Market Research & Product Marketing

"Marketing Overview"

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Ready to Rocket and Emerging Rockets
Past NVBC award winners
http://www.readytorocket.com/

Canadian Financing Forum – Venture Capital Event
February 2013 www.financingforum.com

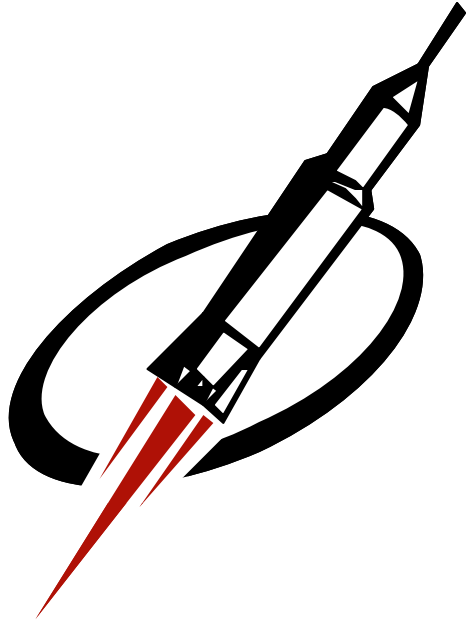Sailing school at Jericho Beach
www.macsailing.com   dave@macsailing.com

Shenzhen Sun Sailing, Shenzhen China
http://www.sunsailing.net/page/Default.asp?pageID=16

Hanson Lok

- Director Research, Lux Insights

- Many years in market research

ROCKET BUILDERS

Marketing Research
Technology Adoption Models
Understanding Consumers
'Whole' Solution Offerings
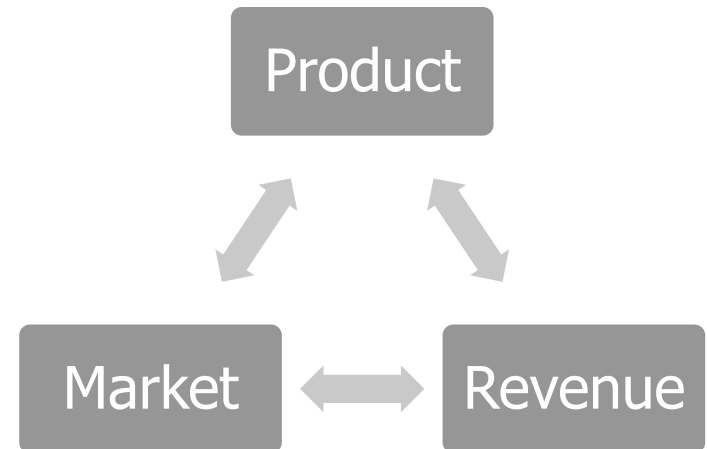Product Positioning
Pricing
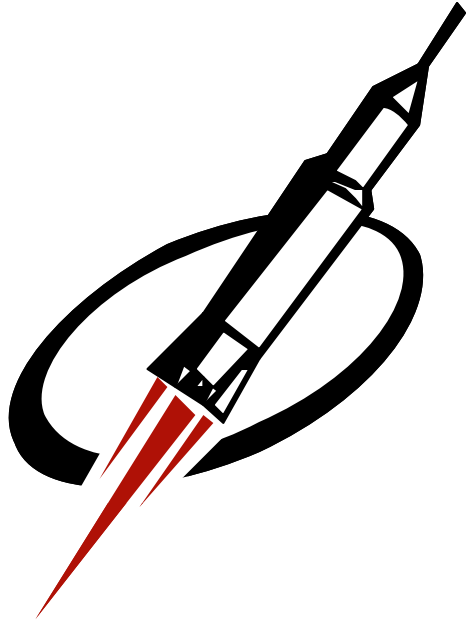
Answer Questions: 1, 5, 6, 7, 8, 9

Learning Objectives for Today

- Taking the time for **market research** increases your chances for success.

- Understand the concepts of **technology adoption cycles** and **whole product** and how it impacts market entry.

- Understand how **product positioning** influences all messages in marketing materials.

- Understand how **pricing** is determined and what models can be employed.

Successful Growth Companies

1. Minimum Viable **Produc**t evolves to become……

2. … the product demanded by the market including a viable **revenue** model

3. Addressable **market** with an 'engine of growth' or a clearly defined niche market
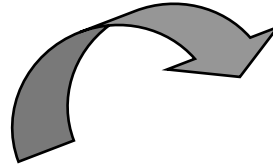
Product

Market

Revenue

ROCKET BUILDERS

Market Research

Begin With The End In Mind

Start here…

Key Market Research Questions

Up to 3 X

Market Research Report (Outline)

What will the answers to these questions tell you?

Market Research Plan & Budget
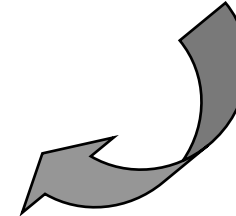
What resources & time are required to answer these questions?
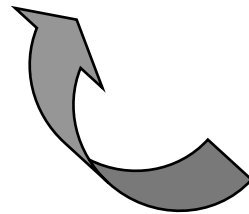
Value Proposition

"Whenever you get confused… go to the store… the customer has all the answers… and all the money."

—*Sam Walton*
Founder Wal-Mart

Markets, Pains & Requirements

- Markets
  - Size
  - Trends
  - Segments
- Pains
  - Customer Pain
  - Value Chain Pain
- Requirements
  - Customer Requirements
  - Channel Requirements

Market Segmentation

- ■ Revolutionary Products
  - ■ Segment originates with technology or product
  - ■ Vendors can't predict next innovation or its consequences
- ■ Evolutionary Products:
  - ■ Segment is pre-defined; challenge is to refine definition/redefine
  - ■ Mainstream market customers insist vendors fit solution to **their** problem

Why Segment?

- **Focuses** scarce marketing & development resources on target customer group
- **Narrows** whole product definition
- **Limits** real competitors
- **Leverages** past success into other segments
- **Allows** the benefits of market leadership to develop more quickly

Why? - Marc Andreessen

What's most dangerous, a bad team, a weak product or a poor market?

■**The # 1 company killer is lack of market**

■Getting to product/market fit really matters

Why? - Steve Blank

Blank - Hypotheses versus Reality

Large companies execute in a market

Start-ups 'search' for a business model

Build, Measure, Learn

- Ship it and see what happens

or

- Make a prediction, ship, measure the results, repeat and then see what happens again
- Prove that your product fits the market - **Reality**

Top Down Versus Bottom-up

- Revenue **is NOT** a function of market share, size, and penetration rates

- ($ 1B market x 2% penetration = $20 M)

- Revenue **IS** a function of the leads you attract, conversion rates, price and individual customers

- L x % x P = R

Top Down is Valuable

- **Total addressable market** (**TAM**) is a term that is typically used to reference the revenue opportunity available for a product or service.
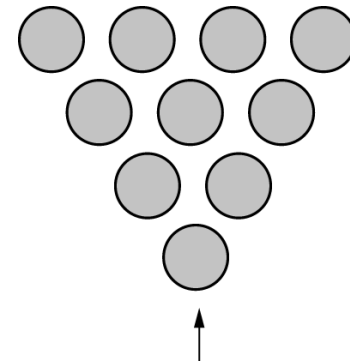
  - Theoretical Market
  - Potential Market
  - Available Market
  - Addressable Market
  - Target Market
  - Market Demand
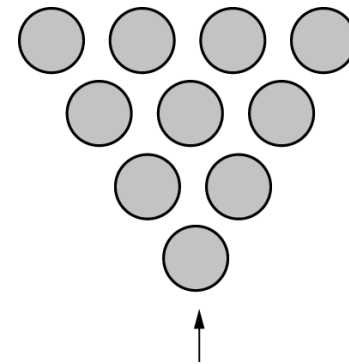
Bottom-up – The Market

■ **Target markets** are groups of individuals separated by distinguishable and noticeable aspects.

- Available Budgets

- Market Reach

- Attach Rate

- Conversion Rate

- Win Rate

Basic Forecasting Approaches

- Top Down:
  - Develops a forecast of economic conditions and industry trends.
  - Determines the market potential for a product.
  - Determines the sales potential for the product.
  - Measures the share of this market the firm is currently getting or plans to capture.
  - Forecasts the firm's sales of the product.

- Bottom Up:
  - Generates estimates of future demand from customers or the company's salespeople.
  - Combines the estimates to get a total forecast.
  - Adjusts the forecast based on managerial insights into the industry, competition, and general economic trends.

Internet - Addressable Market

Try starting with your current audience. That is, the sum total of all the subscribers, website visitors, friends, associates, readers, followers and contacts. These are all people immediately within your reach.

- Website Visitors
- Blog Readers
- Twitter Followers
- User Group participants
- Facebook Followers
- Through Advertising

Headpin Segment

- Highly accessible & high demand

- Success/leadership in this target segment provides as a basis for further market expansion into related marketplaces.
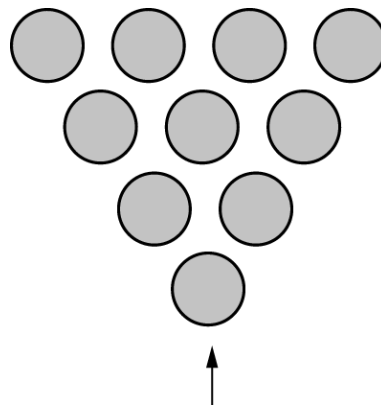
Bowling Alley Model

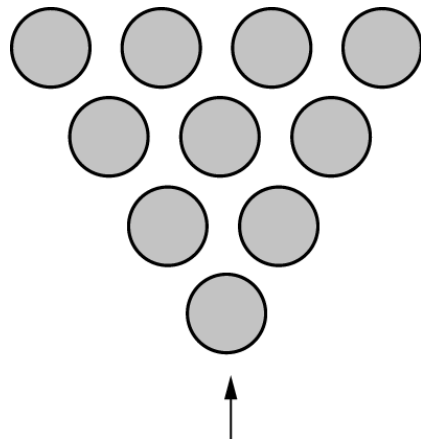### *"Target a single niche market segment with a 'must-have' value proposition"*

(In Bowling Alley)

- Identify a segment you can dominate

- Win market share leadership in that segment

- Leverage leadership to win over adjacent segments

New Ventures BC – Evaluation

1. Are you sure that the market opportunity is attractive and worthwhile?

2. Do you know how and why will you win in the marketplace?

<div align="center">or</div>

Is it unclear about the product, competition and why customers can't live without it?

Understanding the Market

Internal Focus

External Focus

Product & Feature ⟶ Customer Value

Lots of Features ⟶ Differentiation

Reactive R&D ⟶ Headpin Segment

Unpredictable Results ⟶ Reliable Customers

Key Market Research Questions

- What is your target market?
- How big is it?
- Who buys your product?
- **Why do they need it**?
- Who pays for it?
- Who uses it?
- How does the customer fix the business problem you are addressing today?
- How much are they willing to pay?
- Why would they buy from you?
- What business problems are more important to them than this one?

"BusinessWeek October 20, 2004. "Taking the Trouble to Research Your Market."
http://www.businessweek.com/smallbiz/content/oct2004/sb20041020_9945.htm

Market segmentation

| Total Market | | Addressable Market | | Market Segments | | Market Share |

Market 1:

$ 00B

$100M

Market 1

$60M

Market 2

$20M

$80M *Low margin business*

$10M

$10M

$40M

$10 M
20% market share

$ 30 M

Market N:

$00 B
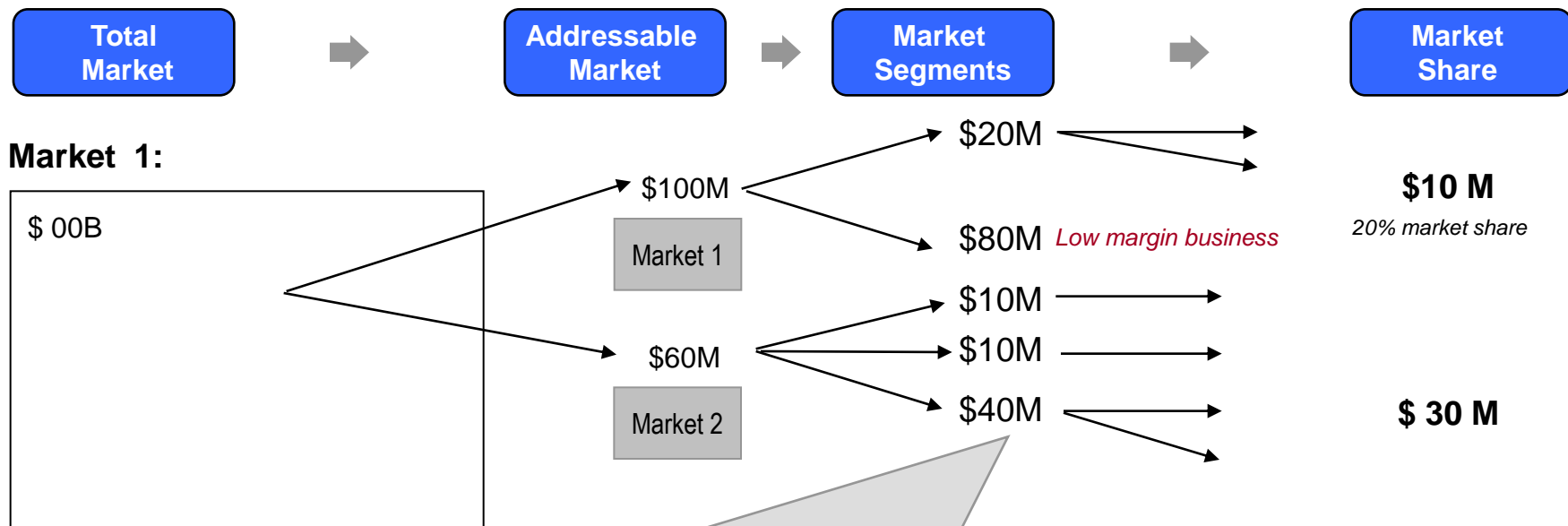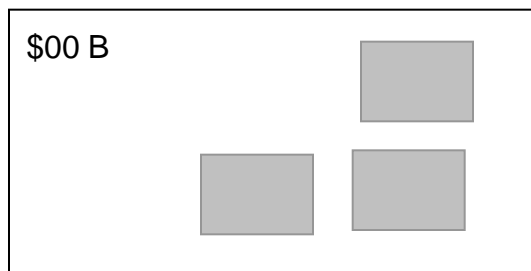
Here is where an organization develops a unique, competitive view of the market and identifies specific opportunities to pursue which will provide significant, sustainable growth!   Within overall markets, identifying markets that an organization can realistically address is a critical challenge.

From here, market opportunities can be broken down further to uncover the segments that offer the best growth and margin. This will lead an organization to revenue opportunities which are grounded in market realities and therefore more attainable over the short to long term.
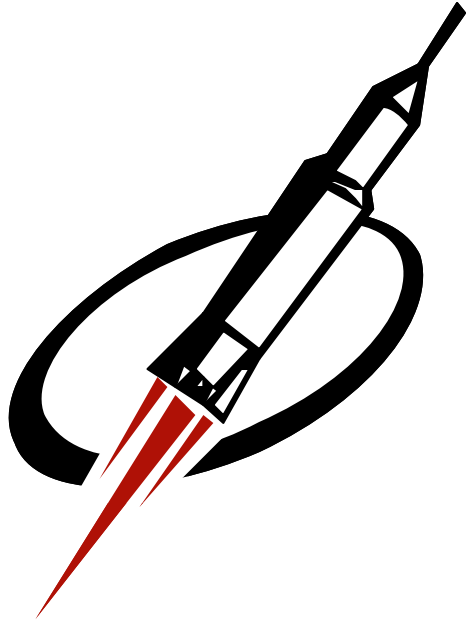
Consumer Market Research… In 2 Slides

Market Research 101

SECONDARY RESEARCH	PRIMARY RESEARCH
Internet, books, articles	Face to face, surveys
Free or easily purchased e.g. StatsCan/Census	Cost investment (time or money)
Fast	Less fast
Broad strokes	Targeted
Available to all	For your eyes only

Market Research 201

PRIMARY RESEARCH	
QUALITATIVE	QUANTITATIVE
A few people	Lots of people
In-person or telephone interview	Surveys
In-depth	Stats
Directional	Decisions
Answers the Why	Answers the other Ws
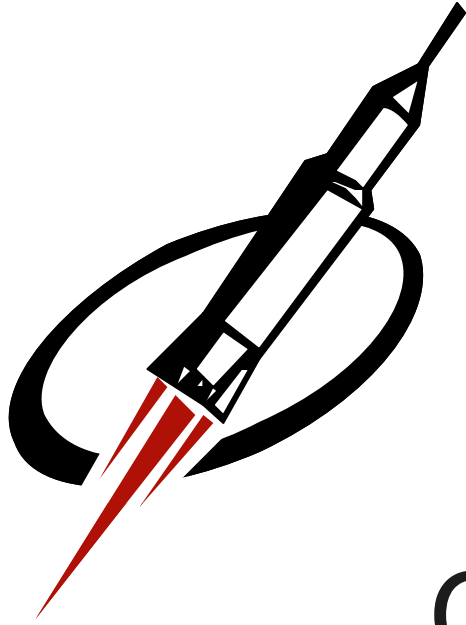
Customer Development

Customer Development

- Must evolve at the same time as your product development

- Getting out of the building
  - Your friends and family
  - Your peers
  - Social media (e.g. LinkedIn)

But…

■Getting out of the building means…

   ■Your time
   ■Your contacts
   ■Your questions
   ■Your bias

Researchers...

- Are already out of the building
- Have that third party impartiality
- Will find you your EARLY ADOPTERS and manage them
- Will help coach you through your customer development

Recruiting your target

Target acquired...

- One time or longitudinal
- Quali-Quant
  - Surveys
  - One on one interviews
  - In-person labs
  - Other

Example: Minimum Viable Product

- Show your MVP to your Early Adopters
- Test / feedback
- Iterate
- Test / feedback
- Pivot

What else can you do?

- Ideation
- Targeting
- Segmentation
- Basic concept testing
- Competitive Assessment

- Usability
- Creative Testing
- Etc.

Things to consider

- This is an investment, it's not free

- You have to be open to criticism

- Research is a marketing touchpoint
  - This is an opportunity to communicate your idea/feature
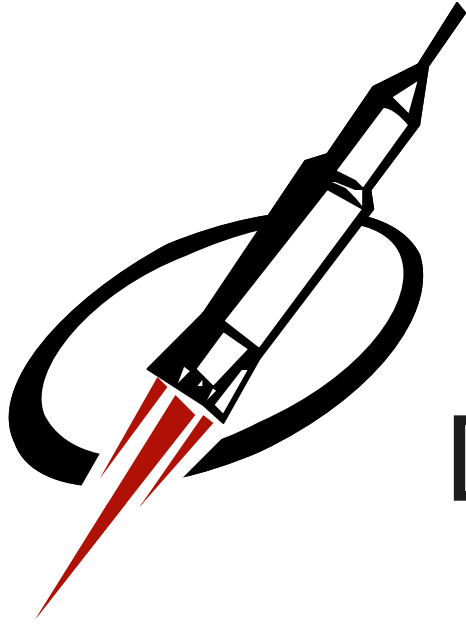
Doing Your Own Primary Research

This might sound familiar...

- You've read everything there is to read

- You're hungry to ask your own questions

- You don't have the budget for market research

Some warnings

- It won't be replace third-party research

- It will be hard to detach yourself

- You might not like what you hear

How?

■ Qualitative – 1 on 1 interviews.

   ■ Find your target. Go where they are.

   ■ Know your objectives.

   ■ Structure. Write your questions out, keep it easy.

   ■ Thank them. Free coffee goes a long way.

Your goal could be:

- Behaviours
  - Observe or ask, then probe
- Probing – the whys
  - Need states
  - Motivators
- Float your idea.
  - Does it have traction?
  - Do you need to tweak or pivot?

Do	Don't
Treat customers like GOLD	Sell
Understand the whys	Just ask your friends
Keep it short	Shy away from the hard questions
<u>Negatives</u> and positives	Ask questions with 1 word answers
Stay neutral	Get emotional
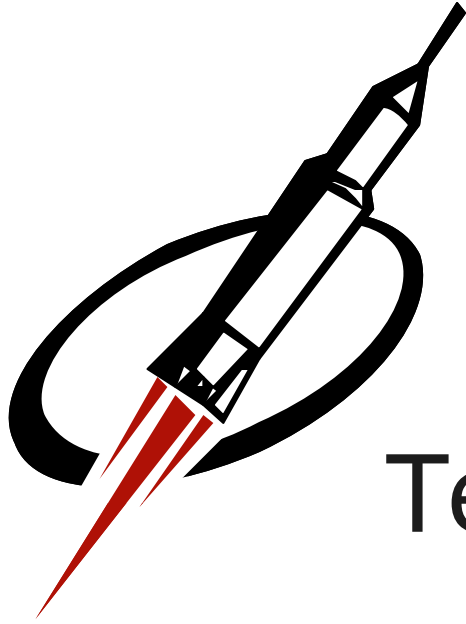
Technology Adoption Cycle

'The Chasm' - How it develops and What to do About it

Technology Adoption Cycle

- Provides an understanding of customer requirements e.g. **Why** buy? **What's** in it for me/us?

- Establishes focus for and timing of marketing strategy. **How** and **when** to execute marketing activities.

In-Stat: Early Adopters (consumer)

In-Stat's research (2010) identifies that early adopters are much more likely to:

- Subscribe to premium pay-TV channels
    - Two-thirds get at least one premium channel
    - Over 50% receive HBO
- Subscribe to a DVR service
- View VoD content
- View fee-based on-demand movies
- Purchase pay-per-view content
- Subscribe to fee-based sports content (e.g. NFL Sunday Ticket)
- Spend more than 5 hrs per day viewing video content

In-Stat: Early Adopters (consumer)

Recent research (2009) by In-Stat found the following:

- By 2013, nearly half of total US households will have an adult that considers themselves to be a leading-edge or early adopter of technology.

- In-Stat recently developed new end-user segmentation that identifies "Power", "Social", and "Passive" Internet Users. Segmentation is based on the number of different Internet activities and the frequency that they are performed.

- Over the next five years, Internet power-user households will double in number, and nearly two-thirds of US broadband households will be power or social users.

Buyer Internet Behaviour

We know 81% of the worldwide internet population begins with search.

Behaviour	Percentage
Use a search engine to find information	81%
Looked up the news	76%
Used online banking	74%
Looked up the weather	65%
Researched a product or service before buying it	63%
Visited a brand or product website	61%
Paid bills online	56%
Watched a video clip	51%
Used a price comparison site	50%
Listening to an audio clip	44%
Change intention to make a purchase	43%
Confirm intention to make a purchase	43%
Choose not to purchase, becoming too confused	9%

Social Media Platform Tools
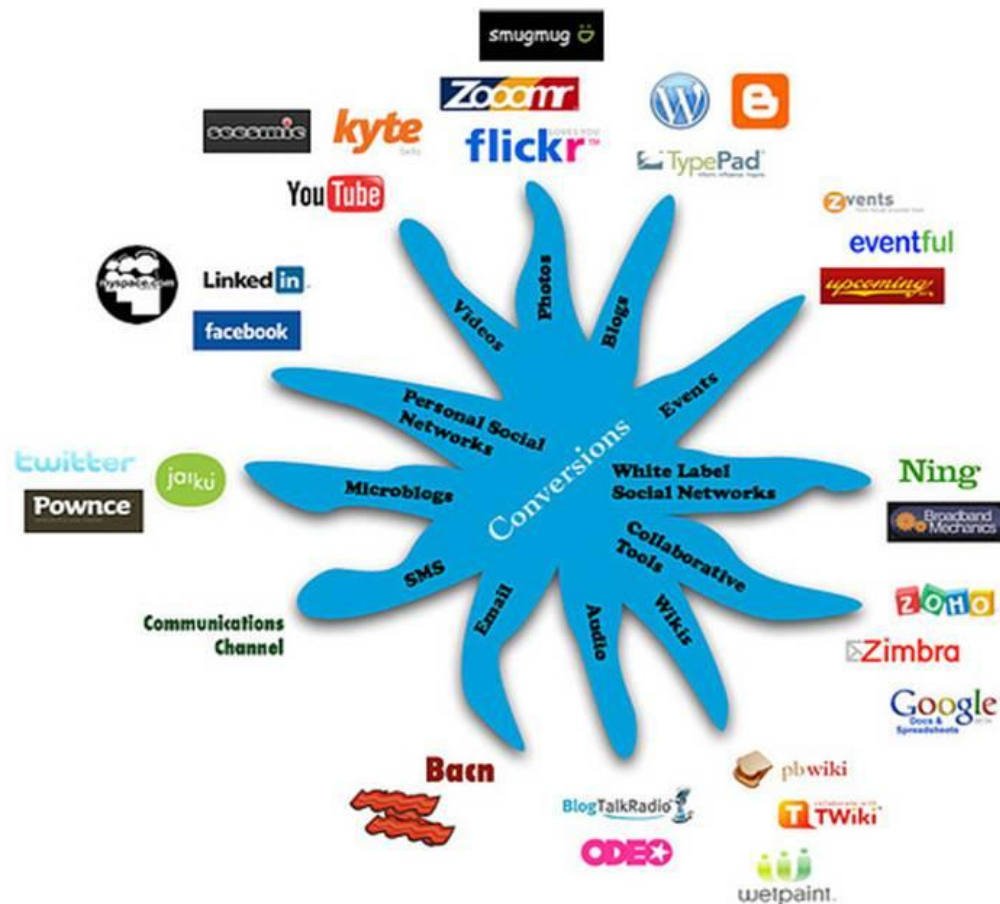
Social Media for Competitive Intelligence

1. More than brand and customer service
2. Real Time Information - tweets
3. Follow corporate accounts of competitors
4. Follow executives of competitors
5. Track product launches and news
6. Do trend analysis with key words & competitors
7. Policy what can be tweeted, when and by whom

Internet Business Models

1. Freemium
2. Affiliate Model
3. Subscription
4. Virtual Goods
5. Advertising
6. Subsidize Hardware

Internet Tools – Use more than One

1. Alexa
2. Compete
3. Google Trends for Websites
4. Google DoubleClick Ad Planner
5. Google Insights for Search
6. Microsoft adCenter Labs
7. Google AdWords Keyword tool
8. Kissmetrics
9. Crazy Egg
10. Clicktale
11. SEO Mass

Hootsuite Freemium

- Integrat**Pro**
- **$5.99/month**
- **Unlimited** Social Profiles
- **1** Free Team Member *
- **1** Free Enhanced Analytics Report
- Google Analytics Integration
- Facebook Insights ion
- Opt out of Ads
- Archive Tweets
- Unlimited RSS Feeds and More
- * Additional team members are available starting at $15 ea./month
- Sign Up Now
  Includes 30 Day Free Trial

Basic
FREE
Free Quick Reports
5 Social Profiles *
2 RSS/Atom Feeds
Ad Supported
* Limit of personally added social networks. You can have access to unlimited social networks as a team member.
Sign Up Now

Hootsuite - Business

- **Use HootSuite for BlackBerry to:**

- Manage multiple social identities and accounts
- Receive optional background notifications for updates
- Create custom views for tags and searches
- Schedule messages to send in the future
- Examine Ow.ly click-through stat reports
- Share and store photos and files
- Shorten URLs with Ow.ly

Hootsuite Keitai - Asia

- **HootSuite携帯版™ - 全日本人フクロウ化計画**
- HootSuite携帯版は、使い慣れた携帯電話から多くの人にメッセージを運ぶ無料アプリです。
- 日本だけの為に開発されたHootSuite携帯版™では、Twitterやmixiへメッセージを投稿することが出来ます。さらに各Twitterストリームの閲覧、マイミクシィのボイスへのコメントを行うことが出来ます。
- **HootSuiteのダッシュボードを携帯上で使うと…**
- Twitterアカウント、検索ストリームの管理
- mixiアカウントの管理
- 複数SNSの管理
- マイミクシィのボイスへのコメント
- Twitter、mixiへの画像・写真投稿
- 既存のHootSuiteアカウントをHootSuite携帯版™上でも利用することが出来ます。-- 既に持っているHootSuiteアカウントをインポートするだけで、直ぐにHootSuiteを携帯電話上で利用することが出来ます。さぁ！フクロウを携帯電話で持ち歩き、日本全国・24時間飛び回らせよう！満員電車の中でも、授業中でも…

www.hootsuite.com

Subscription Based Goods - Examples

B2B SaaS

- Software sales – Hosting - Network Support
- Lower cost to adopt, 'try to buy'

B2C SaaS

- Telco services (subsidized hardware), online media, almost everything
- Keys are engagement or stickiness – is there compounding interest and community?

eg.

Virtual Goods - $$$ in Games

Example - Video Games
- Sticky
- Enhanced by virtual goods

In-App mobile payments for Android

Attention Android developers!
We're bringing our industry leading MAAS (Monetization as a service) platform to Android, which means new and exciting revenue generating opportunities for your Android applications.
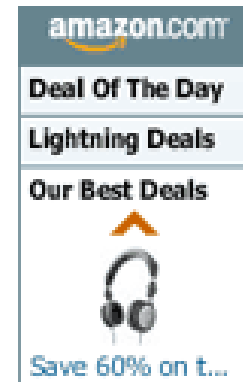
More info

Affiliate Examples

Paretologic

-
- **ParetoLogic Coupons 2012**
- "Get your ParetoLogic coupon codes on this page and save money instantly."
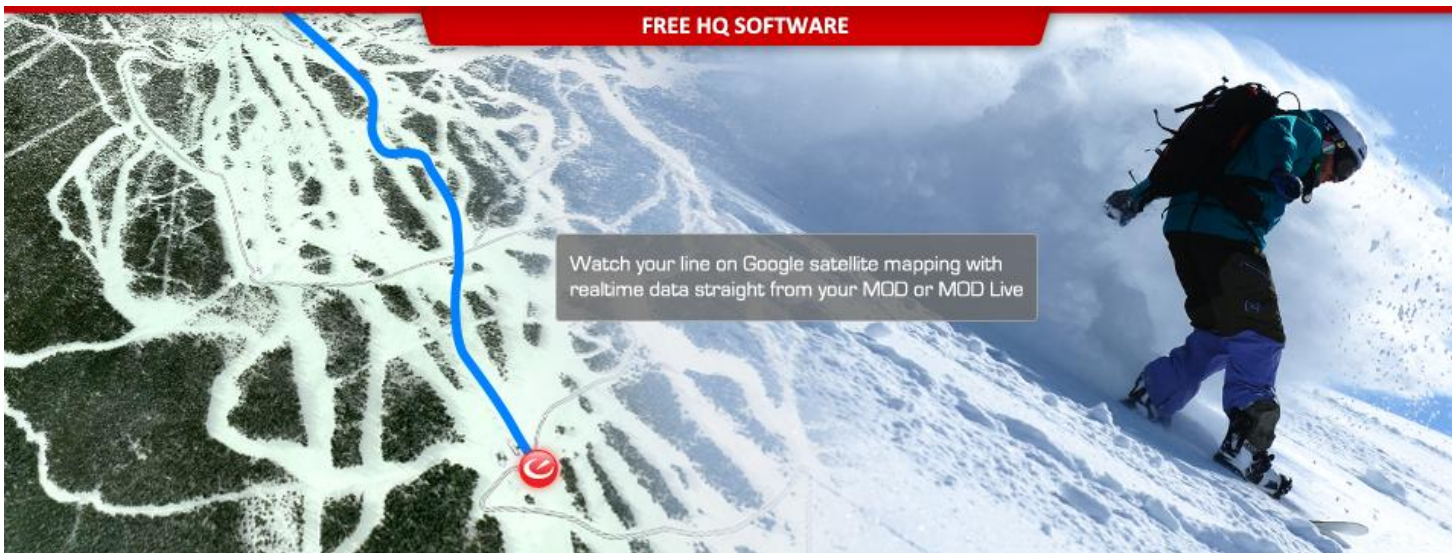
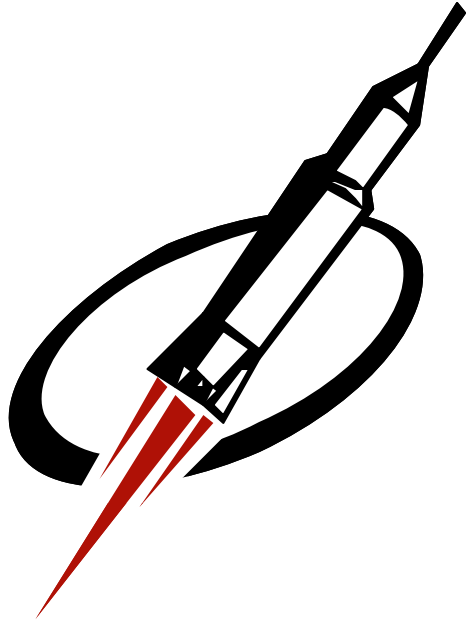Amazon Affiliates Program

Hardware & Software – OEM

- Hi-tech Goggles

Whole Product

Whole Product Definition

Physical Product

+

All Associated Factors

(services, partners, warranties, guarantees, image, training, etc.)

=

"The Whole Product"

Both tangible & intangible elements required by target customer to solve his/her whole problem.

The Whole Product Concept

- Determines which pieces company intends to provide

- Remaining areas must be filled in by partners

- Provides focus on customer requirements

- Time to Market Acceptance: Accelerates mainstream market acceptance

- Competitive Barriers: establishes differentiators in a commodity/standards world.

The Whole Product

Complementary Services

Complementary Products

Diagram contents: Core Product (center), Consulting, Hardware, Software, Peripherals, Connectivity, SI, Legacy interfaces, Pre-sales services, Post-sales service & support
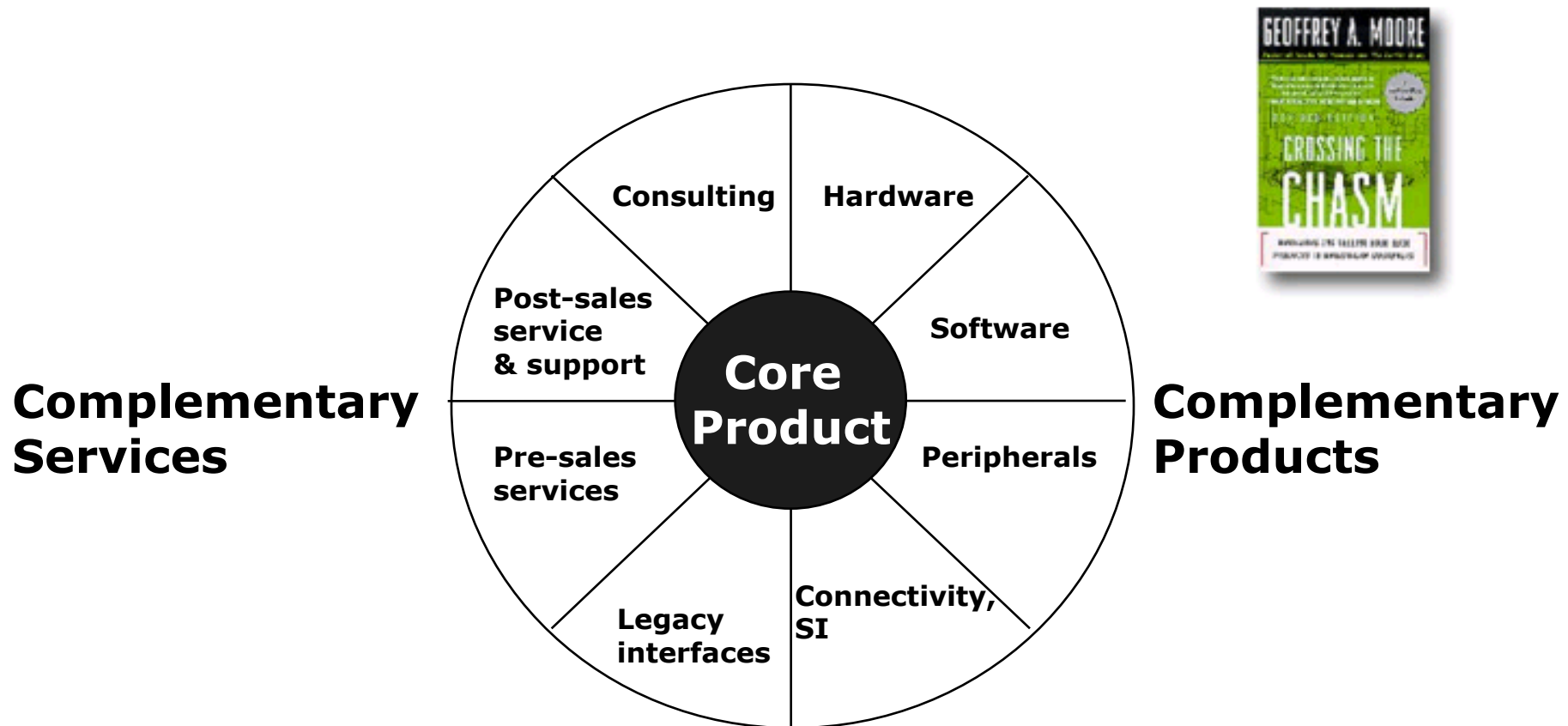
All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

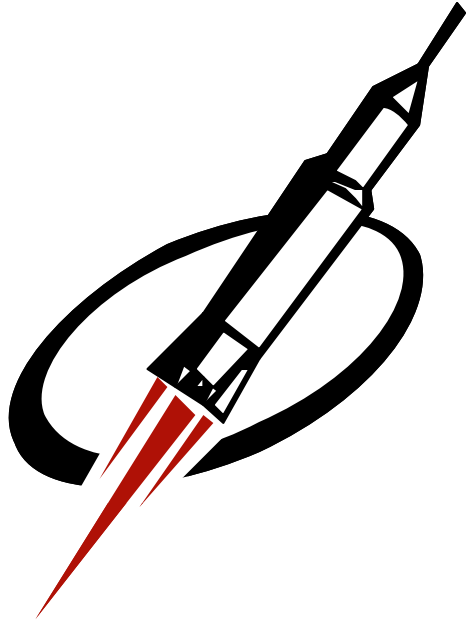Source: Crossing the Chasm, Geoffrey Moore

Coffee Example

Whole Product Questions

- What complementary services must be acquired with your product?

- What additional hardware or software must be purchased to deploy your product?

- Will customers achieve ROI without complementary products or services? How will these 'total cost of ownership' issues affect:
  - Your sales process?
  - Customer satisfaction?

How Do you Market the Whole Product?

- Evidence of whole product solution
    - Launch activities
    - Partnerships, alliances
    - Sales people (solution sell capability
- Manage the evidence of whole product solution
    - Contact points with customer? What are their issues
- Build reference base
    - Develop infrastructure marketing programs

Positioning

Definition

- **Why** will they buy from us vs. our competition?

- **Positioning** = Managing the product and its presentation to fit a predetermined place in the mind of the customer

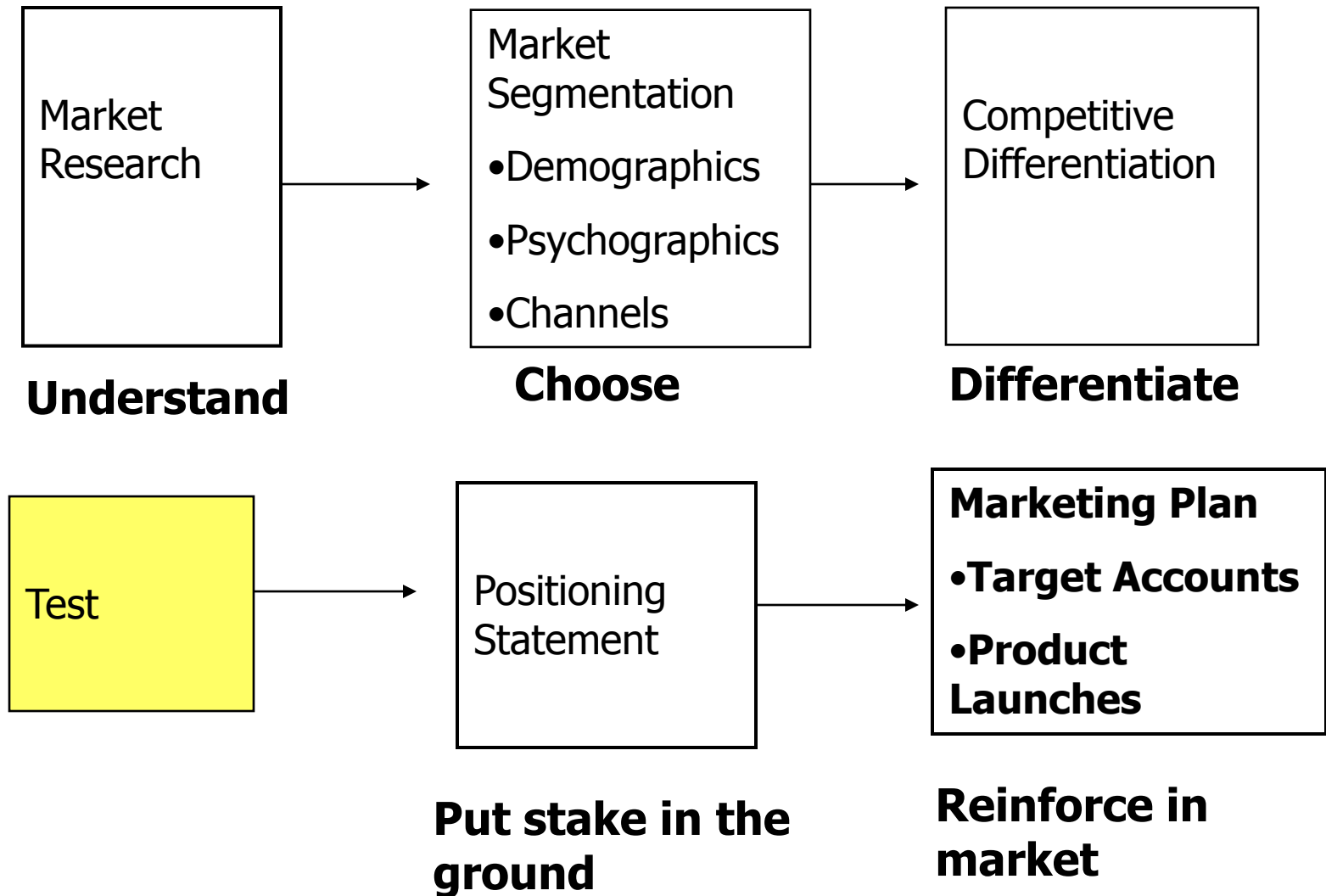- Positioning = Market + Competitive Segmentation Differentiation

More Definitions…..

- **Perceived** status within market segment. (Exists in people's heads)

- **Build relationships** to secure & communicate competitive advantage. (Something marketing folks do)

Positioning Impact

Partnerships

Competition

Pricing

Company Valuation

Product Position

Whole Product

Service/Support

Sales Cycle

Distribution

Positioning Process

Market Research	Market Segmentation •Demographics •Psychographics •Channels	Competitive Differentiation
Understand	**Choose**	**Differentiate**

Test	Positioning Statement	**Marketing Plan** •**Target Accounts** •**Product Launches**
	Put stake in the ground	**Reinforce in market**

Product Positioning – How You Describe Your Product To Potential Customers

1. Customer: Who do we / could we sell to?

2. **Need**: What problem is our customer trying to solve, or opportunity to address?

3. Products: What do we / could we sell to meet our customer's need?

4. Differentiation: Who else can address our customers' needs. How are we different?

5. Whole Product: What else is needed to get a solution to the problem?

6. Positioning Statement Development.

The Positioning Statement

- Positioning Criteria:
  - Who is the target customer? Is this the decision maker?
  - What is the compelling reason to buy?
  - What is the product category?
  - What is the key benefit of that product category?
  - Who is the main competitor?
  - What is the key differentiation of this product?

- Positioning Statement:
  - For (target customer)
  - Who (compelling reason to buy)
  - Our product is a (product category)
  - That (key benefit)
  - Unlike (main competitor)
  - Our product (key differentiation)

Positioning Example: Apple iPod

For mobile, high-income individuals

who need a way to listen to their entire music collection in different settings

the Apple iPod is a small, portable digital music player

that offers elegance of design, the ability to store an entire music collection, and easy purchasing of new digital music.

Unlike flash mp3 players (Creative, Rio, etc),

the product stores an entire music library and is integrated into a service to purchase new digital music (iTunes)

EXAMPLE FROM 1985 - Starbucks

- **For**: Sophisticated coffee drinkers
- **Who:** value excellent coffee and an amazing customer experience
- **The:** Starbucks experience is a unique retail chain
- **That:** adds to the quality of coffee-drinkers' lives.
- **Unlike:** Drip coffee served in a plastic cup
- **At Starbucks:** we're making coffee a new way and providing a unique environment for drinking it

Market Category?
Brand Promise?
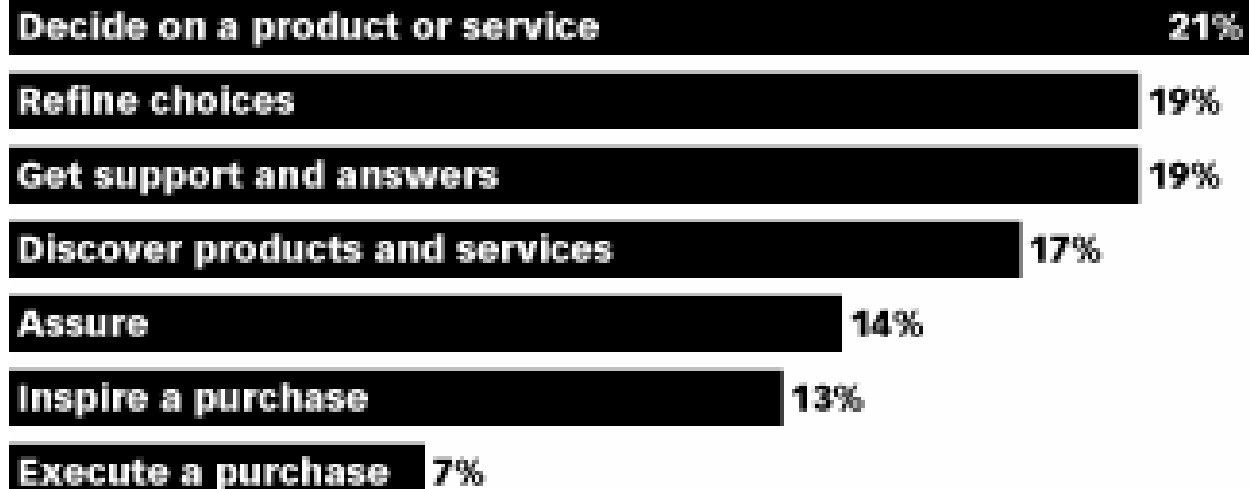Tagline?
Differentiation?
Positioning?

Competitive Examples

- Apple Macintosh versus Windows/PC

Buyers and Blogs

Aspects of the Purchase Process in Which Blogs Play a Role According to US Blog Readers, August 2008 (% of respondents)

Decide on a product or service	21%
Refine choices	19%
Get support and answers	19%
Discover products and services	17%
Assure	14%
inspire a purchase	13%
Execute a purchase	7%

Source: BuzzLogic, "Harnessing the Power of Blogs" conducted by JupiterResearch as cited in press release, October 28, 2008

099366   www.eMarketer.com

Product Positioning Exercise
(12-18 months out)

FOR [target customer segment]

Who wants/needs [solution to problem]

The [product name] is a [product category]

That provides [compelling reason to buy from vendor]

Unlike [main competitor]

The [product name [key differentiator]

Elements of a "Great" Positioning

- Company
  - Fit with company strategy
  - Fit with company capabilities
  - Fit with corporate culture
  - Fit with product strategy
  - Fit with physical product
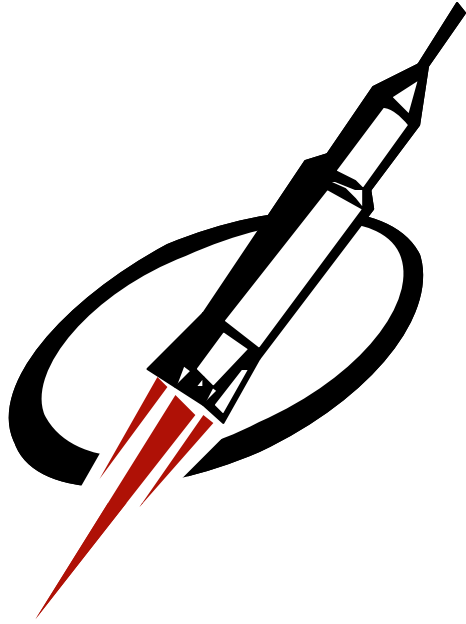 - Fit with brand

- Customer
  - Credible
  - Relevant
  - Unique
  - Durable
  - Emotionally appealing

- Context
  - Fit with trends
  - Unique vs. Competition

Acid Test for Product Positioning (ask yourself the following)

■ Can competitor's product name be substituted?

■ Is there a relationship between compelling reason to buy and key differentiator?

Pricing

Common Pricing Issues

- What are some common price objections you hear? Is your price too high or too low?

- How does you pricing model compare with the industry? With your competition?

- Do you offer promotional pricing? How effective is it?

- What licensing alternatives do you offer?

- What discounts do you provide to resellers?

Price Constraints

- ■ Price Ceiling
- ■ Channel
- ■ Competitive Pressures
- ■ Customer Buying Restrictions
- ■ Value Proposition
- ■ Reputation of Seller
- ■ Total Cost of Ownership

Pricing Factors

Internal Factors
- Objectives of the Firm
- Marketing Mix strategy
- Costs

External Factors
- Nature of the market
- Demand
- Competition
- Channel pressures

Pricing Decisions

Pricing Strategies

■ **Cost-plus pricing** - set the price at the production cost plus a certain profit margin.

■ **Target return pricing** - set the price to achieve a target return-on-investment.

■ **Value-based pricing** - base the price on the effective value to the customer relative to alternative products.

■ **Psychological pricing** - base the price on factors such as signals of product quality, popular price points, and what the consumer perceives to be fair.

Pricing Methodology

- Determine Market Size and Segments
- Define Whole Product and Product Positioning.
- Determine Cost of Goods and Cost of Sales.
- Estimate the Demand Curve
- Choose Pricing Model
- Set Pricing Objectives
- Choose Pricing Strategy
- Select Pricing

Resources – Reading Material
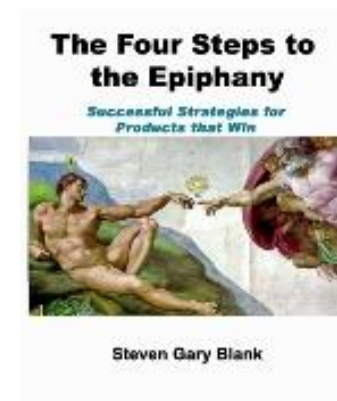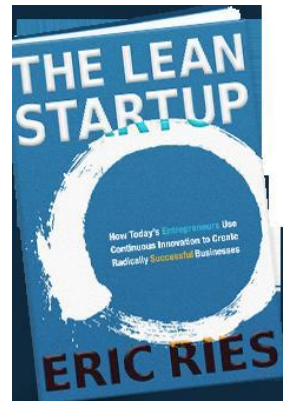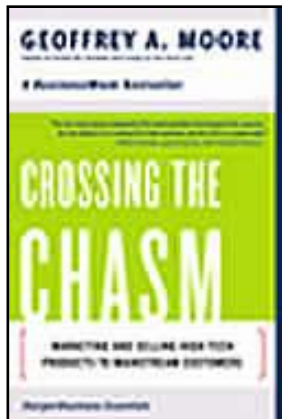
- First customer to first market
- Users **and** revenue
- Targeted marketing

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