customers have also opened up opportunities for small entrepreneurial firms, which can cater to the overlooked small- to medium-sized enterprises (SMEs).

Another major shift in the competitive landscape has been toward inter-type competition. This means competition between seemingly dissimilar businesses. For example, the local bakery now must compete with the supermarket,

the department store, the discount outlet, the local gas station, and even an online provider hundreds of miles away that will guarantee overnight delivery of custom cakes! Traditional brick-and-mortar companies are also now staking out a presence in the new online world as the number of pure-play online competitors increases.

Regulatory Change

Deregulation of industries often provides entrepreneurial opportunities, as was the case with the deregulation of the telecommunications and airline industries. On the other hand, increased regulation can also provide entrepreneurial opportunities. For example, one former student was an environmental engineer working in a corporate environment. When the Environmental Protection Agency (EPA) introduced new regulations on industries pertaining to waste water, she started a small company to provide consulting and testing to keep those industries in compliance. Similarly, new regulations on automobile emissions have given rise to new technology-based companies that work for or with automobile manufacturers to meet those requirements.

One key area of regulatory change involves the Internet and cable television market, where promarket changes are leading to new opportunities for entrepreneurs. California, for example, has eliminated the municipality-by-municipality franchising requirement in favor of a statewide permit for companies seeking to deliver Internet and television services to homes and businesses. This will open up numerous opportunities for startups to enter the market at reduced costs and to do so more quickly.⁹

Finally, a recent study revealed that 80 percent of companies surveyed said they will increase their clean-tech spending over the next five years in light of current and future regulations pertaining to climate change. This will give rise to numerous opportunities for entrepreneurs who provide clean technologies.¹⁰

Veiled/Niche Opportunities

LO 2.4 Describe the importance of veiled and niche opportunities.

In many cases, entrepreneurs can find veiled or niche opportunities often overlooked or ignored by large corporations. A **veiled opportunity** (hidden, or not easily seen) is often uncovered (discovered) by smart entrepreneurs who stay in touch with the marketplace. For example, after conducting an environmental scan, one of my students discovered a strong trend in pet ownership. Most people could have easily determined this trend. But he drilled a little deeper and discovered a “veiled” trend—pet as family member. In this case, some pet owners viewed their cats or dogs as valued members of the family. Because of this, many pet owners wanted to protect their pets and would spend enormous amounts of money to keep them happy and healthy.

Pet health insurance was a business opportunity that unveiled itself, and he built a successful business around this opportunity.

In other cases, smaller niche opportunities may emerge when you conduct your environmental scan. A **niche opportunity** is one that many large corporations deem simply too small to invest in or involves a very specialized type of customer. HayChix—a women-founded enterprise, for example, focused its business on horse owners—about 10 million domestic horses are owned in America. They discovered horse owners were concerned about their horses wasting hay. So HayChix created a slow-feeding hay bag that ensures proper feeding with little waste.

In many cases, veiled or niche opportunities surface by going into the marketplace and seeking out the unhappy, the underserved, or the overlooked customers. Many larger corporations simply fail to do so, and this provides a window of opportunity for you as an aspiring entrepreneur.

Evaluating Marketing Opportunities

LO 2.5 Evaluate marketing opportunities using a template found in this chapter.

After finding or identifying “possible” marketing opportunities, your job now is to evaluate those opportunities to determine which ones might really be the “right” opportunity for you and your venture. There are a variety of criteria one could use to assess the nature and scope of any given marketing opportunity.

Figure 2.1 provides an overview of some of the most important criteria that should be used to make this evaluation. For example, market size and market growth rate are important to consider. Typically, many entrepreneurs focus single-mindedly on seemingly large aggregate markets. Yes, market size should be considered, but the rate of growth in a market is also an important criterion. For example, the soft drink category in the United States is a multibillion-dollar market, but it is basically a flat market (no growth). On the other hand, the bottled water category is a smaller market but is growing at a rapid pace.

A very important evaluative criterion when screening opportunities is whether the opportunity creates significant customer value. This value can come in the form of a lower (better) price or some added-value dimension that the customer is prepared to pay for (e.g., better quality). Another key criterion is whether you have a well-defined target market. Who is the customer? If you cannot describe and define that customer, then your opportunity lacks focus.

Customer-felt need is also an important criterion. If consumers already have a strong felt need for the product/service, it will be much easier to build and grow your venture. On the other hand, if you have to educate the customer and create felt need, your time to first dollar may take more time. If customers are currently satisfied with alternatives available in the market, this might

FIGURE 2.1 ● Marketing Opportunity Evaluation Criteria

Market size	Small.....Large
Market growth rate	Low.....High
Creates significant customer value	No.....Yes
Well-defined target market	No.....Yes
Customer-felt need	Weak.....Strong
Customer satisfaction with current alternatives	Happy.....Unhappy
Access to customers	Difficult.....Easy
Ability to command a premium price	No.....Yes
Sustainable competitive advantage	No.....Yes
Ability to build and sustain the brand	No.....Yes
Presence of valuable intellectual property	No.....Yes
Competitors	Many.....Few
Barriers to entry	Yes.....No
Cost to enter market	High.....Low
Cost to scale up	High.....Low
Time to first dollar	Slow.....Quick
Red ocean or blue ocean	Red ocean.....Blue ocean
Profit potential	Low.....High
What does the customer think?	Hates it.....Loves it
Voice of consumer (% who will buy)	0%.....100%
Personal fit	No.....Yes
Can the opportunity obtain financing?	No.....Yes

also be a showstopper for your venture. Of course, the customer might not be “ideally” satisfied, and if so, this may provide you with some opportunity. To determine felt need and satisfaction, you must engage the customer and get his or her feedback. We will discuss an approach to doing so later in this chapter and again in Chapter 3, when we examine marketing research.

Another screening criterion is access to customers. This is a two-dimensional construct: physical access (can you get the product/service to the customer—a

channel issue?) and communications access (are you able to talk to the customer about your product service?).

The ability to command a premium price is also part of the evaluation process. There is no question that it is possible to start and grow a venture by being a “low-cost” provider. However, my bias for entrepreneurial startups is to avoid competing on the basis of price. I stress this because you simply might not have the cost structure that allows you to compete on price. If you feel you can do so and wish to pursue the “low-cost” provider route, then that is your decision. But most entrepreneurial ventures compete by offering significant value (superiority based on a nonprice dimension) and command a premium price, which is perhaps the best option for you to consider.

Another important criterion is whether your venture possesses a sustainable competitive advantage. A *sustainable competitive advantage* is a unique strength relative to your competitors. It can come in the form of higher-quality products, higher-quality customer service, speed of performance, lowest cost, or customer intimacy. More and more often, we are seeing that a sustainable competitive advantage is coming in the form of the branding. **Branding** is an activity in which an enterprise uses a name, phrase, design, symbols, or combination of these and other intangible elements to identify the products or services of one marketer and to differentiate them from those of the competition. A **brand name** is a name, sign, symbol, design, or combination of these elements intended to identify the products or services of one marketer and to differentiate them from those of the competition. Brand building is going to be critical to the success of your venture, and an entire chapter in this book (Chapter 7) is devoted to this topic. The reason branding is so important is that most forms of competitive advantage can be easily matched by competitors. Advantages such as price, product quality, and locational convenience tend not to be sustainable. But a good brand can be sustained and may, in fact, be the last bastion for sustainable competitive advantage.

Another critical evaluation criterion is whether there is a presence of valuable intellectual property. One common dimension of successful ventures is that they tend to have a valuable intellectual property. **Intellectual property (IP)** is defined as creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. IP is divided into two categories: (1) industrial property, which includes patents, trademarks, industrial designs, and geographic indications of source; and (2) copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs, and sculptures, and architectural designs. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and those of broadcasters in their radio and television programs.

An important piece of IP for many new ventures is a **patent**—an exclusive right granted for an **invention**, which can be a **product** or a **process** that provides a new way of doing something or offers a new technical solution to a problem. To receive a patent, your invention must meet certain requirements. For example, it must be of practical use; it must show an element of novelty (a new characteristic not previously known or discovered), and it must show an inventive step that would not normally be deduced by the average person. A patent provides **protection** for the invention to the **owner** of the patent, and this protection is granted for a limited period, generally 20 years. Many investors want to see that your venture has a patent(s).

If your venture does not hold/own a patent, another valuable piece of IP your venture could have is a **trademark**—a **distinctive sign** that identifies certain goods or services as those produced or provided by a specific person or enterprise. The origin of a trademark dates back to ancient times, when craftsmen reproduced their signatures, or “marks” on their creations or products. Trademarks may be one or a combination of words, letters, and numerals. They may consist of drawings, symbols, three-dimensional signs such as the shape and packaging of goods, audible signs such as music or vocal sounds, fragrances, or colors used as distinguishing features. A trademark provides protection for your enterprise (assuming you file to register the trademark—and it is approved), since you are given the exclusive right to use it to identify your products or services. The period of protection varies, but a trademark can be renewed indefinitely beyond the time limit on payment of additional fees. Trademark protection is enforced by the courts, which, in most countries, have the authority to block trademark infringement.

Now, many people use the term *trademark* interchangeably with the term *brand*. However, consider the concept of a brand as a broader notion in that it includes both tangible and intangible components such as a trademark, design, logo, and the name of the concept, as well as the activity of branding—attempting to differentiate your venture and its products and/or services from competitors by focusing on building and promoting the brand per se.

In my view, branding is perhaps the most important asset for a venture. Yes, I think patents are important too. But a brand is a special type of intangible that enhances the business value of an enterprise to a greater extent than a patent. In fact, studies have shown that an average brand accounts for more than one-third of the value of an enterprise, while very strong brands may account for two-thirds of the value of a business. Thus, the branding of your new venture and its products and services is going to be critical, and that is why an entire chapter is devoted to this topic (Chapter 7).¹¹

The number and strength of competitors currently in the market as well as any possible barriers to entry must also be considered. Low barriers to entry, for example, may make it easier for you to enter the market but at the same time also afford others that same opportunity. Your costs to enter the market, cost to scale up the business, and time to first dollar are other important factors to consider.

Whether you are entering a “red ocean” or “blue ocean” is also part of your analysis.¹² A **red ocean** is characterized by existing markets with established competition where the goal is simply to outperform rivals to steal share and grow. The red ocean is typically crowded, and profit and growth are difficult to achieve. Invariably, the red ocean is a place of cutthroat competition, which turns the ocean bloody (red).

In contrast, the **blue ocean** is a new market space where demand is being created and not fought over. The blue ocean is created by new value and innovation. For example, Cirque du Soleil created a blue ocean by offering customers a combination of opera, ballet, and circus entertainment. NetJets also created a blue ocean by offering fractional jet ownership to customers wishing to avoid the hassles of flying commercially. Entering a red or blue ocean will have a dramatic impact on your potential profitability (another screening factor).

Perhaps the most important criterion to use when evaluating opportunities is finding out what the customers think and whether they will buy from you. This requires you to “talk” with your potential customers and to get validation from them. If they hate your idea and are unprepared or unwilling to buy from you, then perhaps you have the wrong opportunity. This **voice-of-consumer (VOC)** feedback is, in my view, the most important aspect of the evaluation process.

VOC is a research technique that is designed to uncover customer wants and needs; assess customer satisfaction with existing product/service solutions; obtain feedback on new venture concepts and the products/services offered by the ventures including likelihood of purchase; and other key input regarding the nature, scope, and configuration of proposed venture and/or its new products/services. VOC can be both qualitative and quantitative in nature. But either way, it involves interacting with customers in the real world (in the field) in an in-depth manner. The goal is to extract valuable customer-centric information that leads to validation of your proposed venture and its products/service or allow for refinement of such or killing the proposed venture.

There are many VOC methods, and they will be discussed in Chapter 3, including but not limited to depth interviews, focus groups, and ethnography. The value of VOC information should be judged based on its credibility, reliability, validity, and predictability. Granted, as we discussed in Chapter 1, the voice of the consumer may not work well for discontinuous, new-to-world innovations, but it will work for almost all other proposed ventures. We will discuss voice of consumer in more detail a little later in the chapter as it pertains to assessing consumers’ likelihood of purchase vis-à-vis your new venture.

The last two criteria (personal fit and ability to obtain financing) are not strictly marketing related, but we include them here because they are important considerations when evaluating opportunities. Also, other important non-marketing-related evaluation criteria that you should use to assess given opportunities include, for example, the quality of the management team

you could put together. Finally, it is important to remember that a given opportunity is not an opportunity for everyone; it is just an opportunity for “someone,” and it might not be you. Industry experience, market knowledge, or personal fit may make an identified opportunity appropriate for one entrepreneur but not for another.

Determining the Extent of the Opportunity: Making Some Market Estimates Using Voice-of-Consumer Feedback

LO 2.6 Explain how to prepare market estimates using voice-of-consumer feedback.

Many entrepreneurs have difficulty quantifying the extent of the opportunity under consideration. But knowing the market potential for the venture is critical before one makes an investment in the business. Typically, an entrepreneur discovers the aggregate size of a given market and then makes a revenue projection based on capturing a particular percentage of market share. For example, assume the market size for product category X is \$1,000,000. Some entrepreneur will forecast capturing a particular percentage of market share, say, 20 percent. In this case, the market estimate for the enterprise would be \$200,000.

Furthermore, the entrepreneur may also use three different levels of market share (e.g., 10, 15, and 20 percent) to represent pessimistic, realistic, and optimistic projections. But, when pressed, most entrepreneurs cannot validate why they are using such percentages, and few have confidence in the predictive value of their estimates. We call this approach a top-down method and label it complete “financial voodoo.”

One simple way to overcome this problem is to go to the market and talk with potential customers and get their input—voice of consumer or VOC. This is referred to as a bottoms-up approach and provides a more realistic picture for potential revenue. What you would do is develop a **customer value proposition statement** or CVP—a short venture concept statement describing what the business is, the target customers it seeks, the value you provide, and how you are different from competitors. My research shows one of the primary reasons new ventures fail is the lack of a CVP or a poorly conceived one. A CVP must articulate the distinctiveness and unique value you are offering to your prospective customers. Importantly, it points out that what you offer is simply better than your competitors.

You then ask the customer, given the presented venture concept statement, “How likely is it that you would buy from my business?” Typically, a Likert scale is used, ranging from 1 to 5, with 1 being *very unlikely*, 2 being *unlikely*, 3 being *neither unlikely nor likely*, 4 being *likely*, and 5 being *very likely*. What you