

## The Structured Start-Up WORKBOOK

MODULE 11: UNDERSTANDING THE INDUSTRY ECOSYSTEM

TOPICS COVERED:

How to understand your industry ecosystem as well as how your company is positioned in that ecosystem.

The Structured Start-Up from First Avenue Ventures https://learn.firstavenueventures.com LEARN WHAT MATTERS MOST "Keep your friends close, your enemies closer."

WHAT'S THE ECOSYSTEM OF RELEVANT 'PLAYERS' IN THE INDUSTRY?

"Sometimes the lambs have to lie down with the wolves."

— Bill Gates

"A horse never runs so fast as when he has other horses to catch up and outpace."

#### — Ovid

Whether you're disrupting a large swath of an industry or just trying to carve out a little niche, it's essential to survey the scene. This includes understanding the universe of competitors, industry organizations, similar businesses in other adjacent markets (geographical or otherwise), suppliers, incumbents, up-and-comers, trade organizations, associations, and so on.

As you "survey the scene," open your mind to the advantages and challenges of your particular industry. Keep in mind that:

- Having competition inspires greatness. Steve Jobs had Bill Gates, The North Face has Patagonia, FedEx has UPS, etc.
- Trade organizations provide a wealth of information and, sometimes, discounts on services. They can also provide a barrier to entry if they have admissions standards. For example, you cannot practice law or medicine without approval from the respective bar or medical association.
- When you really want to know about an industry, going to an industry conference or trade show is invaluable. Do your



extroverted best to meet people in person. In *That Will Never Work*, Mark Randolph, co-founder of Netflix, describes going to a video rental business trade association show. There, Randolph gained both industry insights and professional contacts from which Netflix greatly benefitted in the early days.

• From competitors, you can set a benchmark. Meeting these benchmarks gives you a more objective metric: making money is good, losing money is bad, but making more money than your peers is great -- and losing less than your peers is even better.

Putting your company in this perspective, you may see some advantages and some shortcomings. Studying the product and market is important, but focusing on who else is in the space is equally worthwhile, as it helps you think through all aspects of your business. Regardless of what you do, you aren't going to be operating alone. Competitors will notice -- you can't be in stealth mode even if you have a single customer. Sometimes, suppliers and customers will watch what you do, learn, and repeat. Competitors will also react toward you or characterize their differences from you more starkly.

Everyone is motivated by their own economic interest, so it's wise to review each member of your industry ecosystem and see how they react if you're successful -- friend, enemy, or frenemy?

When going through this exercise, people will sometimes put themselves at the center. Either they find a sweet spot upon which all other ideas fail or they envision a spoke-and-hub wheel model in which they are front and center. I would resist this temptation. While you may get there eventually, you are never the central focus of any industry at the start. Instead, look through the perspective of your competitors.

Ultimately, what you're looking for here is not experience but defensibility. In start-up world, the amount of industry experience is actually not relevant for success. Insiders and industry experts are often blind to their own weaknesses. Yes, you do have to be able to perform basic functions to meet the expectations of customers, but your experience with business in general is usually more relevant and important than experience in a specific industry.

Understanding how you are positioned in the ecosystem is critical in understanding how you can maintain your advantage. When you are out and going in the world, if you're successful, people will try to copy you. What happens when they do?

### The Blue Ocean Strategy

Definition (from The Economic Times): "Blue Ocean Strategy [refers to] a market for a product where there is no competition or very less competition. This strategy revolves around searching for a business in which very few firms operate and where there is no pricing pressure."

> Occasionally, you see pure Blue Ocean companies. They're creating a new market and going after something entirely new, where the competitive landscape is irrelevant. Looking at things through this lens can be helpful: it finds competitors' weaknesses. You can often find angles and strategies that are overlooked. For instance, you could find ancillary markets that are underserved or a new offering so unique that customers flock to it before a relevant industry develops around it. Yellowtail Wine, for example, created a simpler wine choice targeted at less sophisticated potential wine consumers. It was a novel concept that reaped huge dividends.

### CONFLICTING DYNAMIC

Ultimately though, while unique, Blue Ocean companies are not usually independent of the market. Yellow Tail, after all, was still a wine. Finding your uniqueness in the industry is helpful. Wrapping your ego in stories of uniqueness is not.



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# QUESTIONS TO CONSIDER

1. Provide an ecosystem of relevant 'players' in your company's industry.

2. What larger companies, if any, offer competitive products or current solutions to your target products?

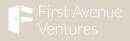


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# QUESTIONS TO CONSIDER

3. What smaller companies in other markets – geographical or otherwise – are working on a problem similar to yours?

4. What suppliers are you using or will you use, and will they be in your market?



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# QUESTIONS TO CONSIDER

5. What industry association conferences will you attend, or would you attend if you could?