



Stanford eCorner

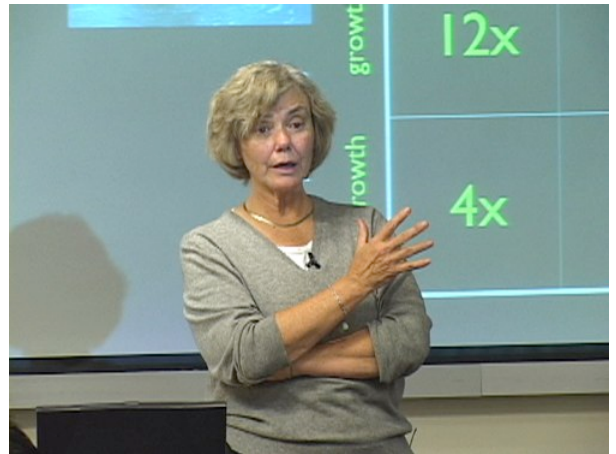
Market Selection

Kathleen Eisenhardt, *Stanford Technology Ventures Program*

October 04, 2006

Video URL: <http://ecorner.stanford.edu/videos/1583/Market-Selection>

Stanford Management Science & Engineering Professor Kathleen Eisenhardt defines and discusses different sized markets (emergent, growth and mature) and explains why growth markets are ideal for startups to enter.



Transcript

Emergent markets are typically small, kind of disorganized. They may be rapidly growing but are typically small and it's usually early. Growth markets are usually a bit bigger over 30 or 40 or 50 million in sales. Maybe 30 is probably a good number and are growing in over 20% a year. Mature markets are usually bigger than that - actually bigger than 30 million - actually more and bigger than 100 to 250 million and growing slower. The question is: Which of those markets do one start in? Emergent. Growth. Mature. You want to start in growth. A lot of people think you want to start in emergent markets.

What happens in emergent markets is, it's very hard to get the timing of the market right, so you might start way too soon. Or you might be a little late. Usually, you're too soon and usually you are starting with something that's wrong. Your business models are not right. Your technology is not quite right yet. You haven't quite got the customer right. You've got mistakes in it and if you start too soon, those mistakes will weigh you down and you'll spend your money. You'll get a bad image and you kinda won't go anywhere. If you start in a mature market, what happens? What happens in mature markets? They are actually not bad markets to start in, but what happens if you start in a mature market? It's typically it's hard to grow. So if you can find a part of the mature market where you're particularly good.

You can, if you think of a bowl of fruit and you're the cumquat, you can find the spot. You can do all right and you can actually be profitable, but it's very hard to grow in a mature market. So you're in the cumquat spot. Profitable? Lifestyle business will be hard to have a really successful venture. So growth markets are where you want to start.