


The Structured Start-Up

WORKBOOK



MODULE 3: MARKET SIZING, GO-TO- MARKET STRATEGY, AND DEFENSIBILITY

TOPICS COVERED:

Understanding your market perspective, including knowing where your company fits in the larger market, what your target market should be, and whether or not your company's position in the market is defensible.

**LEARN WHAT
MATTERS
MOST**

WHAT IS UNIQUE ABOUT YOUR COMPANY WITHIN THE BROADER MARKET CONTEXT?

“A journey of a thousand miles begins with a single step.”

— Lao Tzu

“If I had asked people what they wanted, they would have said faster horses.”

— Henry Ford

Good markets can help make bad entrepreneurs better, but bad markets can make good entrepreneurs bad. As you examine your opportunity, you can't examine it in a vacuum. As soon as you start production, your product will be subject to market forces. Market forces are stronger than any company, and while you can help shape those forces, your company is always subject to them.

Understanding your market is critical. While having a growing market is a huge advantage, something has to change in that market to make your particular company unique. A mature market is tough to break into, unless you have a particular advantage within that market. However, a new and growing market also has its challenges: what makes you unique as compared to other potential market entrants?

Often, when working in or on your start up, you lose sight of the larger market picture; you lose the forest for the trees. You need to take a step back and get a good sense of the market within which you are operating. This allows you to figure out what customer expectations are with your product -- is it a better version of something out there, is it something revolutionary,

is it something so completely new? Each situation is fine, but each requires you to talk to your customers a little differently. Put yourself in your customers' shoes and match your product/service story to their expectations.

A market perspective also provides context as to where you fit within the market. We'll discuss customer personas later, but it's important to figure out who within the market is your customer. If you are a consumer company, your market, especially at first, cannot and should not be "all customers." That is too large, and it's impractical to try to sell to everyone in the market. You have to be more targeted. The same is true in business-to-business markets: a targeted approach is better.

Of course, the target market also cannot be too small. Often, once a company peels back the layers to see where the real issue is in the market, their market is too small. Sometimes this may work as a "beachhead market" or a place where a new company can gain a toehold as well as some experience in the industry, but unless the smaller beachhead market can be parlayed into a larger opportunity, you have to question whether the market is really worth pursuing. Look for the Goldilocks solution: a market that's not too large, not too small, and just right. If you want to go after a big hairy goal eventually, that's great -- just wait a little bit.

A market perspective also provides context as to whether your company's position is defensible: can someone else do what you're doing? Patented technology is the easy answer to this question, but in most start-ups, the answer often is "our unique team or unique market angle is going to give us an initial advantage, which we can hold onto and grow into a dominant market position." That answer is fine, if it's true.

If what you are doing is very easily replicated, however, you have to be concerned. If a bigger company can easily adapt their process, modify a product, or enhance a service offering, then in the long term, they may be better positioned. Technology companies are notorious for seeking imitation over innovation, and care must be taken so that it does not happen to you (remember the Periscope rage?). Though it's possible to overthink this and you can, of course, work on your positioning later, you should perform some analysis up front.

(The first sentence in this module is a paraphrase from a quote by Zane Terrance with Founders Advisors at a Birmingham Venture Club presentation.)

QUESTIONS TO CONSIDER

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2. Within how large of a market does your company exist?

3. What is unique about your company within the broader market context?
