GUEST COLUMN

Fine tune the opportunity

In part one of a two-part series, the author talks about how startups can identify a need gap.

Entrepreneurship is fascinating and is increasingly becoming a career option for many people. Success of firms such as OYO and Uber have given confidence to young people to set up their start-ups. With lowering entry barriers for enterprise startups, there is renewed confidence in the success of entrepreneurs.

What is not often discussed is that most startups fail. The failure rate has gone up from about 50 per cent in the first five years to close to 90 per cent in recent years, thanks to the growth in online ventures. This makes it very interesting to discuss what makes the few survive and succeed and become brand ambassadors of entrepreneurship. Insights from such analysts help entrepreneurs fine tune their ideas and build commercially viable ventures.

Customer dissatisfaction as the source of an attractive opportunity

Zomato has become successful, thanks to major changes in lifestyles in urban living. The demand for food from restaurants delivered home grew suddenly due to rapid rise in youth employment, traffic jams and growing interest in trying out variety of foods. Consumers suddenly found it easy to analyse online eating options thanks to a spurt in availability of bandwidth for Internet users. Creation of multiple payment options gave customers additional convenience in ordering. In essence, what Zomato did was to identify a growing segment of dissatisfied customers and eliminate multiple sources of the dissatisfaction. Zomato worked on the entire chain of processes from selection of food to ordering and delivering at the choice location of the customer. Since the criticality of the need to have such bought out food is very high for a large number of customers, the intensity of dissatisfaction is high. In other words, where the customer discontent and need criticality are high, their dissatisfaction will also be very high. Such situations lead to a pull from the market. The intensity of pull will be greater if the entrepreneur is able to identify all possible sources of dissatisfaction and offer a bundle of solutions.

Disruptions in various technologies and their interlinkages have created variety of possibilities to create a feeling of dissatisfaction among existing customers or creation of new customers. Startups should identify opportunities to eliminate customer dissatisfaction by applying appropriate technologies.

How to fine tune an idea?

The starting point for an entrepreneur is to begin thinking like possible customers and determine segments where customer dissatisfaction is high and maximum potential lies for the proposed product or service. Entrepreneurs who define their target groups too early may miss other more attractive segments. Focus group discussions that involve free-wheeling exploration of possibilities keep a balance among target groups is a very effective method to identify attractive customer groups. This is especially so for novel ideas that are significant improvement on existing alternatives or completely new solutions.

Entrepreneurs should go beyond intuitive assessment of opportunities to look more objectively from customer (and consumer) angles; that should also cover assessment of the potential size of the market, possibilities countering any imitators. Many of these may not be obvious and needs further examination. Simultaneously, the entrepreneur should find answers to the variety of challenges of accessing and managing the supply chain. The principle of customer dissatisfaction applies to the entire supply chain. A good entrepreneur defines oneself in the business of eliminating customer dissatisfaction across one or more links on the supply chain. All these constitute not only a good understanding of operations and technology and clarity about deciding how much and what of marketing and operations. The third leg of this tripod (besides marketing and operations) is availability of funds in adequate measure. A smart entrepreneur knows that even conservative estimates of funds go astray.

It is the entrepreneur who converts the tripod into a diamond and iteratively sharpens and shines the four corners and edges of the diamond. In the process, the entrepreneur keeps pull of market, operations, finance and team that will involve a constant process of fine tuning. All these processes help identify and eliminate existing and emerging customer dissatisfaction and create customer pull for a startup.

The author is professor and executive director, Thomas Schmidheiny Centre for Family Enterprise, Indian School of Business.