



Stanford eCorner

Focus, Flexibility and Market Validation

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Video URL: <http://ecorner.stanford.edu/videos/1495/Focus-Flexibility-and-Market-Validation>

Keller-Bottom recommends entrepreneurs to stay focused and be flexible. Find partners who complement and will add value to your business, she says. She talks about the importance of doing a market validation study to determine the market and design a pricing strategy.



Transcript

Get focused. I don't know how many business plans we've seen where entrepreneurs are going to develop seven products at the same time and go to three different markets. Don't boil the ocean. Find a beachhead strategy, get focused and go for it. Because that will control your burn rate. And that is absolutely critical when you're going to have a long cycle time to develop your market. Assume the capital that you get is the last that you're ever going to have. So if you get a half a million dollars on your pre-series A round, assume that that's the last you're going to ever get. Because I guarantee you if you look at it from that perspective, you'll never waste your money. Be flexible and take coaching.

When we meet with entrepreneurs, when we sit in the room with them, if they're uncoachable or they're not flexible about their ideas, it goes to our values. We will not deal with people that think they have all the right answers because nobody does. And if you spend more time coaching the entrepreneur about their style, you have less time to coach them about the really important things like how to define your market. Who's your customer? What's your financial structure? And what's your growth plan? And then finally, the first thing that you need to do. The first investment that you make with the capital that you get should be a market positioning study. Every entrepreneur I know says they know who their customer is and they know how to get to market. And when you ask them to create a market positioning strategy, guess what? They can't give it to you. Or they'll bounce from one market to the next. The best investment that you can make straight up front is to get a market validation study done which will help you define who your first market should be. What your pricing strategy should be? Trust me.

Adequate pricing is not margin plus. And it's also not the idea that you're competitors' pricing at this, so you'll price at this last why. Who knows what the famous saying is about pricing? Pricing has one way to go. And that's down. And that's a truism. So your market validation study will help you determine what your initial and your on-going pricing strategy should be. And you need to also understand sustainability. One product does not create a sustainable revenue company.