The Trick of Doing Entrepreneurship: How to Make More Actionable Choices

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The failure of the Fyre Festival reminds us that the Entrepreneurial journey can turn into a path to business fraud if the Entrepreneur fails to deliver the promised product to the market. Thus, being able to introduce and deliver new products (and/or services) to the market is an essential development milestone for a start-up in the entrepreneurship endeavor. Nevertheless, the process of making a market entry for new products/services is also one of the hardest processes that an entrepreneur has to go through. According to the Startup Genome project, 70% of the start-ups have failed during the market entry process and were unable to successfully enter the market. So what can we do to increase the likelihood of market entry?

The Important choices for Entrepreneurs

There are many choices that Entrepreneurs need to make to acquire resources and knowledge for successful market entry. So, what are some of the choices that can be the most helpful to increase the likelihood of market entry?

Funding: Equity or Debt?

Unless the entrepreneur is the heir of a multi-billionaire, most of the entrepreneurs acquired funding externally. Steve Jobs started Apple with a bank loan of $250,000, and Mark Zuckerberg raised $12.7 million investment through equity financing for the development of Facebook. Interestingly, an entrepreneur’s choice in funding channels can alter the likelihood of market entry.

Using a dataset that consists of over 4000 start-ups, I found that entrepreneurs are more likely to enter the market if they acquire external funding. DUH. Most importantly, entrepreneurs who raised funds from angels or venture capitalists are almost five times more likely to achieve market entry than entrepreneurs who took loans.

Product development: make or buy?

There are many paths an entrepreneur can take to develop new products to the market. For example, in the fashion industry, fashion designers like Zuhair Murad develop their own products, while many other fashion brands such as Zara
purchase other people’s ideas for commercialization. So, should an entrepreneur primarily focus on developing his/her own invention, or purchase and commercialize someone else’s invention? I found that entrepreneurs that purchase external inventions are almost twenty-eight times more likely to enter the market than the entrepreneurs who develop the product in-house.

Timing: earlier or later?

Timing matters. When using equity financing in the early stages, it hurts the initially favored odds of market entry. Thus, it is better to use equity financing in the later stage of the venture. On the other hand, a start-up has a better chance of entering the market if they choose to purchase inventions in the earlier stage of the venture than the later stage.

The Key Takeaways

Essentially, to ensure a solid market-entry, an entrepreneur should be mindful and strategic about the channels and timing of their choices. Below are the three key takeaways that we can leverage for the best practice in terms of market entry from this study:

1. For funding options, consider raising funds through equity financing first, debt financing second.
2. For product development, explore the option of commercializing existing inventions such as purchasing patents or copyrights over developing a new product in-house.
3. In the early stage of the startup, acquire funds through bank loans, and develop the product in-house. As the business becomes more mature, seek out to purchase new product patents or copyrights, and raise funds via equity financing.

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