

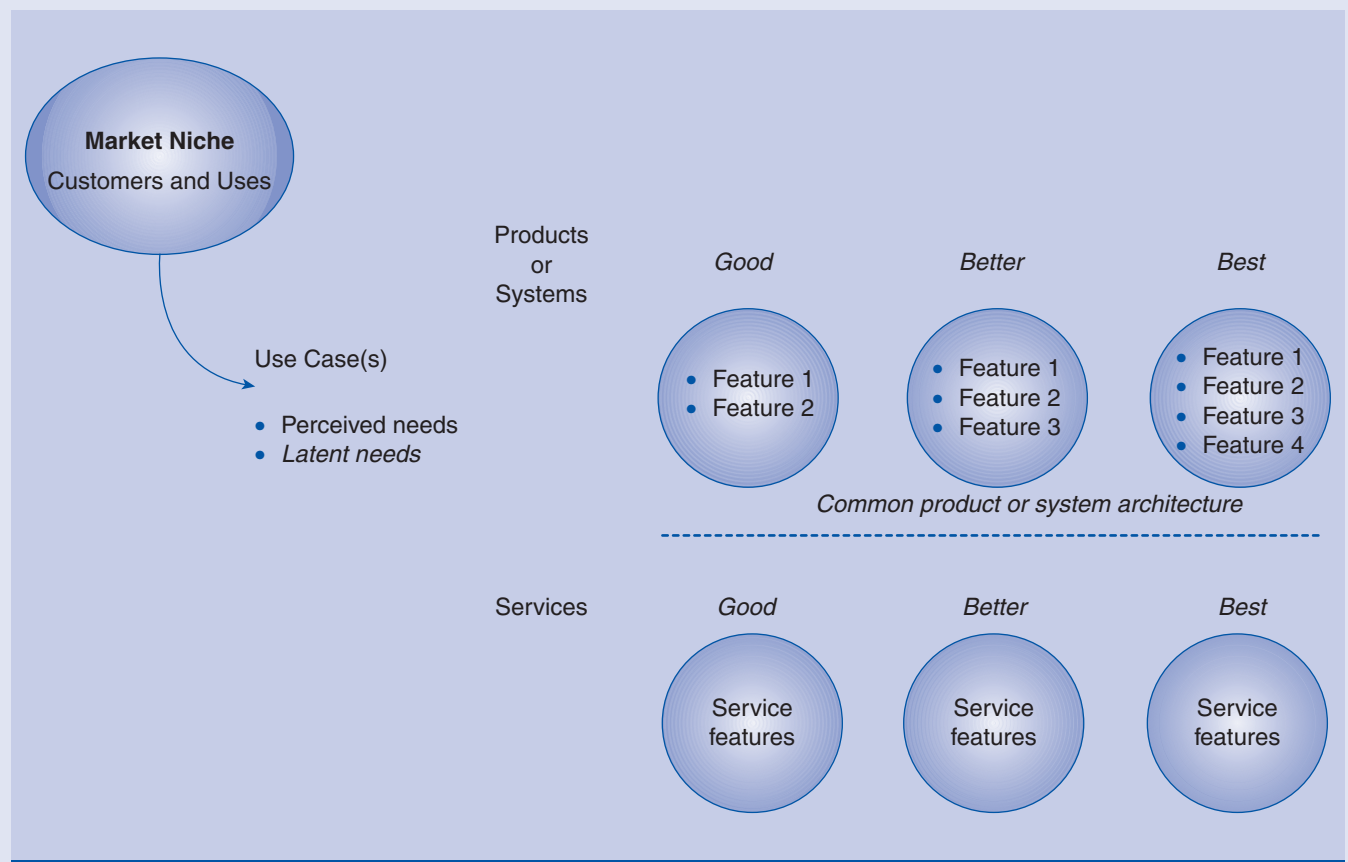
## Reader Exercises

Now it is time for you to build your own product or services strategy. We have created some simple templates from the examples shown in this chapter. As in prior chapters, use these templates to think about your venture. Take out your Venture Concept Template and your Business Model Template. Bring all your customer and competitor research to the table. Then begin.

### Step 1: Define “Good, Better, Best”

The first Reader Exercise is to apply the template shown in Figure 4.5 to define your product line or suite of services. All the customer and competitor research you have performed to date should guide your thinking here. You have segmented customers into groups, studied their use cases, and defined an interesting new product or service concept—now flex that concept into an initial handful of specific commercial offerings that will please different types of customers. Remember, some customers just want the basic product or service; others will want something more advanced, and will pay more for it. Yet others will want services in addition to products; and yet others who are buying primarily services will want you to include certain types of products with those services. This is about giving different types of customers what they need and want, all within your initial industry segment/niche and target customer group focus. Also, with some quick competitive research online, now is the time to begin to think about the pricing strategy that fits with your “good, better, best” portfolio design. Companies usually charge more for better and best.

After drawing your product line/services strategy, make a set of bullet points that contains the common features of your product or services portfolio. These might be a certain type of styling or packaging, a certain type of engine or microprocessor, a common user interface, or certain service guarantees. Later on, once you are building



**Figure 4.5** The “Good, Better, Best” Template

your company, these will turn into common platforms for your products or services—things that you can leverage across the entire portfolio.

Now step back. Take a look at the result with your team members. Does the combination of products and services set the foundation for an exciting, growing business? How can you make it even more exciting?

## Step 2: Define Your Intellectual Property Strategy

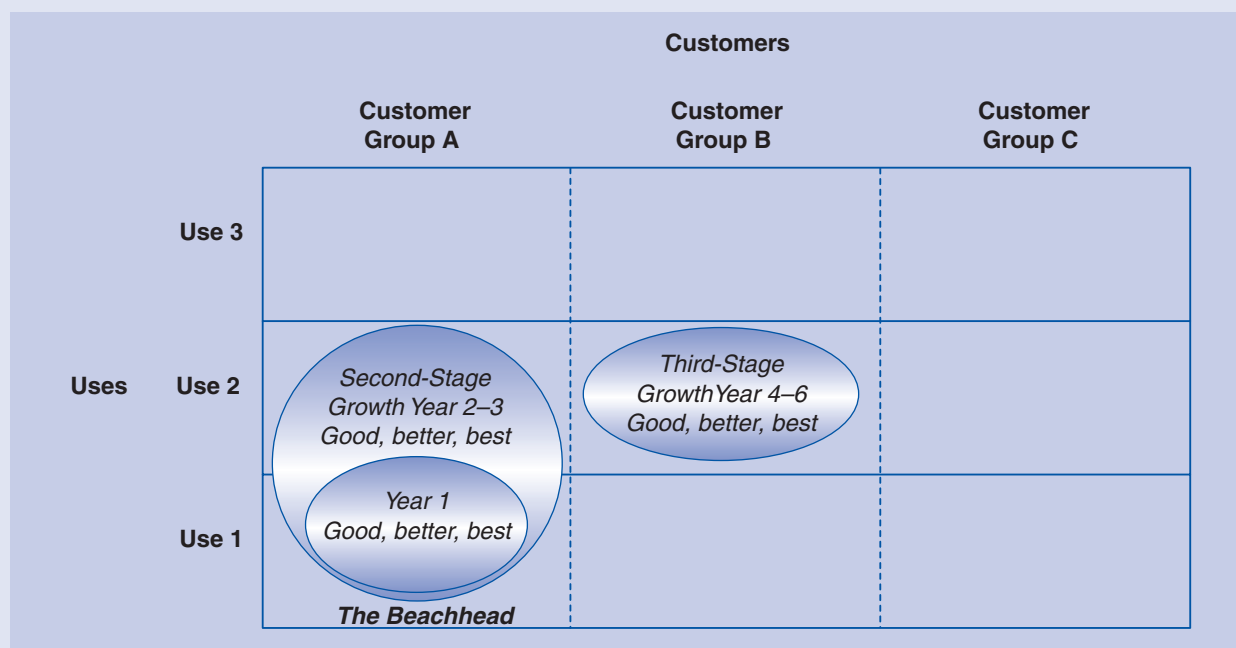
This straightforward stuff is your company's name and logo, the trademark on your first product or service brand name, and copyrighting all company published material that is printed or placed on the Web. For logos, there are a number of online auction or bidding-type resources. For example, you can check out 12designers.com (be sure to set the language to English) or designcrowd.com to get access to all sorts of design capabilities.

Next come potential design and utility patents. Law firms with an established relationship with your university should be willing to have an initial conversation for free. Remember, you need to speak with not just a general business attorney, but one specialized in handling intellectual property. If you are doing a university spin-out of a technology developed in a research lab, now is a good time to pay a visit to the technology licensing office to get a taste of the terms and conditions. Look for the royalties, licensing maintenance fees, and any mention of stock ownership in "typical" licensing agreements. Whether your university or an attorney, don't promise stock to anyone. Too many entrepreneurs give up too much stock too early in the game, which only limits their ability to raise capital and control decision making later on. Remember, *everything is negotiable*.

Nor do you require patent applications (provisional or full) or completed technology licenses in order to write a business plan and get your company started. You just need to understand if these items are going to be required to build a successful company. Lots of software companies, for example, develop proprietary IP over the first two or three years of operation. They don't start with a patent. However, for certain types of ventures—particularly biotech—professionals typically expect some type of IP as part of the venture's assets. Having some type of IP, or access to someone else's IP, for your target application will greatly increase the valuation of your company.

## Step 3: Define Your Beachhead and Growth Strategy

Figure 4.6 provides the template. Take your customer segmentation grid from Chapter 2 and overlay your product line or services strategy on top of it.



**Figure 4.6** Define the Beachhead and Next-Stage Growth Template

If you wish to restructure your customer segmentation grid based on your continued learning over the past several chapters, now is the time to do it. Take the time to write down the clearly different customer groups that you encountered in your field research. We have used age, gender, size of company, type of pet, and other dimensions as customer grouping examples in this book. Also, what are the primary use cases? Think of the different types of fishing in our fishing boots example. Or for services, think about the industrial equipment example where downloading machine controls, monitoring tire pressure, and measuring worker productivity were three distinct use cases for large construction and mining companies. What is the analogy for your customers? For certain teams, expanding to a foreign country is by itself a new customer group by virtue of the huge differences in customer preferences and buying behaviors in those new markets.

For each cell on the template, try to identify your “good, better, best” within the template. How does Michael Dell’s Inspiron, XP, and Alien strategy apply to your venture? And remember, whenever we say “good, better, best” it might just be “different,” as in the case of the rodent, tick, and deer control for Pure Pest Management, or for various types of services that Kinko’s brought to small-business owners, only one of which was photocopying.

After structuring your template, circle the region on the template that will be your unswerving focus for at least the first two years of your venture. This is your beachhead for startup. Then, where might you grow for the next stage of growth? What is your reasoning if someone—such as your professor or an investor—were to ask you?

## Step 4: Huge Extra Credit: Begin to Make Prototypes of Your New Products or Services

This is where the rubber meets the road. Put your ideas to form. Start with a few sketches. For a product, this should be straightforward. Then start drawing some of the major parts of components with the product. Think about how this design matches up against the “persona” of the target customer—the type of user, be it a consumer or a person within a business, and their needs, frustrations, and behaviors. From the drawings, you might then try:

- If it is a food or drink product, go back to your kitchen, buy the ingredients, and prove your worth! Bring samples to class. If you are a software hacker, wear the badge proudly and go build a simple prototype of the user interface and some base-level functionality of the mobile app or software system you wish to create. Bring the product portfolio to life as simply and cleverly as you can.
- For other types of products, make cardboard or paper components or shapes for either the product or the packaging of the product.
- If appropriate for your types of products, go to the store and acquire similar types of products that have features and packaging that you think would work well for your proposed product. Also, try to get examples of “good, better, best” that have worked in your industry. You don’t have to buy all these products; often, simply doing a Web search will provide you with all the images you require for a PowerPoint that can accompany your prototype.
- Use a software tool, such as Visio or even a CAD tool, to further design the product. If your university has a “3-D” printer, you can even create a small-scale prototype for your product.

Lean or “agile” development is clearly a significant factor in the startup world. In fact, there are now a wide range of services that allow a startup team to design, source, manufacture, and test new product concepts. Visit sites such as [12designers.com](http://12designers.com) to get some concept sketches and quotes from professionals. Some entrepreneurs we know have found [www.guru.com](http://www.guru.com) a useful source for finding just about any type of type of engineer, from software to mechanical engineering. Or, if you have a systems technology venture and need to find a microcontroller for a new device, take a look at DigiKey—a leading supplier of electronic components ([www.digikey.com](http://www.digikey.com)). If the venture needs manufacturing, contact a local co-manufacturer for a quote on low-volume production. Or you can upload your product designs on [www.mfg.com](http://www.mfg.com). Coroflot ([www.coroflot.com](http://www.coroflot.com)) or iFreelance ([www.iFreelance.com](http://www.iFreelance.com)) are also good sites to explore for design and manufacturing partners. Then there are services that use 3-D printers to quickly produce prototypes from CAD software models. Investigate your local area for such service providers, or you can take a look at 3Dsystems ([www.3dparts.com](http://www.3dparts.com)). These prototypes can be used for rapid feedback on design efficacy and from target customers. Another option, for small-scale, plastic-injected molded products, is Protomold ([www.protomold.com](http://www.protomold.com)).

And if it's a software product, software tools are so powerful and flexible now that in the hands of a skilled programmer, a basic prototype to show customers can be developed in a matter of several months or less. Hubspot ([www.hubspot.com](http://www.hubspot.com)) has student versions of its Web development and analytics software that you just might be able to use for free to do a pilot launch and test for a Web venture. All these resources translate into not having to hire so many full-time employees or buy capital equipment at the very start of a business.

For services, prototyping simply means working with prospective customers directly to do what you would like your venture to do, for a vastly reduced price if not for free. In one way or another, this means providing assistance to target users to help solve a current problem or frustration. Your ability to address their needs and the learning you achieve in these initial attempts will directly shape the design of your new services. For many B2C services, and most B2B services, the thing you must often do is to help customers create workflows. Model the customer's use case as a structured workflow and seek ways to streamline it. In this way, you can make life or work more convenient and better within that use case. At the same time, you will see what type of information technology you require to provide and measure the results of that service. The bottom line is that to prototype services innovations, you need to roll up your sleeves, walk into the kitchen, and get your hands dirty—except that kitchen will be in the customer's place of work or leisure, depending on the focus of your venture.

Be it for products or services, prototyping means low cost, rapid, iterative, and fun! Don't go overboard. Is there a fellow student, a small design firm, or a customer engineering firm that, for little money, can help you create a prototype, be it a mobile app, a consumer product, or some new type of medical or electronic device? This is, of course, so venture- and location-specific that there are no universal answers. But do what you or your external partners can do quickly, and then show these prototypes as soon as possible to prospective customers. With prototypes in hand, we guarantee that the level of interest and interaction will go right through the roof! Arguably, it is as important as the business plan you will be creating from this book.<sup>6</sup>

Visit the Student Study Site at [www.sagepub.com/meyer2e](http://www.sagepub.com/meyer2e) to access the following resources:

- Web Resources
- Video Resources
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<sup>6</sup>Rapid prototyping and testing is the central idea in the “lean startup” approach that has been popularized by Eric Ries. (Ries, E. [2011]. *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. New York: Crown Business.) It refers primarily to rapid prototype development and testing. But we want to caution students not to rush out blindly to build prototypes without doing the customer segmentation, ethnography, and product/services strategy development described in earlier chapters—because otherwise, you just might waste a lot of time and money building prototypes for the wrong customers and serving unimportant needs!