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Knowing Marketplace Needs Crucial to Writing Business Plan

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Technology Ventures Corporation helps entrepreneurs and inventors develop the business plans and access the funding they'll need to succeed with a technology-based product. TVC's Equity Capital Symposium, held annually in May, provides a forum for matching business ideas with investors and has facilitated more than \$1 billion in funding for its client companies, most of whom are scientists and engineers new to the world of market research and marketing. While most of these entrepreneurs understand the technology they hope to apply to commercial uses, many don't understand how to secure target markets and appraise market needs — which they must do to secure venture capital funding.

Research into the needs of the marketplace is essential to crafting a business plan. With emerging technologies, assessing markets and validating product needs is even harder, as most research deals primarily with established technologies and markets. So pioneers of new tech products, after doing some basic market research into potential markets and their industry players, must delve deeper to understand and validate those markets and market needs. They can do that by talking with prospective customers and established industry experts.

Identify companies and leaders in possible target markets. Databases like Hoovers and D&B, industry associations and trade journals are sources of information about leaders, newcomers and other companies.

Learn how the product could help a customer. The most important information is the potential customer's "pain" in the area being addressed by a new product. If the product could really fill a customer need or solve a problem, the entrepreneur should know how it will accomplish that. He should also learn from interviews with industry insiders what additional engineering would be needed to make the product useful and how and when the product would be manufactured.

Approach the potential customer for an interview. When approaching potential customers for a face-to-face discussion, the entrepreneur should first introduce herself and her product. She should explain that a meeting will help her produce the best product to meet a significant need in the industry. But she should not disclose more about the technology than is necessary in order to protect her idea.

Ask the right questions. The inventor should start off with general questions and then get more specific. Questions should flow logically to keep the subject focused. Open-ended questions — the kind that start with “how” or “what” — yield the most useful information. Each person interviewed should be asked for a referral to another industry contact. A thank-you note to each person interviewed reinforces a professional impression.

Analyze the data. Responses should be grouped by industry, and the new technology should be reevaluated in light of these data to determine if the product really will help the target industries and whether it can be integrated into current operations. This data will be the basis for a well-conceived business plan.

TVC’s 2010 Equity Capital Symposium, which features 20 startup companies seeking investments, will be held May 19 and 20, 2010 at the Embassy Suites Conference Center in Albuquerque. Register at www.techventures.org or by calling 505-843-4100.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

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