

Reader Exercises

As in all our other chapters, we have exercises for you to perform. This set is perhaps the most important of the lot because it is a field-based validation of everything you have done so far—the venture concept, the business model, the product/service strategy, and the positioning strategy.

Step 1: Create the Venture Concept Statement

Prepare your textual, one-paragraph statement of your venture concept. It should be two to three sentences. Use the examples in the chapter as a guide. You should be able to communicate the essence of your venture to potential customers in about 30 seconds. This will be important because most customers won't give you much more time than that in this type of field experiment! Practice on yourselves first and then on friends outside of your team. Did those friends understand the concept in 30 seconds? If not, keep reworking the text statement until it is clearly understood by outsiders.

Step 2: Create the Discussion Guide

Using Figure 7.6 as a reference, prepare your own Field Research Discussion Guide. You should cover all the various bases that are shown in that figure. Once again, practice with teammates and friends outside your team.

Step 3: Conduct the Field Research

Talk with at least ten potential customers. If you have distinctive customer groups be sure to talk to people in each group (e.g., 3 customer groups, 10 each = 30). If you feel that you still have unanswered questions or a lack of clear insight on product/service requirements, positioning, channel, and price, find more prospective customers.

Step 4: Analyze the Data

Now, begin to analyze what you have discovered. Use Figure 7.8 (A–D) as a reference for organizing the data and interpreting the results. What does this data tell you? For example, are customers interested in the concept? Are they likely to buy? How much are they likely to spend on each purchase? Importantly, through which channel do they prefer to buy your product or service? If you gather a sufficient number of respondents, the data should really tell the strength of customers' preferences for these and other important areas.

Overall, does the venture concept you created in Chapter 3, the business model you designed in Chapter 4, the product/strategy you developed in Chapter 5, and the positioning approach in Chapter 6 collectively make sense given this direct feedback from prospective customers?

Step 5: Create a Rich Profile of the Target Customer

Now, armed with this information from your customer groups, describe them in rich and thick detail. Which group, if any, is likely to be the core customers of your venture? Harkening back to Chapter 3, what are their core needs, their attitudes, their behaviors, and any hard demographics such as age or gender or industry affiliation? Figure 7.11 is a good template for this purpose. Fill it out with your customer insights.

Under behaviors, also include any special purchase cycle factors, such as the budget cycle for a B2B venture selling to large corporations or occasion-specific timing for B2C ventures selling gifts of one type or another. An extreme case might be a technology company whose customers only design new generations of their systems once every five years or so, which means a “design-in” for the venture's technology occurs only rarely. At the other extreme is a

Target Customers	Core Needs	Attitudes (toward family or work or lifestyle)	Behaviors (include buying preferences)	“Hard” Demographics (including percentage of total market/survey)
Group A	Perceived: Latent:	• • •	• • •	• • •
Group B	Perceived: Latent:	• • •	• • •	• • •
Group C	Perceived: Latent:	• • •	• • •	• • •

Figure 7.11 Know Your Customer Template

Web-based information service (such as in the “Generate” case in the back of this book) where customers want the venture’s outputs fresh on a daily basis. Knowing your customer also includes knowing when they want to buy your products, systems, or services.

Step 6: Take a First Crack at Revenue Projections for a Scaled-Up Business

Now, using Figure 7.10 from our pet snack example as a guide, construct revenue projections based on your reality check. Remember, you are multiplying the percentage of customers who are “likely” and “very likely” to buy your products or services times their actual “spend” on those purchases. To this, you must also factor frequency of purchase and overall penetration into the target market for the channels that you are going to use. Also remember that these projections are for a scaled-up business of some reasonable size—and not the revenues that are likely to be achieved in the first year or two of the business. The structure of your spreadsheet will differ in terms of the labels for the headers for the columns and the levels for the various rows. Make this spreadsheet reflect *your* business, not the pet snack venture used as a teaching example.

Do those revenue projections look attractive to you? Is this the type of business in which you want to dedicate your time and effort over the coming five years? If a business shows the promise of strong revenue, you can usually figure out “all the rest” in terms of people, expenses, and capital. Without strong revenue potential, everything else is so *very, very hard*.

Step 7: Summarize Your Reality Check

Take a good 30 minutes to complete the chart in Figure 7.12. The chart has fundamental questions you must answer. Answer them as succinctly and clearly as possible.

Use short, bullet-point answers, as if you were going to present this to an interested investor. Then, underneath each set of answers, indicate your confidence level for that answer (Low, Moderate, or High). For many students, this is the “money chart.” Good answers with high levels of confidence are your ticket to the leg of this journey to entrepreneurial success. And then ask yourself, does all of this add up? Is it worth a go? Or, what else do we still need to learn before writing our formal business plan?

As in our other chapters, the completion of this work presents a fine opportunity for a checkpoint before proceeding forward. Accordingly, we encourage you to show your results to your trusted advisors, your professors,

1. What is the business? (product, system, service)	
2. Who is the target end-user? Who is the target buyer?	
3. What problems does it solve for the customer?	
4. How is it different from competitors in terms of what “it” does?	
5. Would the customer pay more, the same, or less than what they use now if your product was available today?	
6. Where does the customer want to buy offerings like yours?	
7. How much and how often will the customer buy your offerings? Are there occasion-specific or budget cycle drivers?	
8. Where do customers normally learn about offerings such as yours?	
9. What else do they want to buy with offerings such as yours?	
10. Can we produce a strong stream of revenue in this venture?	
11. What additional features do you think are important in a (product or service) such as this?	
Do the answers to these questions add up to a cohesive, powerful venture concept and an attractive revenue model?	

Figure 7.12 The “Go, No-Go” Reality Check Template

and your classmates. Have some fun with it! Nobody comes back from the field without a few surprises. This is what makes entrepreneurship not only challenging but fun. Think of yourself as a highly adaptive, fleet-footed individual who can respond faster to new insights than any established competitor in the target market.

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Well done! A market-tested venture concept and business model are a lot more than most first-time entrepreneurs have in their arsenal before writing a business plan and making a pitch to investors. We hope you now realize the power of your industry and customer insights and how this sets you apart from those many other would-be entrepreneurs who just “wing it” in writing a business plan.

The results of all this hard work are going to pay off “big time” in Part II—which comes next. So, take a deep breath. Give yourself a huge pat on the back. Go celebrate for a bit with your teammates and your advisors. And then, get ready.

In Part II, we will learn how to translate your work to date into a set of realistic financial projections, a well-written business plan, and a compelling pitch for investors.