

## Reader Exercises

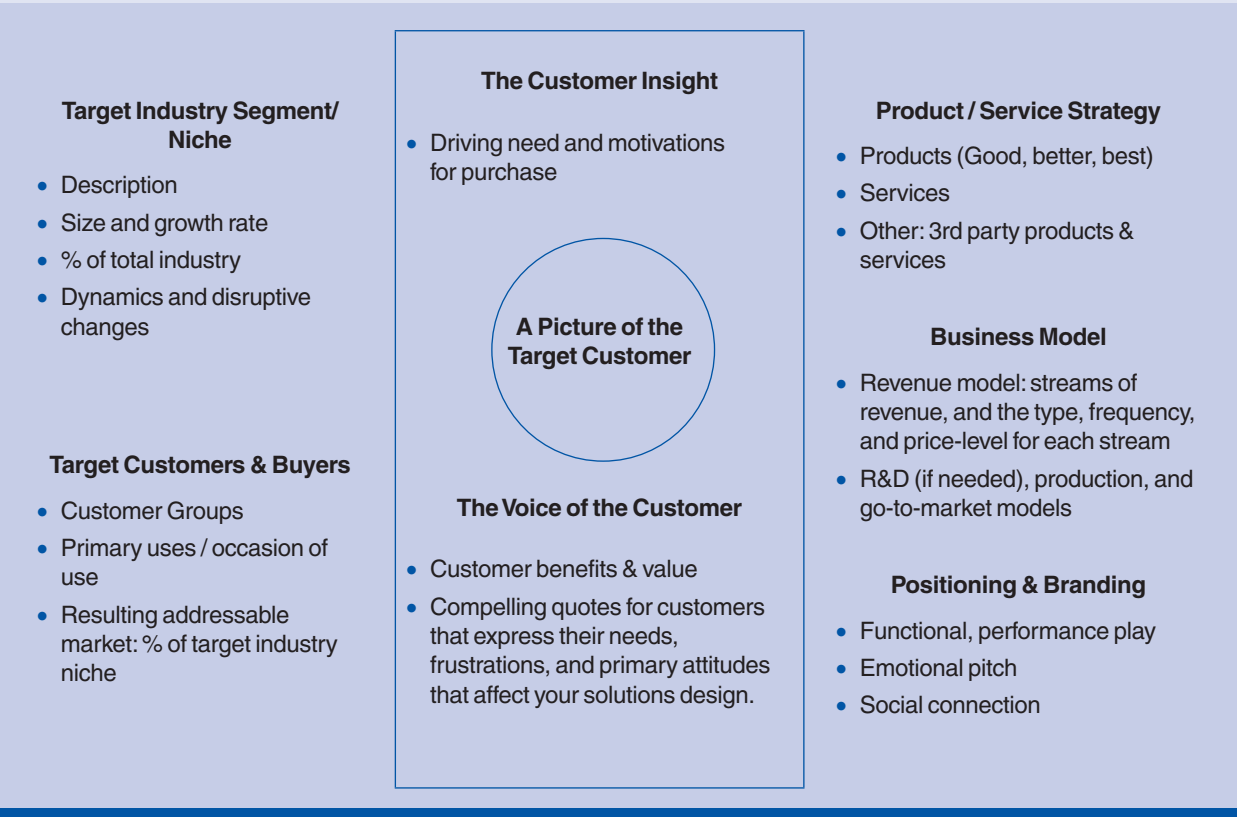
As in all our other chapters, we have exercises for you to perform. This set is perhaps the most important because it is a field-based validation of everything you have done so far: target customers and uses, product and service innovations, business model with all its different dimensions, and the positioning and branding of your products and services. It's time to do it!

### Step 1: Create Your Venture Concept Dashboard

Prepare your dashboard, integrating your strategies and decisions from the successive chapters so far in this book. Use Figure 7.7 as a template. Keep it simple. Use bullet points and short statements. And include a picture or video to bring the target customer and the use case in the dashboard to life. If you have a sketch or a prototype of your new product or service, include that as well as a separate exhibit.

### Step 2: Create Your 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. If you have a drawing or prototype of your product or service idea, include that as an attachment or “show and tell” with the survey. It will make your survey all the more meaningful for respondents. 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 outsiders can clearly understand it.



**Figure 7.7** The Venture Concept Dashboard Template

### Step 3: Create Your Discussion Guide/Survey

Using Figure 7.2 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.

Above all, try to keep your survey short and focused. Most customers won't give you much more than 10 minutes for the entire survey itself! But of course, if a consumer or manager in a company wants to talk your ear off about their issues and problems, set the survey aside for a while, listen hard, take notes, and then come back to the survey and wrap things up with a big thank you. Always say thank you to everyone. Let them know that their knowledge and insights are very important for your venture. If they want to stay involved with your project, take their contact information and be sure to follow up. These individuals will help you test your new products or services.

### Step 4: Conduct the Field Research

Talk with at least 30 potential customers. Why that number? For the ethnography, we suggested between 5 and 10 for observation and in-depth interviewing. This survey has a different purpose. We are trying to validate hypotheses for all your prior customer research. It should be done faster with each customer, and you need more data to have confidence in the results. 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. The more, the better. We have had student teams talk to 80 or more prospective customers, and these usually produce the most solid, insightful Reality Checks.

If you are working a B2B market space, you must still try to talk to a sufficient number of managers and users in target corporate customers, perhaps six to eight companies and a couple dozen individuals across those companies. There is no substitute for customer feedback on a structured, systematic Reality Check at this point in time for developing your venture.

### Step 5: Analyze and Report the Data

Now begin to analyze what you have discovered. Use Figure 7.4 (A–D) as a reference for organizing the data and interpreting the results. What do the 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? 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, do 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 you took in Chapter 6 collectively make sense given this direct feedback from prospective customers?

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

Now, using Figure 7.6 from our pet snack example as a guide, or the similar methods described in the Spotlight boxes for the high-tech ventures, develop an estimation of the total revenue possible for a scaled-up version of your venture that wins in the target industry niche, the specific customers and their uses, that together define your addressable market.

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. We have called this a "top two-box score," and using these top two levels as an indicator of purchase intent is a widely accepted practice in marketing.

Also, remember to factor all the dimensions of the revenue model: the type of revenue, the frequency of purchase, and the price level suggested by respondents. In addition to "purchase intent," you will need to consider the overall penetration into your target market for the channels that you are going to use. If you have 50% of a target market being top two-box-type customers, but your channels only reach half of them for particular geographic or industry considerations, then you must cut that 50% in half in order to have a reasonable ballpark estimate of revenue.

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 three to four years of the business.

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 and Report Your Reality Check

Use Figure 7.8 as a template to report your findings. Each part of that template might be a separate PowerPoint slide—but use your own judgment. You want to create a concise, focused presentation.

First, group the questions into their logical buckets and report percentages for the Likert-type scale questions, for example, the percentages in each of the 5-point or 3-point scales depending on the question in the Field Discussion Research Guide. Then use major bullet points for the open-ended questions.

Do you view yourself as a potential customer of this offering?	Validate primary and secondary customer groups.
What would be the different ways that you would want to use the (product or service)?	Identify primary and secondary uses/ occasions of use.
How satisfied are you with the current products/services you use now? Very dissatisfied   Dissatisfied   Neither Dis/Sat.   Satisfied   Very Satisfied	Report percentages. Look for top two box scores ; Very Dissatisfied, Dissatisfied.
Do you see the proposed offering as distinctive from the competitors? Not different   Somewhat different   Highly distinctive	Report percentages. Look for top box scores: Highly Distinctive
How much would you be willing to pay for this offering compared to current products/services you use now? A lot Less   Less   Same   More   A lot more	Report percentages. Look for top two box scores for More, A Lot more
How often do you buy similar products or services? (Open ended)	Report time frequency of purchase
How much do you spend each time you make a purchase? (Open ended, but looking for a dollar amount. Try to validate the structure of revenue—e.g. does the customer want to purchase, license, subscribe, try before buy.)	Report money spent range, with average Report preferred revenue type
Where is the best place to buy products/services such as this? (Open ended, but look for a specific preferred channel and ways in which they test or try products/ services)	List channels, with percentages Validates go-to-market model
Where do you get your information about products/services such as this? (Open ended. Look for preferred information sources.)	List sources, with percentages Validates build awareness model
How likely is it that you would be willing to buy this offering? Very unlikely   Unlikely   Neither   Likely   Very Likely	Report purchase intent, top two box score for Likely and Very Likely
What additional features do you think are important in a (product or service) such as this? (Open ended)	List this desired features, with most popular & percentages first
Add your estimation of revenues for a scaled up business (after 5-7 years, or the time cycle appropriate for your industry—biotech ventures will be much longer)	This should show your assumptions.
Final checklist on key aspects of your venture strategy and business model.	Check them off! Final slide.

**Figure 7.8** Reporting the Results of the Reality Check

Next, include a single slide on your revenue estimate for a scaled-up business.

Last, step back and assess your findings. Make a short-hand list for yourself and put this all on a single summary slide. This should include:

- A target customer group that is frustrated with current solutions
- Strong purchase intent for your product or service idea and who find it different and distinctive
- Validation for your proposed revenue model
- Scaled-up revenue potential that is sufficiently large to justify your efforts
- Clear, existing channels to market (or if you plan on selling direct, evidence that this is what customers want and expect)
- Good ways to build awareness of your products and services for target customers

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 advisers, professors, and classmates. Have some fun with it! Nobody comes back from the field without a few surprises. 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. And if you are not satisfied with your findings, do what many other entrepreneurs have done before you: Do a quick revision of your target customer and use, the product or services strategy, the business model, and the positioning—create a new Venture Concept statement and survey—and *go out in the field again for a new Reality Check*. We have seen teams turn tough situations completely around in a matter of weeks and go on to launch successful ventures. *You can do it, too.*

Well done! A market-tested venture strategy 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 they set 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 big pat on the back. Go celebrate for a bit with your teammates and your advisers. 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.

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