A BRIEF HISTORY OF TIME

Time has been a subject of human intrigue that spans generations, professions, ages, geographies, and perhaps even the cosmos itself. From the real world where schoolchildren exult at the ring of the last bell, and physicists such as Prof Stephen Hawking who wrote extensively on the subject, to the fantastical world of Harry Potter with Time-Turners in it, time has always been of the utmost essence. So too for entrepreneurs.

This is especially so for those in the field of technology, having worked hard to come-up with new, innovative and better products than those offered by existing providers. These new-age managers need to achieve early success not only to remain flush with funds and thus, afloat but also to make a name for themselves and their offerings in order to attract funding for future growth.

As such, it is equally important for techies to know how to market and sell their products. Especially since they lack resources, don’t carry a reputation that opens doors, and are still to forge formal sales processes in their organisations. What’s more, they themselves are the only ones motivated towards and capable of attracting potential customers and actually convincing them—that too after considerable effort.
**SALES AND MARGINS: TWO SCENARIOS**

**Scenario 1:** Since it is easier for the veteran to retain a client than it is for the newbie to acquire one, the best thing the new entrepreneur on the block should do is focus on the low-revenue group.

**Scenario 2:** However, when these factors are allowed to mix—as they usually will in the real-world—things can get complicated and depend on what each type of consumer group brings to the table. With this in mind, the bottom line of the research is that entrepreneurs should focus a large majority of their time (circa 60%) on influential buyers if the ratio of revenues of the more influential buyer to the less influential buyer is less than 80% or more than 100%.

In the first scenario, the entrepreneur avoids direct competition with the established provider (who will seek more time to retain the high-revenue customer) since the influence will be insufficient to offset the stream of monies. This scenario also takes advantage of consumer peer learning.

In the second, the entrepreneur may find it rewarding to confront the existing giant—also targeting the larger and more influential buyer—as the prospect of acquiring a higher revenue and influencing the market makes up for the low probability of sale.

**THE MODEL SET**

The math is set up in a manner that allows for two sets of revenue streams, including the competition of the incumbent and the entrepreneur. The probability in the model also accounts for the incumbent’s short-term strategy—whether it be giving more service or additional benefits or a discounted price—to counter competition posed by the new entrant.

**DOUBLE WHAMMY**

Consumer peer learning prompts the less influential consumer to buy a product based on the information that a more influential consumer decided to make the purchase. Without this information being available, the former would not buy the novel product. Despite its superiority.

The rationale behind this result, and proven by the model, is that consumer peer learning acts as a form of free advertisement for the entrepreneur, who would do well by investing their time in selling to the more powerful buyer—validating the authenticity and superiority of the entrant—even if that means having to pay for this endorsement.

In another scenario, the researchers show that when established providers have a high tendency to react to new entrants, it is optimal for them to go ‘all-in’ to retain the customer representing the larger revenue—whatever their clout.

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Moreover, when the revenue ratio of the more influential to the less influential buyer is between 80 to 100%, the old hand will want to take advantage of the former’s endorsement effect as the lower value is not alarmingly different. To this end, the entrepreneur should avoid competing with the established provider and spend time on the high-revenue customer. To give further meaning to these numbers, the researchers found that in the absence of consumer peer learning and reaction from the established provider, entrepreneurs should spend more time on the client with the bigger wallet. As intuition would also suggest.

**MAKE A MOVE—OR NOT**

As such, Prof. Huang, Yoo and Gokpinar provide a fresh approach to new product launch strategy, for existing research predominantly concentrated on new products by established firms—usually resource-rich and drawing from their experience and economies of scale. Their seemingly infinite pockets also help maintain this dominance against upcoming firms, who face an uphill battle.

It is essential for entrepreneurs to understand the nuances at play before taking any decisions. As shown, entrepreneurs should avoid competing with an established provider for a market segment unless it represents both large and influential revenue sources. Entrepreneurs should also keep tabs on established competitors as to whether they’ll react upon learning of new entrants.

The study also challenges the idea that entrepreneurs should first target influencers by proving that the best strategy could actually be to not chase those who are generally sought after—and utilise their time more fruitfully by pursuing a relationship with the child who eats lunch alone.