

# Customer Discovery Process: Market Type / Competitive Assumption and Analysis

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The objective of this assignment is to develop a market type and competitive hypotheses analysis. In some startups, the choice between positioning as a company resegmenting an existing market or as entering an existing market is a matter of risk, reward, and instinct (Blank, 2013).

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## Market Type

The following questions will help me choose what type of market that I will likely fall under.

- Is there an established and well-defined market with large numbers of customers?
  - Yes
- Does my product have better “something” (performance, features, service) than the existing competitors? If so, you are in existing market.
  - Yes
- Is there an established and well-defined market with large numbers of customers and my product cost less than the incumbents? You are in a resegmented market
  - No
- Is there an established and well-defined market with large numbers of customers where your product can be uniquely differentiated from the existing incumbents? You are also in a resegmented market.
  - Yes

Based on the information I tend to lean on being in a resegmented market. Being in a resegmented market, I will have to position my company as either low-cost or to be unique by focusing on a niche segment.

The following points will help shape my position in the resegmented market.

- What existing markets are your customers coming from?

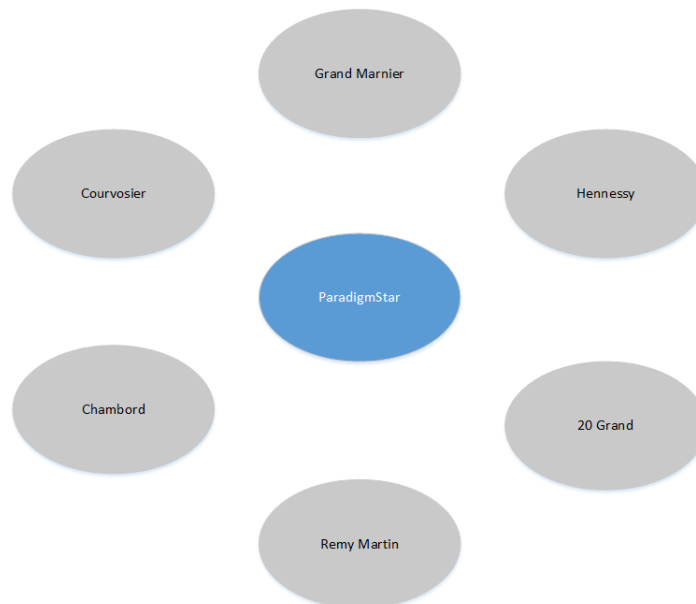
- My clients are those that purchase alcohol at a high price and have high quality/taste. The graph below shows where some of my customers will be coming from.



Positioning Grid Analysis

- What are the unique characters of those customers?
  - Educated, age range from 30-42, employed full time, and willing to try new alcoholic beverages.
- What compelling needs of those customers are unmet by existing suppliers?
  - None
- What compelling features of your product will get customers of existing companies to abandon their current suppliers?
  - Different taste, smooth texture and taste, high quality (reduced after taste), easily mixable, and locally produced.
- Why couldn't existing companies offer the same thing?
  - Other existing companies can provide most of what I am offering, but the taste and quality will be unique to my products. In addition, other companies are not produced locally.
- How long will it take you to educate potential customers and grow a market of sufficient size? What size is that?

- My immediate potential customers can be presented with my product within a month of making it available. I will directly contact my initial clients. The size of the market that I would consider sufficient is when I am able to sell 100 bottles of any size of any product per month.
- How will you educate the market? How will you create the demand?
  - My approach to creating demand will be driven by my budget, which in actuality is a good thing. Having a tight budget will foster necessity, which will spawn creativity. I initially want to utilize social media, local events, and local venues, this approach will allow me to create a brand that has a local feel.
- Given no customers yet exist in your new segment, what are realistic year one-through-three sales forecast?
  - I believe that I could sell ten bottles a month of my product for the first full year. The following year, I think product sells will ramp up to 13-15 per month. In year 3, I will assume that sales would be up in the range of 15-20 per month.
  - Educated, age range from 30-42, employed full time, and willing to try new alcoholic beverages.



ParadigmStar Market Map

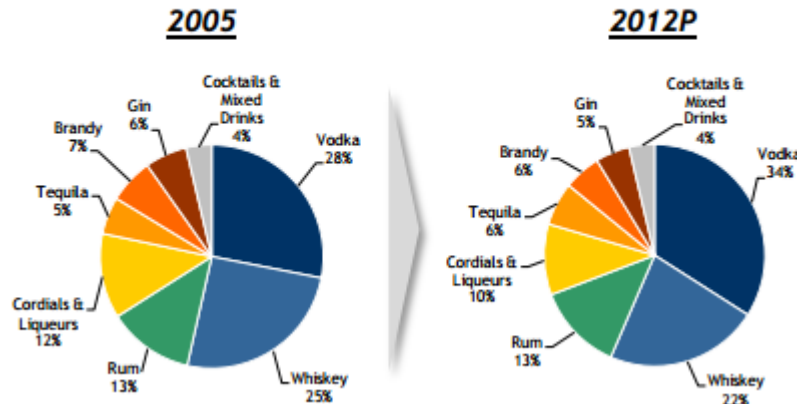
## Competitive Assumption

Entering an existing market or resegmenting one, the basis of competing is all about branding some attributes(s) of your product. Therefore, you need to know how and why your product is better than those of your competitors (Blank, 2013). This section will provide a focus on answering that question.

Beverage Alcohol Market Share - Revenue Based								
Year	Supplier Gross Revenues (Billions)				Market Share			
	Beer	Spirits	Wine	Total	Beer	Spirits	Wine	
1999	\$ 21.20	\$ 10.66	\$ 6.00	\$ 37.86	56.0%	28.2%	15.8%	
2000	\$ 22.60	\$ 11.70	\$ 6.41	\$ 40.71	55.5%	28.7%	15.7%	
2001	\$ 23.80	\$ 12.22	\$ 6.63	\$ 42.65	55.8%	28.7%	15.5%	
2002	\$ 24.10	\$ 13.17	\$ 7.04	\$ 44.31	54.4%	29.7%	15.9%	
2003	\$ 24.87	\$ 13.87	\$ 7.50	\$ 46.24	53.8%	30.0%	16.2%	
2004	\$ 25.62	\$ 15.12	\$ 7.90	\$ 48.64	52.7%	31.1%	16.2%	
2005	\$ 25.62	\$ 16.00	\$ 8.30	\$ 49.92	51.3%	32.1%	16.6%	
2006	\$ 26.34	\$ 17.20	\$ 8.62	\$ 52.15	50.5%	33.0%	16.5%	
2007	\$ 27.49	\$ 18.20	\$ 9.24	\$ 54.93	50.1%	33.1%	16.8%	
2008	\$ 28.46	\$ 18.72	\$ 9.38	\$ 56.56	50.3%	33.1%	16.6%	
2009	\$ 28.82	\$ 18.74	\$ 9.48	\$ 57.04	50.5%	32.9%	16.6%	
2010	\$ 28.64	\$ 19.16	\$ 9.76	\$ 57.56	49.8%	33.3%	16.9%	
2011	\$ 29.24	\$ 20.36	\$ 10.19	\$ 59.79	48.9%	34.1%	17.0%	
2012	\$ 30.32	\$ 21.29	\$ 10.53	\$ 62.13	48.8%	34.3%	16.9%	

Sources: 10k Reports, DISCUS Estimates & Adams/BIG Wine Handbook  
Distilled Spirits Council. Economic & Strategic Analysis Dept.

## Varieties of Spirits



Source: IMPACT Spirits Databank 2013

- Looking at the graphs above you can induce that beer has a good hold on alcohol sales in U.S. However, the shares of spirits have been gaining ground over the years. In addition, if you break down the market shares of spirits you can come to the conclusion that in 2012 Vodka followed by whiskey have a majority of the market sales. I believe that the only way to crack this market is to provide new unique products to the market.
- How have the existing competitors defined the basis of competition? Is it on product attributes? Service? What are their claims? Features? Why do you believe your company and product are different?

- Existing competitors use what I call an advertisement blitz in that they bombard customers with ads from everywhere. The competition claims smooth taste, a great time, the ultimate drinking experience, etc. Their features are various from flavored to aged product to being produced at a particular location e.g. cognac and France. My product will be a different tasting product that is produced locally.
- Maybe your product allows customers to do something they could never do before. If you believe that, what makes you think customers will care? Is it because your product has better features? Better performance? A better price?
  - My product biggest attribute is its unique taste. In addition, I will market my product such as a craft like beer. Local feel to my company will attract those that want to support local business and be able to interact with the owner.
- If this were a grocery store, which products would be shelved next to yours? Who are your closest competitors today?
  - Refer to ParadigmStar Market Map.
- What do you like most about each competitor's product? What do our customers like most about their products? If you could change one thing about a competitor's product, what would it be?
  - I appreciate the different types of liqueur and cognacs that are on the market today. The quality and taste are exceptional. The market is so competitive because of the quality of products that are out on the market today. If I could change one thing in my competitor's products, it would be for them to be average companies. There are no holes in the upper tier companies when it comes to quality.
- What do people do today without my product?
  - There are so many option of liqueur and cognacs in the market that there is no shortage of options for people to choose. However, there is no local venue that produces spirits in which someone can purchase liqueur directly.