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ENT 624
Entrepreneurial Strategy

Lecture 05



Market Entry Strategies

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“The people who are crazy enough to think they can change the world are the ones who do.”

– *Steve Jobs*

Entrepreneur Quotes to Inspire Your Own Success



13. "Business opportunities are like buses: there's always another one coming." – **Richard Branson**

14. "The best customer service is if the customer doesn't need to call you, doesn't need to talk to you. It just works." – **Jeff Bezos**

15. "Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant." – **Peter Drucker**

16. "If you broke a lot of rules as a kid, you'd probably make a great entrepreneur." – **Harley Finkelstein, president of Shopify**



Learning Objectives

- 1. Learn how to develop your value solution based on your overall strategy.**
- 2. Understand the key drivers that are integral to buyers' demands and expectations within your industry.**
- 3. Know how your own value solution is matched and compared against these drivers within your marketplace .**
- 4. Learn the value of the perceptual map and how the map is used to maintain and exceed your competition in your industry.**
- 5. Learn how to develop and gain an appreciation for a “Go-to-Market” strategy that is based on your value solution, the drivers in the industry, and your competitive positioning.**



Designing Your Firm's Value Solution(s)

- Prior to putting together any type of messaging regarding how the entrepreneur will deliver on the strategy, **it is necessary to establish the firm's unique selling point**—otherwise known as the **value solution**. This is directly related to developing the firm's strategy as presented in advance.
- Previously, you had the opportunity to learn the benefits that win customers and how to sustain your competitive advantage.
- **Now, begin defining your value solution along the similar categories of value and cost-benefits of customer convenience, price, productivity, simplicity, convenience, and image.**
- Under these categories, think about how your company, your service, and/or product is different from anyone else's.



Designing Your Firm's Value Solution(s) (Cont.)

- To further perceive and develop your value solution, begin by considering the following:
 - ❑ **What solution or need does your product/service fill in the eyes of your customers?**
Why would they want your product/service? How does the solution improve the lives of your potential customers? Go ahead and develop a full list based on these questions and then also consider:
 - ❑ **Would you buy this product? Why or why not?** If not, this may give you an insight into potential weaknesses, areas that you need to improve and enhance before placing your product/service in the marketplace. Essentially, **you could reverse these weaknesses and turn them into a value solution that makes a difference in how customers perceive and buy your product/service.**
- From there, you can then start to determine who will most benefit from your product and/or service. All this information can then be mapped out using [Table1](#).



Table 5.1 Designing Your Value Solution

<i>Benefits of Product/Service</i>	<i>Value Solution (What Problem(s) Does It Solve?)</i>	<i>For Whom? (Target Audience)</i>
Benefit 1:		
Benefit 2:		
Benefit 3:		
Benefit 4:		



If you are having difficulty in listing the benefits, examine further how the categories of customer convenience, price, productivity, simplicity, and image can then be differentiated from the competition. **For example:**

- **For customer convenience**, who within your firm's industry is emphasizing customer convenience?

Where are there gaps? How does your primary market currently go about buying existing products or services of this type? How can your new venture create a solution or solutions to offer customer convenience?

- **For price**, how does your pricing strategy compare to others in the industry? Is pricing a major buying criterion for your customers? If so, how can you make price a key differentiator (while keeping your viability and business expenses in mind)?

- **For productivity**, how does your product/service improve or enhance the productivity and efficiency of your market? How can you make sure that efficiency is perceived as a key marketing or selling point of what your firm offers or how it conducts business?



- **For simplicity**, how does your product or service meet some of the basic needs and solve the current problems of your customers?
- **For image**, how do your potential or current customers perceive the benefits of your business? What are their sources of information? Word of mouth? Trade publications? The Internet? How can you build or improve the image of your product/service solutions?
- By answering these questions, you can then further develop your value solution(s) and refine it to communicate your message directly to where your market would look and find information related to your business.



Market-to-Market Creative Connections

- This tool, in which creative connections are forged between the intended market and an unrelated market, will help the entrepreneur to generate ideas for:
 - positioning the new venture,
 - promoting its products and services, and
 - developing and extending the value solution.

1. Business description

Write **the nature of the business** in a word or a short phrase.

2. Attribution list

List all the features, (e.g., characteristics, services, products, promotion methods, value offered) **that you associate with this business** in a column on your paper.

***If the business is not yet in existence**, list your intended features.

****If it is an already established business**, list the features it already provides.



3. Select a different type of business

Pick an industry or business type that is distinctly different from yours or the one you are considering and write the name of it at the top of the next column on the page.

4. Attribution list for different business

List all the features, (e.g., characteristics, services, products, promotion methods, value offered, etc.) that you associate with this different business. Write as much as you know about what this different business does or could provide.



5. Make creative connections

- What do the attributes of the “different business or industry” suggest for your business or industry? For your value solution?
- What could you put in place in your business that has been successful or a competitive advantage in the different business? How can information from a different industry partner assist you in developing your value solution(s)?
- What opportunities did you discover for marketing your product/service? How can these opportunities be integrated into how you market your value solution?



The Key Drivers Integral to Buyers' Demands and Expectations within Your Industry

- Once you have defined your firm's value solution(s), you will find that you will **need to revisit and adapt your strategy based on the conditions and context of your industry and marketplace.**
- **As customers' needs and preferences change, your firm will need to take a proactive approach** in understanding how these changes influence the overall operations and efficiencies of your business.
- One of the ways to stay ahead and meet the expectations of your customers is to **understand the key drivers of your venture within the industry.**
- The categories above are helpful in considering your firm's value solution(s) at the initial launch of your business. However, over time, you will want to adapt these categories to the needs and expectations that drive your customer buying decisions on a daily basis.



Matching and Refining the Value Solution(S) to Marketplace Drivers Over Time

- Once the entrepreneur has determined the industry's key drivers over time, those drivers can be assessed based on how well they meet your firm's strategy and value solution(s).
- Using the grid in [Table 2](#), determine how well the strategy and solutions are matched against the key drivers in the market.



Table 2 Matching Strategy, Solutions, and Market Drivers

What the Market Demands	Considering Your Strategy and Value Solution(s): How Well Are You Doing?					
	Poor	Needs improvement	Fair	Good	Outstanding	Exceptionally well
Competitive price						
High name recognition						
Superior customer service						
Performance of product						
Knowledge of staff and expertise						



- Table 2 assists you in benchmarking areas where your firm requires attention or where you lack the internal capabilities and resources to meet the needs of the marketplace.
- Knowing these weaknesses will help you craft a revised strategy that focuses on those drivers and positions you for the next new innovation (perhaps coming from your organization).
- While partnering and strategic alliances will be discussed later, **the idea of developing a relationship with an outside firm may assist you in finding the key resources to fulfill your strategy and meet or exceed the needs of your customers.**
- In finding a partner to assist with building your resources and capabilities, consider the following three questions:
 1. What capabilities do you need to achieve the value solution and key drivers in the industry, and which ones do you lack? *(Refer to the second column of [Table 2](#))*
 2. Which companies have those missing capabilities?
 3. Based on cost, quality, and speed, should you acquire those companies or partner with them?



- While “how to” partner and build a strategic alliance will be discussed later, discovering what kinds of resources and capabilities you need to implement your value solution and strategy is the first step in the process of building and growing a sustainable, profitable venture.
- Our next focus will be on how others, including your competition, view your strategy and your operational effectiveness and performance. We will learn the value of the perceptual map and how the map is used to maintain and exceed your competition in your industry.

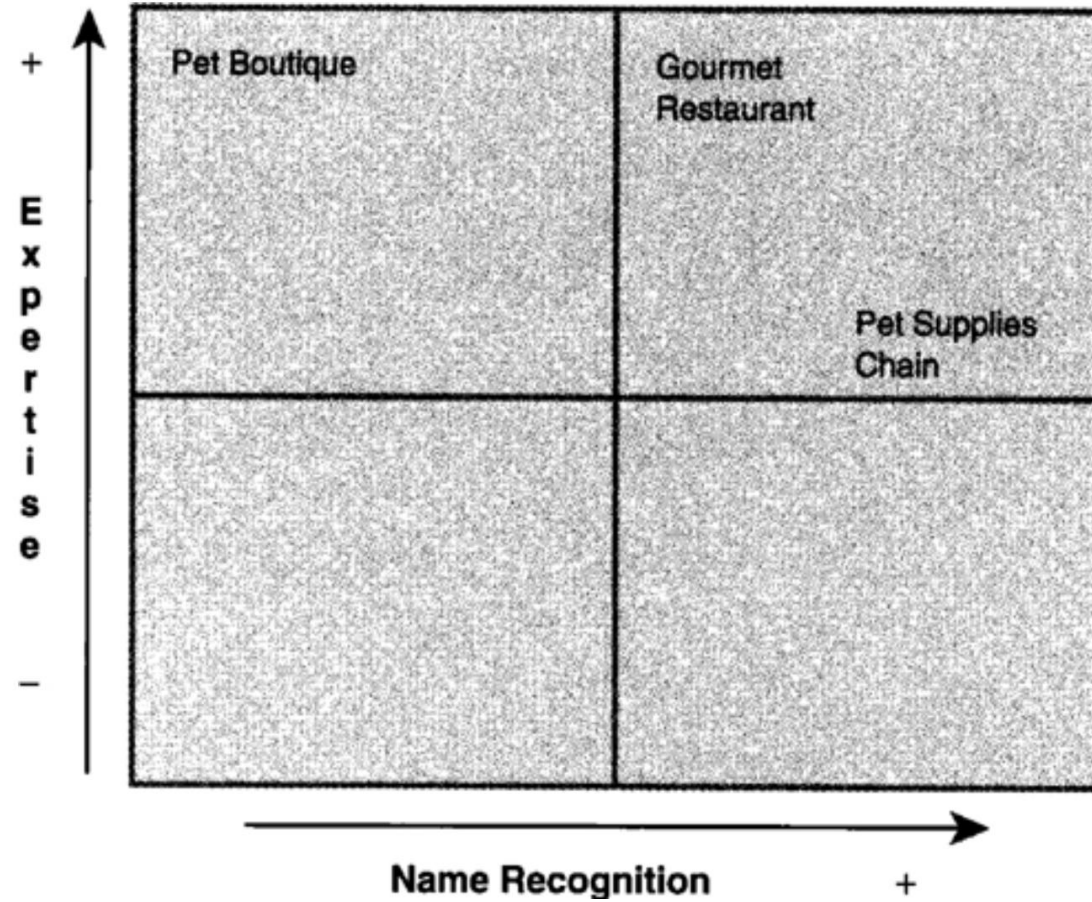


Matrix Comparisons: Perceptual Map

- Developing your solution and its match with the key drivers in the industry assesses your internal strengths and weaknesses; also, it is important to look outside, in terms of how others in your market space are performing.
- **Competitive positioning** reveals where your company stands in the eyes of any given group of people through the use of matrices.
- By creating a simple 2×2 matrix diagram, you can easily map out the position of your firm in relationship to its competitors, or its relationship to a firm in a different business or industry.
- Matrices give us a great way to *visualize* many of the different types of comparisons mentioned in this chapter.
- Simply take two characteristics of a business and align them on the vertical and horizontal axis. In [Table 3](#), we compare expertise and name recognition.



Table 3 Strategic Positioning of the Firm



- Let us consider the example of an entrepreneur who owns a **pet accessories boutique**.
- Pet products and services are one of the hottest new ideas: The American Pet Products Manufacturers Association Inc. estimates that \$35.9 billion was spent on pets in the United States in 2005, up from \$34.4 billion in 2004 (Pennington, 2005).
- In this case, the boutique is renowned in its neighborhood, with a steady and loyal clientele.
- If the entrepreneur wants to compare how her business fares against competing national pet supplies chain in these two categories, she would place her business low on the name recognition scale but higher on the expertise scale.
- The pet boutique owner may choose to look at the techniques the large chain uses to excel in these areas.



Assessing a Competitor's Will

- **Even the strongest competitor can be overcome if it is not committed to the market needs.**
- **Similarly, a weak competitor can cause massive damage if it is obsessively committed.**
- **It is crucial to assess competitors' strength of will or commitment.**
- This requires going beyond objectives (what do they want?) to assess the intensity with which they approach the task (how badly do they want it?).
- Most competitions involve several key times when each competitor has the choice of backing down or continuing the fight.
- When assessing the likelihood that a competitor will continue to fight (an act that sometimes is not rational from a profit perspective), one should assess the following factors:



- **1. How crucial is this product to the firm?** The more crucial the product is in terms of sales and profits, number of employees, or strategic thrust, the more committed most companies will be to it. This helps explain why efforts to unseat a market leader by attacking the heart of the market provoke violent reactions, whereas a strategy that nibbles away at secondary markets is more likely to go matchless. For example, eBay's key product is its on-line auction. Attempts by <http://Amazon.com> and others to develop similar auctions are considered to be a strong threat to eBay's viability and are met with increased promotions and advertising, as well as expansion in the number of auction categories.
- **2. How visible is the commitment to the market?** It may be difficult for companies to admit they are wrong once they are publicly committed. A good example of this is Exxon's Office Systems Division, which was clearly in trouble for a long time before it was sold in 1985. Also, Coca-Cola held on to New Coke and repositioned it several times, even though it did not sell well.



- **3. *How aggressive are the managers?*** Personality differences exist, and some individuals are more combative than others.
- This aspect of management **may not be** detected in the management analysis.
- Only by knowing how badly a competitor “wants it” can one successfully approach the next task: predicting future strategies.



Developing the Go-to-Market Strategy (GTM)

- It has been said, “If you don't know where you are going, any road can take you there.”
- To eliminate such disorientation and provide direction, an entrepreneur should begin with the vision and create the “**Go-to-Market**” (GTM) strategy for what will be the firm's launch.
- A full **GTM strategy** includes channels that a company uses to connect with its customers and organizational processes it develops to guide customer interactions from initial contact through fulfillment.
- The **right GTM strategy** has a significant impact on a company's ability to cost-effectively deliver its value solution to each of its target segments.
- Companies are becoming increasingly focused and sophisticated in the way in which they compete to create superior customer value.
- As companies tailor their value solutions **to better address customer needs** beyond product specifications and to better align their cost of sales and fulfillment relative to those needs, **GTM strategy plays a central role.**



- **A powerful vision should continually stretch the corporation's capabilities.**
- For many companies, therefore, the overarching vision is captured in an ambitious aspiration, the time frame of which may be ill-defined and distant.
- In the 1920s, Ford wanted to put “a car in every home”; in the 1980s, Apple looked toward the future and saw “a computer in every home.” By the 1990s, Bill Gates had gone further yet: “a computer on every desk, and in every home, running on Microsoft software.” By the end of that decade, this vision had grown to include the Internet.
- Each of these simple expressions offers a compelling statement that challenges and motivates employees by providing meaning and fulfillment to their work.



Your Go-to-Market Strategy

- As you become operational, and to focus on solutions rather than specific products, you can now organize your strategic efforts around annual GTM campaigns.
- A GTM strategy focuses your business on short-term strategic challenges and provides consistent strategic marketing approaches for your products and services.
- Strategic partners or allies can align their products or services with your GTM strategies to benefit from these campaigns.
- However, while GTM strategies are intended to make your message to the marketplace more focused and coherent, their short-term focus and vagueness mean partners should take time to understand their benefits.
- GTM campaigns can be designed using the matrix in Table 4, completing each of the cells and offering solutions for your marketplace.



Table 4

<i>GTM Solutions (Areas of Concentration)</i>	<i>Target Audience</i>	<i>Key Products</i>
Strategic Initiative 1: Customer Segment _____		
Strategic Initiative 2: Customer Segment _____		
Strategic Initiative 3: Customer Segment _____		



Pioneers and Followers—Competitive Tactics, Environment, and Firm Growth

- A form of corporate entrepreneurship called **market pioneering** occurs when a firm is first to offer a new product/service on the market.
- The connection between market pioneering and firm performance focused primarily on:
 - (1) pioneering as an environment specific phenomenon, and
 - (2) firm's performance
 - (3) fit between a firm's pioneer/follower status and its competitive tactics.
- These phenomena are explored, emphasizing how they are manifested in different industry environments and what pioneers and followers do differently to promote their performance.
- A theory that describes how specific competitive tactics relate to firm sales growth rate among market pioneers and market followers is developed in two distinct environmental settings: hostile and benign.



- To test two proposed hypotheses, data is collected from senior managers of 103 independent, non-diversified manufacturing firms in 75 industries.
- The main analytical techniques used to assess the data are: cluster analysis, ANOVA, and correlational analysis. The findings suggest that market pioneers grow at the same rate as market followers.
- **In hostile environments, pioneering may enable firms to break out of the dominant price-based mode of competition and grow despite charging high prices.**
- **Pioneers in hostile environments are better served than followers from a wide geographical distribution of their products.**
- It is recommended that **followers in hostile environments reduce their cost structures in order to maintain low price strategies.**
- The results also suggest that, **in benign environments, offering products with warranties superior to those of competitors may have positive effects on sales growth,** more so among pioneers than followers.



Recap

- Value solution
- Key drivers that are integral to buyers' demands
- Market –to-Market connection tool
- Perceptual Map
- Assessing a Competitor's Will
- Go-to-market strategy
- Pioneering market
- Pioneering firms
- Followers firms





Summary of Lecture Objectives

1. Learn how to develop your value solution based on your overall strategy

- Consider defining your value solution along the similar categories of value and cost-benefits of customer productivity, simplicity, convenience, price, and image.
- You can then further develop your value solution and identify ways you can locate and communicate with your customers, as well as where your market would look to find information related to your business.

2. Understand the key drivers that are integral to buyers' demands and expectations within your industry

- As customers' needs and preferences change, your firm will need to take a proactive approach in understanding how these changes influence the overall operations and efficiencies of your business.
- To uncover and reveal the most important drivers within your industry, you need to engage in questioning and research that not only reveals the important key drivers but also identifies how well your product or service responds to these key drivers over a period of time.





Summary of Lecture Objectives

3. Know how your own value solution is matched and compared against these drivers within your marketplace

- Once the entrepreneur has determined the industry's key drivers, those driver can be assessed based on how well they meet the strategy and unique value solution.
- [Table 2](#) assists you in benchmarking areas where your firm requires attention or where you lack the internal capabilities and resources to meet the needs of the marketplace.
- Knowing these weaknesses will help you craft a revised strategy that focuses on those drivers and that positions you for the next new innovation (perhaps coming from your organization).

4. Learn the value of the perceptual map and how the map is used to maintain and exceed your competition in your industry

- Competitive positioning reveals where your company stands in the eyes of any given group of people through the use of perceptual maps.
- Perceptual maps are useful whenever a business decision requires knowledge of how people perceive issues and when the success of company policy or action requires a desired response.



Summary of Lecture Objectives

5. Learn how to develop and gain an appreciation for a “go-to-market” strategy that is based on your value solution, the drivers in the industry, and your competitive positioning

- A full “go-to-market” strategy encompasses the channels that a company uses to connect with its customers and the organizational processes it develops to guide customer interactions from initial contact through fulfillment.
- The right go-to-market strategy has a significant impact on a company's ability to cost-effectively deliver its value solution to each of its target segments.
- As companies tailor their value solutions to better address customer needs beyond product specifications and to better align their cost of sales and fulfillment relative to those needs, go-to-market strategy plays a central role.

See you next lecture 06

Thank You