

Lessons Learned – Week 4

Last Monday, our group, LeadTeam, started by a 7 minutes presentation where we had to explain in front of the class the three hypothesis most relevant to test and validate among the ten we formulated previously. We strongly believe hypothesis part formulation is truly important given our assumptions are at the core of our business model development and success (or failure). That's why, selecting only three was quite unsettling. Despite the quick and perhaps subjective choice we made, we thought afterwards it was a good exercise to do, in order to prioritize our components. Thus, we also realized we mainly focused on customer segments and value proposition components.

Hence, after the presentation, we appreciated receiving some interesting feedbacks from the teacher according to:

- First, proceed to interviews before making surveys in order to analyze deeper our segments needs and the best way to reach them efficiently;
- Secondly, add some more relevant hypothesis related, for instance, to how to establish our partnerships with Facebook and test the usefulness of it plus, our web channel strategy so as to test and validate them.

After a quick coffee break, we talked about the “P-S-M” which abbreviation refers to “Problem-Solution-Market” concept. This useful three elements concept is helpful to design a profitable Business Model and is based on the following logical ideas:

P. Entrepreneurs should first identify the current problems or strong needs faced by the customers and test it by a scale ranking process (ex: problems needs severity, pain caused intensity);

S. Build an innovative solution by delivering customers a product/service which might be able to solve this ongoing problem or fill customer needs while saving their time;

M. Finally, it's crucial to define who are our market customers –B2B or B2C- and segment them according to specific criteria (demographic, behavioral, psychological etc.). Thereby, the solution will be addressed in a different way according to which kind of market customers the business is oriented to. Obviously, costs and easiness of measurement depend highly on the segmentation criteria strategy chosen: the demographical is easier and cheaper to run than the behavioral segmentation. Consequently, the final step consists in measuring the potential market size to target on a realistic basis. In order to define our

market size and determine if the number of customers will be high enough to sustain our activity and make our business profitable enough, a tool has been presented: the **TAM-SAM-SOM**.

TAM= Total Available Market

SAM= Segmented Addressable Market

SOM= Share Of the Market

Moreover, there are two different approaches to size the market: the top down and the bottom up. The Top Down consists of defining a wide universe and apply filters until extracting the relevant market segment to reach. On the contrary, the bottom up approach aims to start with a specific segment to achieve and then intend to go to upper levels and estimate its size and growth. Depending on the approach chosen, it's better to estimate the TAM-SAM-SOM elements: for instance, the top down is better to define the TAM-SAM whereas the bottom up is better to estimate the SOM-SAM.

So, considering those approaches, each team had to quickly estimate the potential market and the profits of its business project. According to our LeadTeam platform, we explained our top down approach and defined our TAM as the Portugal market (Portuguese university students, Portuguese Universities, Portuguese Advertising Companies). Consequently, we realized that our addressable segments were too tiny and profits very low so we learnt from this estimation that we had to extend to a wider segment -the European Market- to make our business profitable. Next Monday we will be able to explain our updated and more accurate estimations.

See you next class,

LeadTeam Project Team.