



Small Business Resources

Selected for Women Entrepreneurs by Women's Enterprise Centre

ADDRESSING AND CREATING A PRODUCT NEED

By Roman Kanter, Ernst & Young

So you've got a great new technology that is the best thing since e-mail, and you need now is the financing to commercialize it. That's great, but have you considered the most important question on the mind of all venture capitalists: "Will anyone buy it?"

This age old chicken-and-egg dilemma is nothing new, but in today's tech-driven environment, the question screams louder than ever – what comes first, the product or the pain?

The impetus for a new product has to be driven by a specific need, or pain, in the market. Prior to moving your product from the idea to development phase, you need to identify whether a certain pain in the target market will be alleviated.

The pain can come in various forms: you can have a small pain and a big market, or a large pain for a smaller market. The trade off is price/volume versus specialization.

Many start-ups do not properly identify and quantify the pain their product will address. Likewise, they fail to determine the necessary features and price points that facilitate adoption by the target market. Many entrepreneurs incorrectly assume that market acceptance will occur based on the product's use of new technology, and this can be the kiss of death for the product and possibly for the business itself.

In order to avoid such a calamity, ask yourself three questions:

1. Is there a pain that exists?
2. If not, can you create the pain or make people aware of it?
3. If yes, will the market see enough value in the product to buy it?

Let us look at each of these questions more closely.

Does the pain exist?

Is there a need for a product that could fundamentally improve the way things are done? Before e-mail, people had to rely on traditional snail mail. The ability to send a message that can reach its destination in minutes instead of days has fundamentally changed the way all of us communicate.

Another consideration is whether you are offering something that greatly improves on an existing technology. For example, the electronic typewriter was a considerable improvement over the manual units because it allowed users to correct typos without retyping the page or using messy white outs. Computers with word processors made the typewriter obsolete by allowing users to edit a document quickly and easily.

Creating/exposing the pain

Another way to launch a product is to create the pain. You must convince the target market your new product will improve lives. This approach demands a substantial effort from your organization as you try to shift or awaken an opinion. But it is not impossible and examples do exist. By offering its MSN Messenger for free to the public, Microsoft is attempting to convince people they need instant communication.

The Cost/Benefit

Henry Ford once said, "The customer can have any colour he wants, so long as it's black." This attitude was acceptable when the Model T was first introduced; however consumers soon demanded variety, styling and functionality, and at the right price.

Even after your company has determined that there is a need for your product, or once you are successful in creating a need, you should then consider whether the features, functionality, pricing and distribution strategy are in line with market expectations. This is a critical step in ensuring mass adoptions, beyond the Innovators and Early Adopters phase.

The first commercially available cellular phone in the United States in 1983 was stored in a briefcase. At the time, this was acceptable because like Mr. Ford's Model T, it was the mass public's first exposure to a novel technology. Cellular phones have now become smaller and lighter, with ever increasing functionality, and customers demand that this trend continue.

What it all comes down to

As an entrepreneur, it's easy to get caught up in the technical merits of your product. But to be successful you must ensure others see the benefits as well. Your company should identify a specific problem or pain that your product satisfies. Equally important, when venture capitalists evaluate your offering, they will consider many factors in the decision making process. A key factor is whether consumers will buy what you are offering.

A positive response to this question will help to give prospective investors greater confidence.

For more resources to Start or Grow Small Business, visit our website at www.womensenterprise.ca or call 1.800.643.7014.

ROMAN KANTER WORKS AS SENIOR VENTURE STRATEGIST WITH E&Y'S ENTREPRENEURIAL BUSINESS CENTRE (EBC). THE EBC PROVIDES INTEGRATED SERVICES TO HIGH-GROWTH COMPANIES TO ACCELERATE THE START-UP PROCESS.