Markets – Introduction

• The questions
  – How much $$ is spent globally on your product?
  – How much of that will you be able to capture?

• Investors
  – Want to see potential for profits

• Funding Agencies
  – Want to see potential for profits, number of hires

• You
  – Need to decide which area to focus on

• For the right answer we need a crystal ball
  – What else can we do?
**Difficult Points**

• #1 problem with scientists:
  – “My technology does everything” and therefore “everyone will want it” – DO NOT DO THIS

• The Billion Dollar Slide
  – Often shown
  – No-one believes it, yet expects it
  – Need to show realism
Market Reports

• Very detailed (hundreds of pages)
• Very expensive
• Get them from MaRS

• Do homework first:
  – Learn language
  – Google
  – AcademicMarketResearch.com
Market Segmentation – Top-Down

- Market Size for lighting: $100 B in 2010
  - General lighting: 75% => $75B
  - Automotive lighting: 27% => $20B
  - LEDs in automotive: 12% => $2.4B
  - Exterior lighting (tail lights): 20% => $480 M

- Your total addressable market = $480 M
  - You hope to capture 5% of this market

- Your projected sales: $24 M
Different Markets

Target Market:
Your priority. Most desirable, most feasible

Total Addressable Market:
No competitors
Infinite resources

Sales Addressable Market:
Constrained by geography, competition, sales channels

Most desirable, most feasible
Bottom Up

• We sell to hospitals
• A salesperson can handle 10 hospitals
• Yearly sales per hospital are $10,000
• Sales cycle on the order of 1.5 years
• Can only afford 2 sales people
• Your sales will be $200,000 / year
Market Decisions

- Must understand the industry
  - Which pain will you attack?
- Barriers to entry
  - E.g. diagnostic market needs FDA approvals
  - Research market does not need FDA approval
- Low hanging fruit
  - Do what is easy first
- Loss leaders
  - Not every service must make a profit
Marketing Persona

• Meet Cindy:
  – 37 years old
  – Mother of 2
  – College degree
  – Likes mountain biking and classical music
  – Often shops at upscale locations

• Target your product to her
Selling to Businesses

• Bottom line very important
• Deals still made with people
  – Need to understand them, their values
  – Can use persona
• Positions
  – Decision maker
  – Buyer
  – User
  – Champion

R. McAloney, E. Istrate, U of Toronto
Technology vs. Product

• Technology:
  – E.g. A new way to do IR Spectroscopy
  – Not something you can sell

• Product:
  – E.g. A glucose monitoring system
  – A device / service that addresses a market need

• Must sell products, not technologies
Placing the Product

• Products very specific to target market
• Medical device could be used:
  – On ambulances?
  – In hospitals?
  – In the homes of seniors?
  – In nursing homes?
  – In gyms / schools?
• “Shape” of product will be different
• Marketing & sales will be very different
Push vs. Pull

• Investors love “Market Pull”
  – Let the market decide what it wants

• Scientists love “Technology Push”
  – I know everyone will want my stuff

• Neither is perfect by itself
  – E.g. “Nobody will want a computer at home”
    (CEO at Digital Inc., 1977)
Need to Answer

• What are the objectives for your company?
• Is there a market worth going for?
• Can your technology address market needs?
Market Analysis Results

• You know what your product can do
• You understand the competitive landscape
• You found there is a large-enough market
• You convinced yourself, team, investors that it is worth going ahead

• Raise the money and do it
Value Proposition vs Business Model

• Value Proposition
  – How is your invention benefiting others?
  – E.g. A gadget that makes car engines 10% more efficient

• Business Model
  – How will you make money from this?
  – Stereotypical example: razors & blades

• The two are different things
  – You need to have both
What Do We Value?

• High-quality
• Cheap
• Good-looking
• Long-lasting
• Rugged
• Fashionable
• Light
• …
Value Proposition

• Concise placement of product:
  – What you offer
  – For whom
  – What are the unique values
• E.g:
  Drei Inc. offers an efficient catalyst that allows plastic manufacturers to reduce the cost and environmental impact of their products
Values for Businesses

- Increase revenues
- Reduce costs
- Satisfy regulations
- All the others
Business Models

- Sell a product
- Rent a product
- Keep the product – sell a service
- License the whole thing out
- Take a fee on a transaction (e.g. brokers)
- Get someone else to pay for it (e.g. TV ads)
- Offer one part for free, charge for the other
- ...
- Some can be very creative
E.g. Waiting Room App

• (From Entrepreneurship 101)
• An App to tell you when your turn comes in the doctor’s waiting room
• Who should pay for it?
  – Patients (but will the doctors also do it ?)
  – Doctors (why would they?)
  – The insurance industry (what’s in it for them?)
  – The government ?
  – ...
• Business Model = The answer to this question
In the Simpler Cases

• For many simple, non-software startups:
  – Sell directly to users?
    • Need to establish contact with many customers
    • Lots of travel, each sale will be quite small
  – Sell to a reseller?
    • They can just add it to their catalogue
    • Will you get the best deal?
    • What is their negotiating power?
  – License it out?
    • Can you be sure that you won’t lose it?
  – Sell the company
Negotiating Power

• Who would be your preferred retailer:
  – Walmart?
  – A few corner stores?

• E.g. Device improves fuel efficiency for exotic cars
  – Ferrari says their not interested – what’s in it for them
  – Contacting the owners might make more sense
Two-Sided Market Problems

• Chicken and Egg problem
• E.g. A car that runs on Hydrogen
  – Nobody buys it until there are fuelling stations
  – Nobody builds fuelling stations until there are customers

• Need to be creative and find one party that can influence both sides
Other Tips

• Align customer’s incentives with yours
  – With a creative business plan
  – E.g. commission for brokers

• Buy low – sell high (everyone knows this)
• Collect early – pay late (much more important for cash flow)