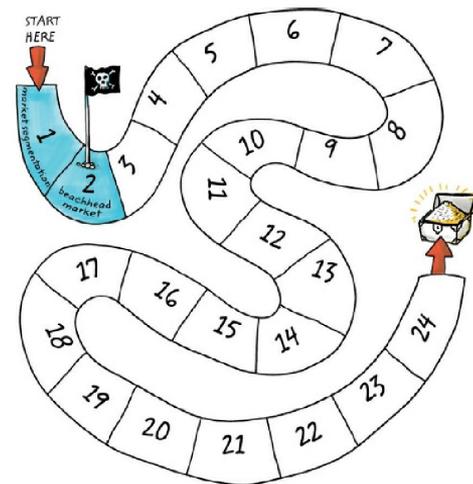


Step 2
Selecting
Beachhead
Market (BHM)
MIT Global Startup Labs
Peru 2018



How are we doing?



What is the singular necessary and sufficient condition to have a company?

*What is the singular necessary and
sufficient condition to have a
company?*

A PAYING CUSTOMER!!!

What is a beachhead market?

Beachhead

- Traditionally a military term
 - Army lands a force on beach in enemy territory, gains control of that area to land more troops/bring more supplies, and then launches more attacks
- For your startup
 - Gain dominant market share
 - Then you will have strength, experience, knowledge, and capital to go after other markets

Who was Facebook's beachhead market?

Who was Facebook's beachhead market?

Answer: Students at Harvard who were socially active.

Who was the beachhead market for the first cell phones?

Who was the beachhead market for the first cell phones?

Answer: Traveling sales people who spent a lot of time in cars.

Who was the beachhead market for desktop computers in business?

Who was the beachhead market for desktop computers in business?

Answer: Financial groups with complex calculations that required sensitivity analysis, specifically VisiCalc, the “killer app” for the IBM PC, the first spreadsheet.

Why only one market?

Predictably Irrational

MIT professor Dan Ariely (Predictably Irrational)

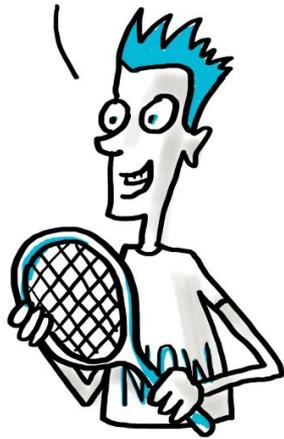
- When people are given what appear to be multiple paths to success, they will try to retain all the paths as options
- Even though selecting one specific path would have guaranteed them the most success.

Step 2: Selecting 1 Beachhead Market (BHM)

Son,
to become
a great tennis player
you need to play
a lot of tennis
and beat the best
on the way



That is clear
and I want to do it
as soon as possible
so I will follow
this plan
tomorrow.

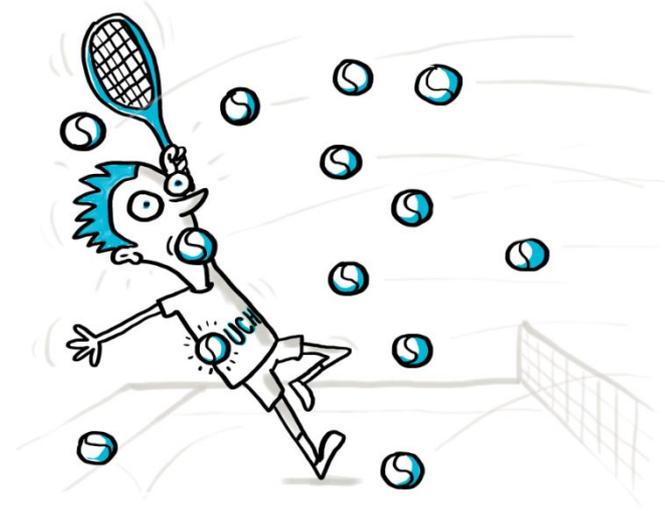
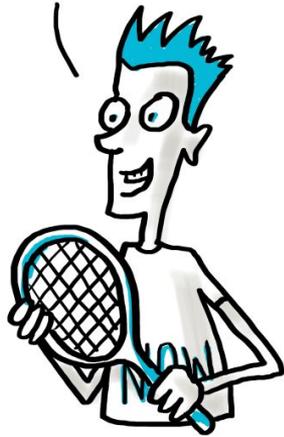


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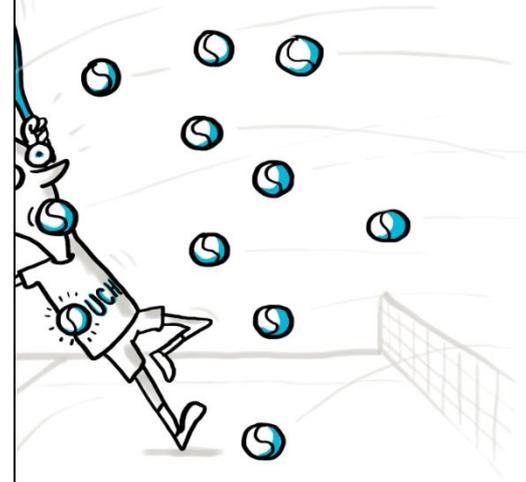


That i
and I wa
as soon a
so I wil
this
toma



Perhaps
you should start small
and work your way up.
Patience and focus
are my advice.

Oh no,
not the "f" word
again!



Success of Entrepreneurs

A key determinant of success for entrepreneurs their ability both

- to select a market &
- to stay disciplined by deselecting the other markets.

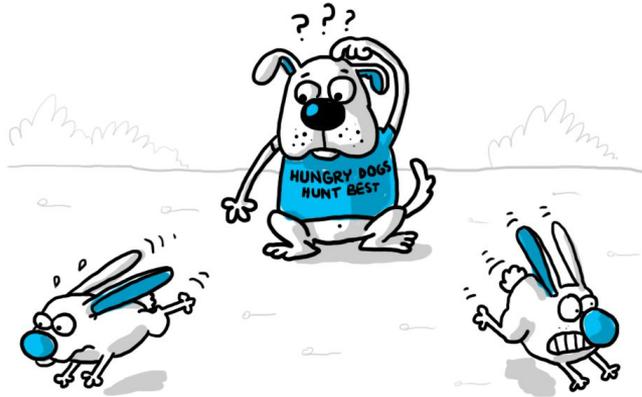


“I'm actually as proud of the things we haven't done as the things we have done.”

—Steve Jobs

Why only one market?

“PERSON WHO CHASES TWO RABBITS CATCHES NEITHER”
— ROMANIAN PROVERB



Target Customer (3 conditions)

- Same Product
- Same Sales Process
- Word of Mouth

Criteria to Consider when Selecting Beachhead

1. Is the target customer well-funded?
2. Is the target customer readily accessible to your sales force?
3. Does the target customer have a compelling reason to buy?
4. Can you today, with the help of partners, deliver a whole product?
5. Is there entrenched competition that could block you?
6. If you win this segment, can you leverage it to enter additional segments?
7. Is the market consistent with the values, passions, and goals of the founding team?

Don't get stuck in analysis paralysis!

- There are multiple paths to success
- Eliminate the options with the lowest chances of success
- Start doing, interviewing, experimenting, etc.
- Your actions will tell you whether or not it is a viable market

Peeling of the onion

- BHM → Submarket Segmentation → More FOCUS
 - Remember the **three conditions to define a market**:
 - Same product
 - Same sales process
 - Word of mouth
- Better to be small (\$100m/year or less)
- You can dominate in
- Allow you to get to be cashflow positive
- One-sided vs. Two sided markets
 - Uber - drivers & consumers
 - Amazon - buyers & suppliers

Example

Smart Skin Care

MIT student and professor created way to more quickly synthesize nanoparticles for medical purposes

- Completed market segmentation and PMR. Which markets did they consider?
 - Medical applications in hospitals
 - Consumer market - slow releasing sunscreen
- Selected consumer market, sunscreen. Why?
 - Did not need FDA approval
 - Would be less expensive and time consuming to start
 - This allowed them to release product faster, work closely with the end-user, and get feedback sooner
- BUT, this market was too big and too diverse. So they had to sub segment further
- They selected “**extreme athletes in their thirties who run triathlons**”. Why?
 - These athletes are extremely competitive
 - Spent their disposable income on fitness
 - Were positive about the product
 - Could influence subsequent markets

Next ...

- Do more PMR - it never ends!
 - Customer interviews (at least 30), industry expert interviews, etc.
 - Observations
- Select Beachhead Market
 - Complete worksheet - whole team must sign off