



## Stanford eCorner

### Have a Target Customer and Compelling Product

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Kathryn Gould, co-founder of Foundation Capital, talks about how a startup's success relies on two critical factors: identifying a target customer and having a compelling product. Gould, interviewed by tech-industry journalist Mike Malone, also explains that competition for entrepreneurs is more likely the startup that launches after them, and not the incumbent they seek to unseat.



#### Transcript

You talked about the primacy of market opportunity. What does that mean? What do you look for in a great market opportunity? Yeah. So here's what I always say. I say I am looking for a target customer with a compelling reason to buy. Now, that seems like a simple thing to say. But there - it's fraught - like target customer, I should back up one second. I did only B2B, I didn't do consumer and we can come back to that. But target customer means a target to bull customer like you have to figure out kind of who they are, where they are, how you're going to reach them that you have to have a way to reach them, they have to have certain characteristics and if you can figure all that out, that would tell you what your kind of sales and marketing strategy needs to be. This is a little bit like what Steve Blank teaches. And the compelling reason to buy is the product needs to be so good or so compelling to them in a way that they'll kind of do anything to get it like deal with a lot of bugs, stuff that doesn't work right, pay you some advance money to continue the development, I have had lots of crazy stories like that, but they have to be really compelled.

Compelling usually means a revenue enhancer, not just a cost reduction. Cost reducers are fine but gets them more revenue faster is really compelling. And... Now what if there's a company already in that market, an incumbent company? Should that keep you out? Yeah, this is something I learned over - all these years in the venture business. We - I was worried about the incumbent whoever had like a similar product in the market or there was a large company, man, it's very rare that a startup gets beat by a large company. Mostly they get beat by some other startup down the street who is smarter than they are. So I would spend time looking at my competitors - of my startup competitors not the big companies, they just - they don't have the attitude we do.