

Product/Market Fit

“Product Marketing Overview”

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Ready to Rocket and Emerging Rockets
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February 2015 www.financingforum.com
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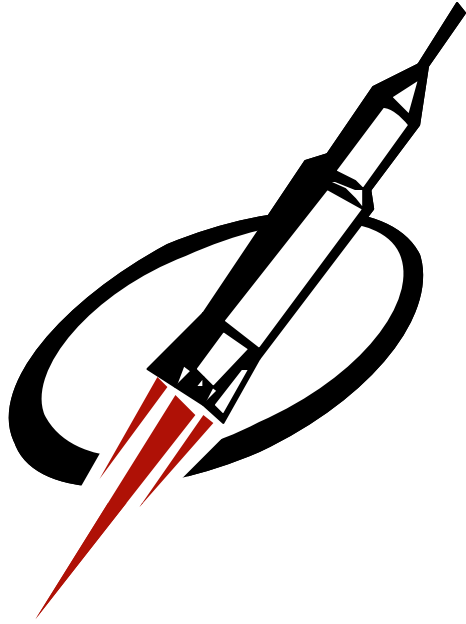
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www.Kyc.macsailing.com

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Marketing Research
Technology Adoption Models
Understanding Consumers
'Whole' Solution Offerings
Product Positioning
Pricing
Metrics

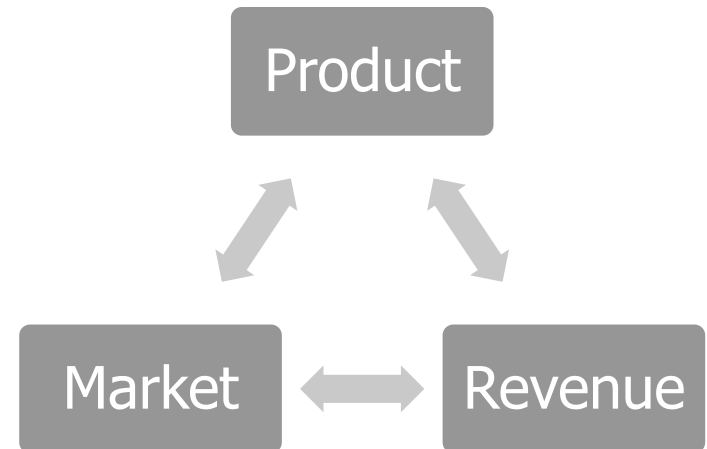
Answer Questions: 1, 5, 6, 7, 8, 9

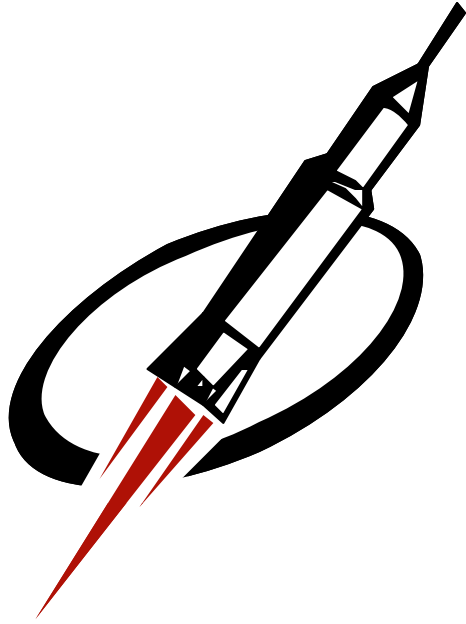
Learning Objectives for Today

- 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.
- Understand how to measure marketing effectiveness - **analytics**

Successful Growth Companies

1. Minimum Viable **Product** 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



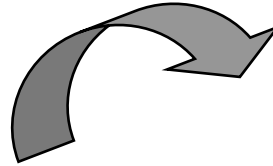


Market Research

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Begin With The End In Mind

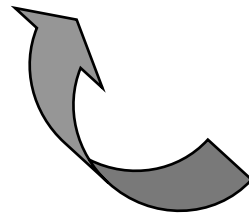
Start here...



**Up to
3 X**



*What will the
answers to these
questions tell you?*



*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**



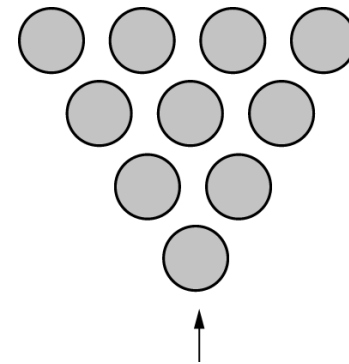
Top Down Versus Bottom-up

- 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
- $L \times \% \times P = R$

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.

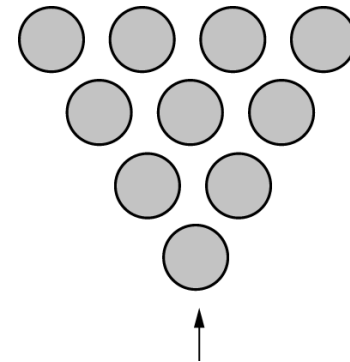
- Theoretical Market
- Potential Market
- Available Market
- Addressable Market
- Target Market
- Market Demand



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.

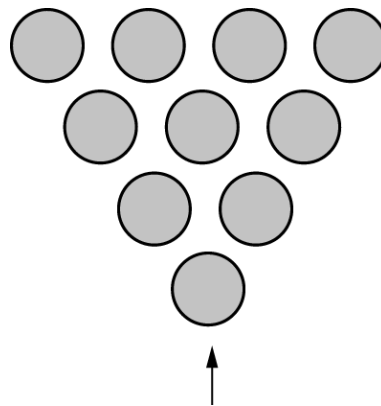
Internet - Addressable Market

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

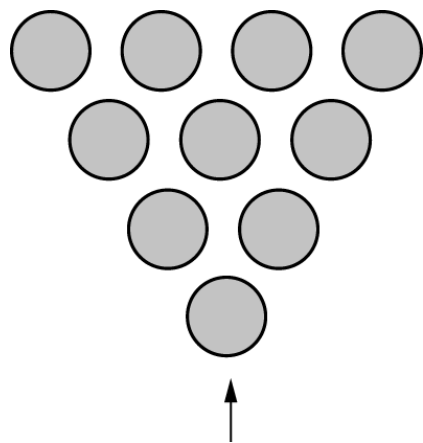
- Highly accessible & high demand
- Success/leadership in this target segment provides as a basis for further market expansion into related marketplaces.



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?

or

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

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

PRIMARY RESEARCH**QUALITATIVE**

A few people

In-person or telephone
interview

In-depth

Directional

Answers the Why

QUANTITATIVE

Lots of people

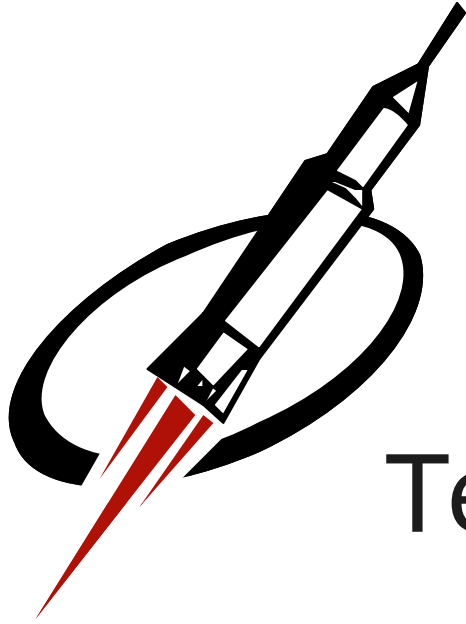
Surveys

Stats

Decisions

Answers the other Ws

Do	Don't
Listen to customers	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

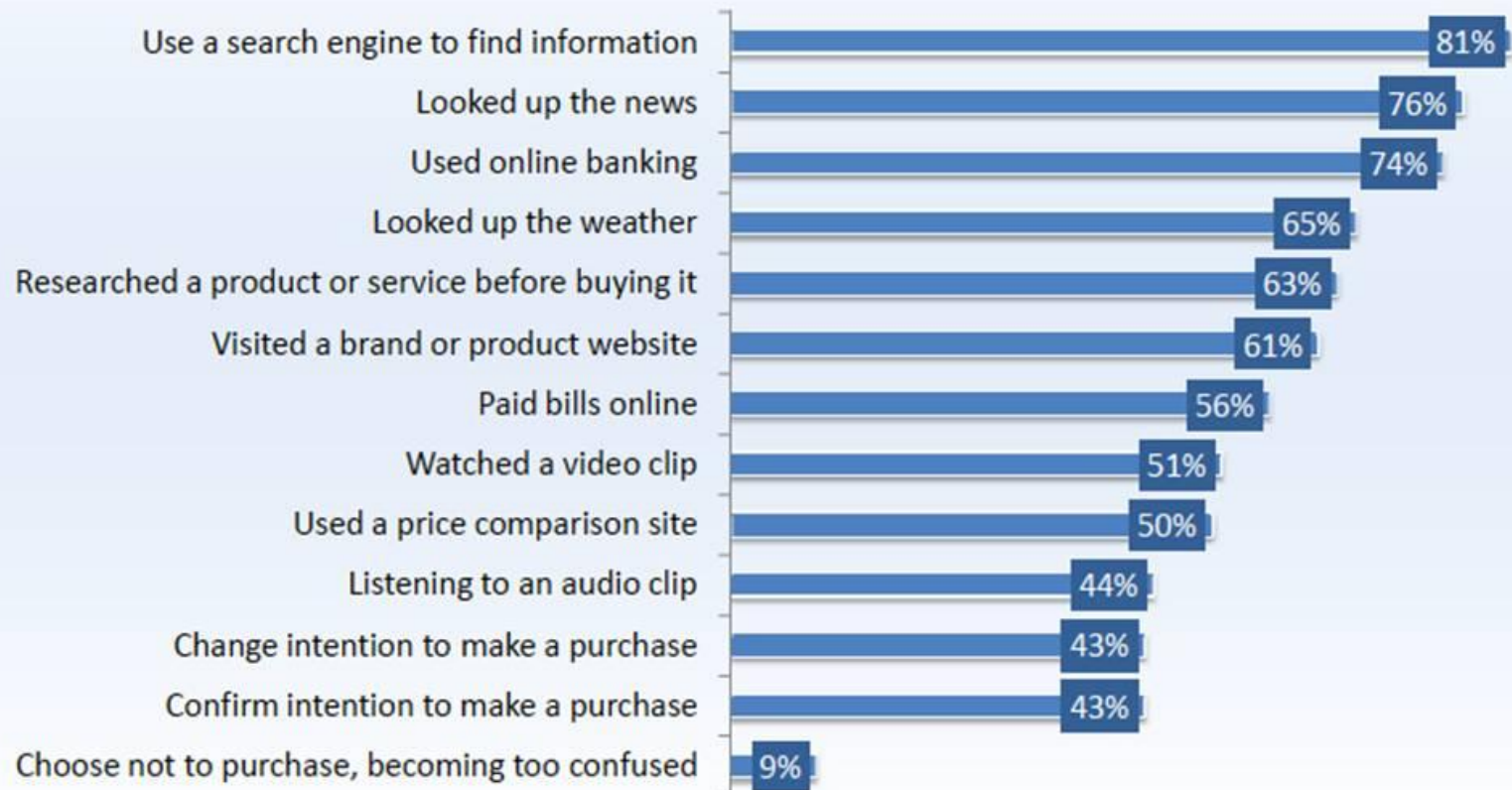
In-Stat: Early Adopters (consumer)

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.

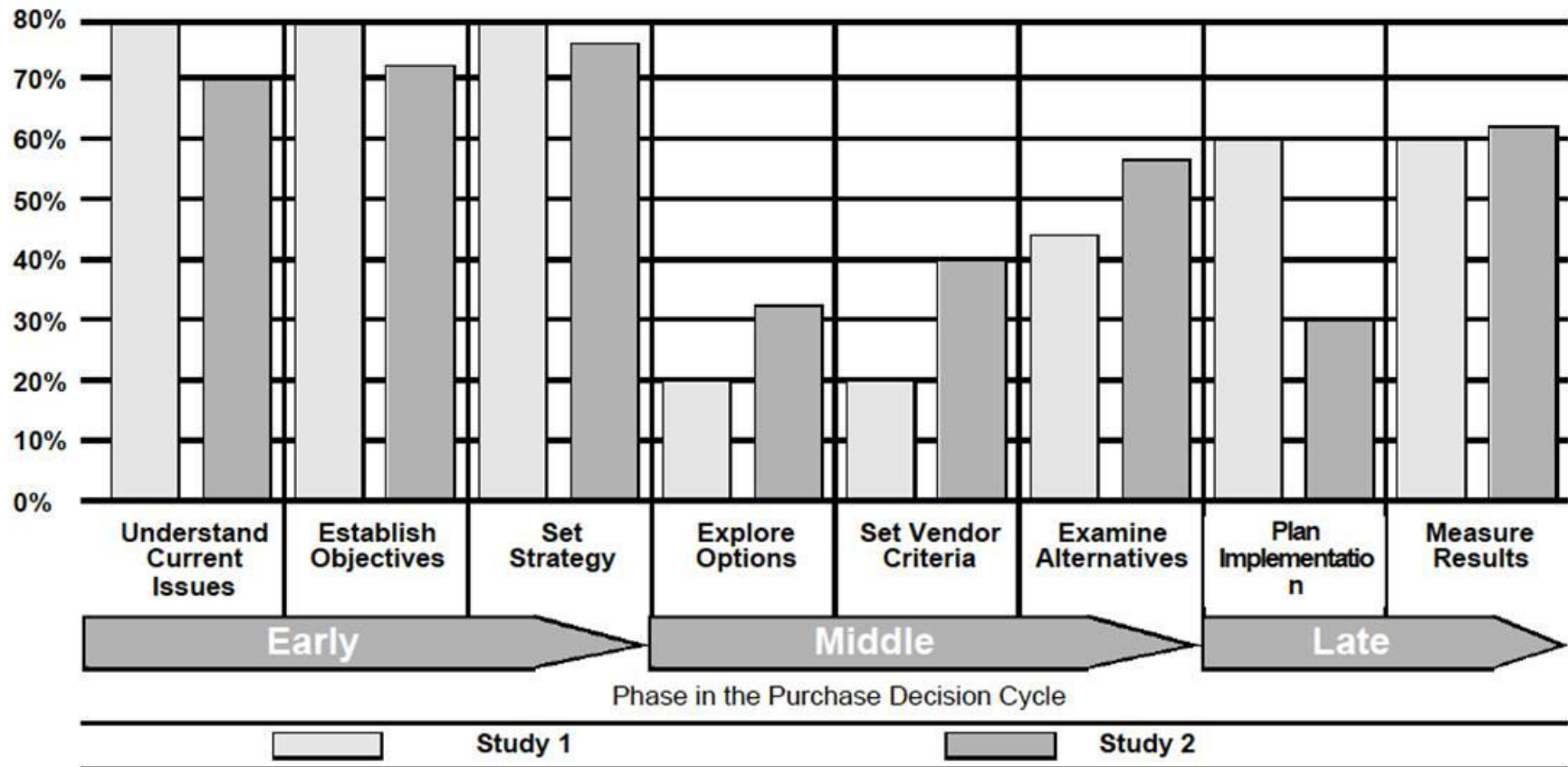
Buyer Internet Behaviour

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



Buyer's Process

Executive involvement in the buying cycle



Source:
www.sellxl.com

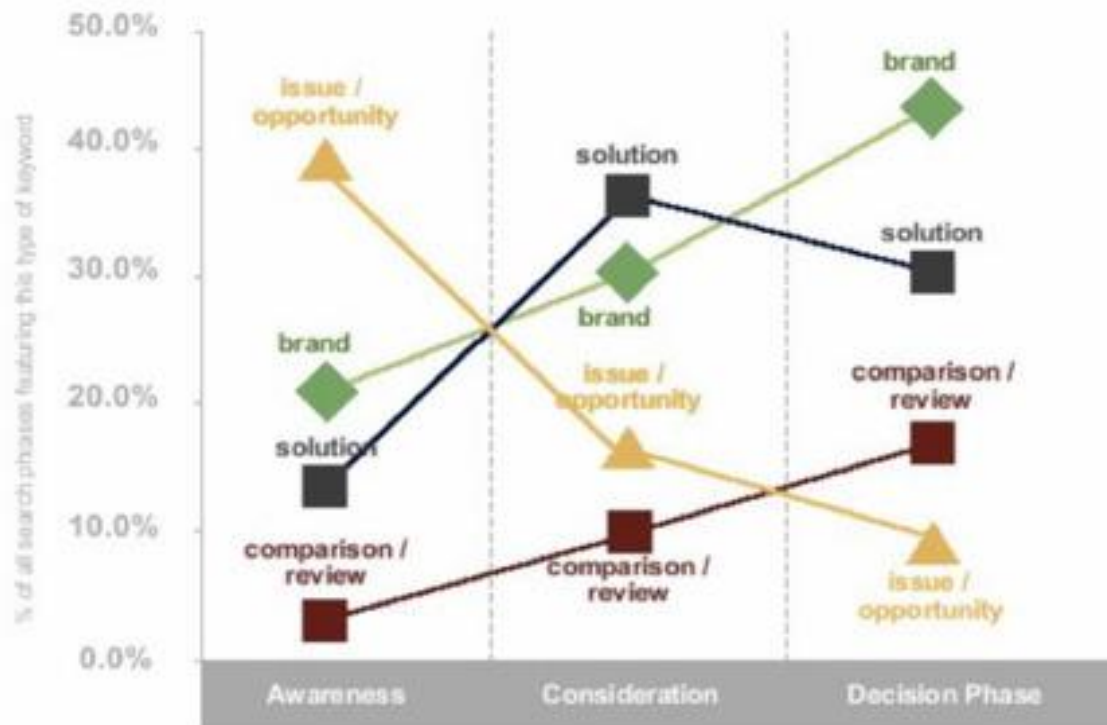
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Determining Buyer's Process

- What are the stages a buyer goes through as they decide whether to engage with your company?
- Pretend you're the buyer.
 - When do you recognize that you need help with a particular problem? [This is the first step in the buyer's process.]
 - What will you do to find potential solutions? List all of the steps you'll take as you research solutions, find potential vendors/providers, start discussions, narrow your choices, etc., all the way until you negotiate/execute a contract and become a customer.

Role of Search in Buyer's Process

Keyword Usage Patterns Through the Buying Process



How many people are involved?

■ “Business Technology Buyers Survey”

Size of Buying Organization	Participants in Buying Process
100 to 500 employees	6.8
501 to 1000 employees	13.5
Over 1000 employees	21.0

Participants in Buying Process

■ Users

- are members of the organizations who will use the product or services. In many cases, users initiate the buying proposal and help define the product specifications.

■ Influencers

- often help define specifications and also provide information for evaluating alternatives. Technical personnel are particularly important influencers.

■ Buyers

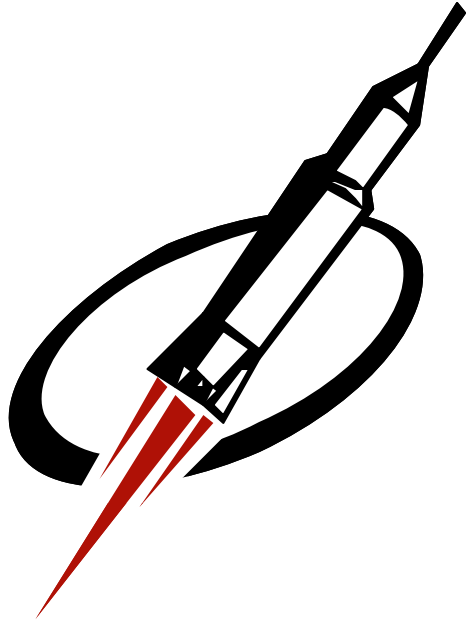
- have formal authority to select the supplier and arrange terms of purchase. Buyers may help shape product specifications, but their major role is in selecting vendors and negotiating.

■ Deciders

- have formal or informal power to select or approve the final suppliers. In routine buying, the buyers are often the deciders, or at least the approvers.

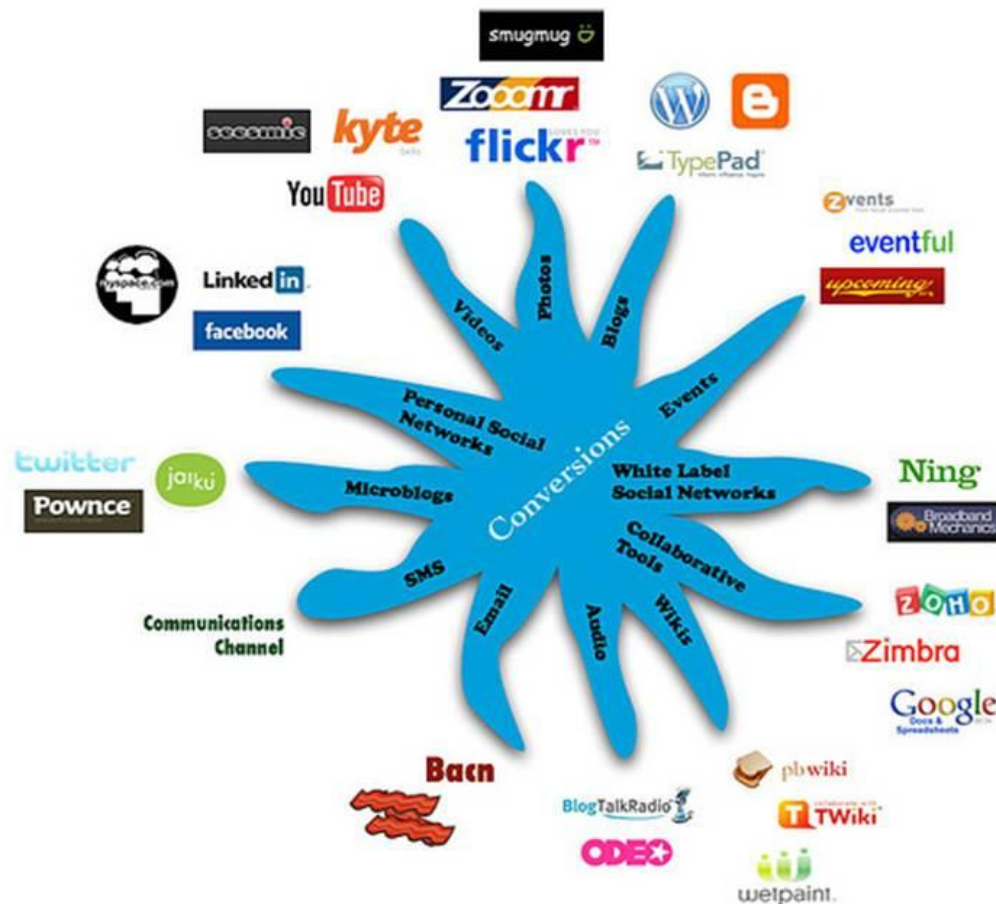
■ Gatekeepers

- control the flow of information to others. For example, purchasing agents, often have authority to prevent salespersons from seeing users or deciders.



Social Media

Social Media Platform Tools



B2B Social Media Marketing

■ **93%** of all B2B marketers are engaged in some form of social media marketing

■ with most putting their focus on the most popular channels

■ LinkedIn

■ Facebook

■ Twitter

■ Instagram

Social Media Stats



■ Facebook

- >1 Billion users, up from last year
- 30 billion pieces of content shared per month

■ LinkedIn

- over 200 million user accounts,

■ Twitter

- over 200 million active users
- one billion Tweets published every day

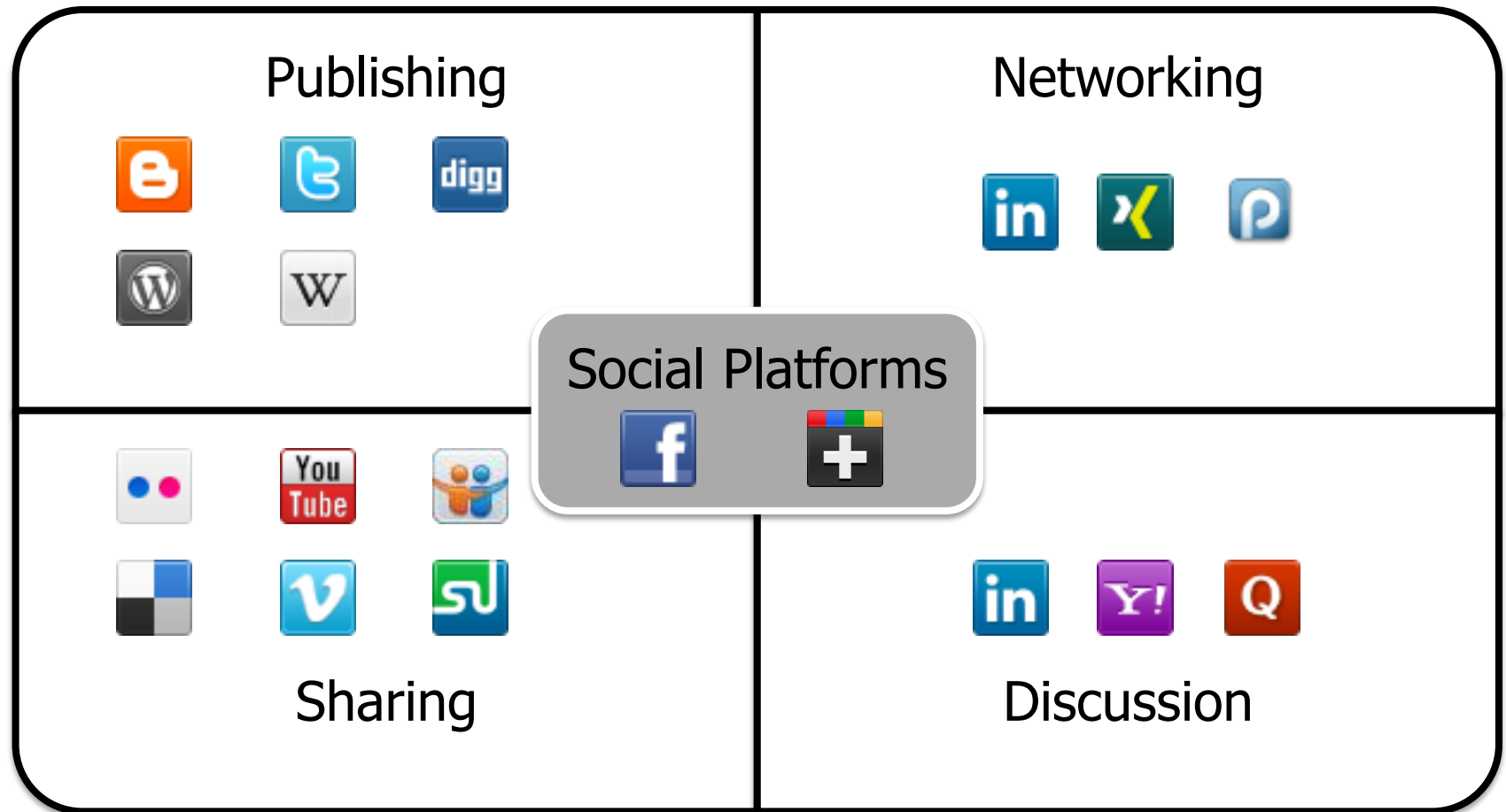
■ Blogs

- over 156 million public blogs in existence

■ Videos

- 2 Billion videos viewed per day on YouTube

Top Tools in the B2B Toolkit



Internet Tools – Use more than One

1. Alexa
2. Google Analytics
3. Google DoubleClick Ad Planner
4. Google Insights for Search
5. Microsoft adCenter Labs
6. Google AdWords Keyword tool
7. Kissmetrics
8. Hubspot
9. Hootsuite

Coupon – Visibility, Target Market 70,000 Emails

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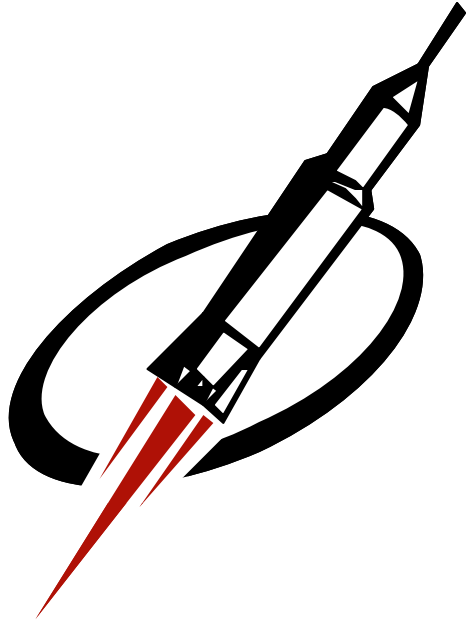
Want it for free? Buy first, then share a special link. If three friends buy, yours is free!

location

1300 Discovery Street
Vancouver, BC V6R 4L9
604-224-7245 | [get directions](#)

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Whole Product

Whole Product Definition

Physical Product

+

All Associated Factors

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

=

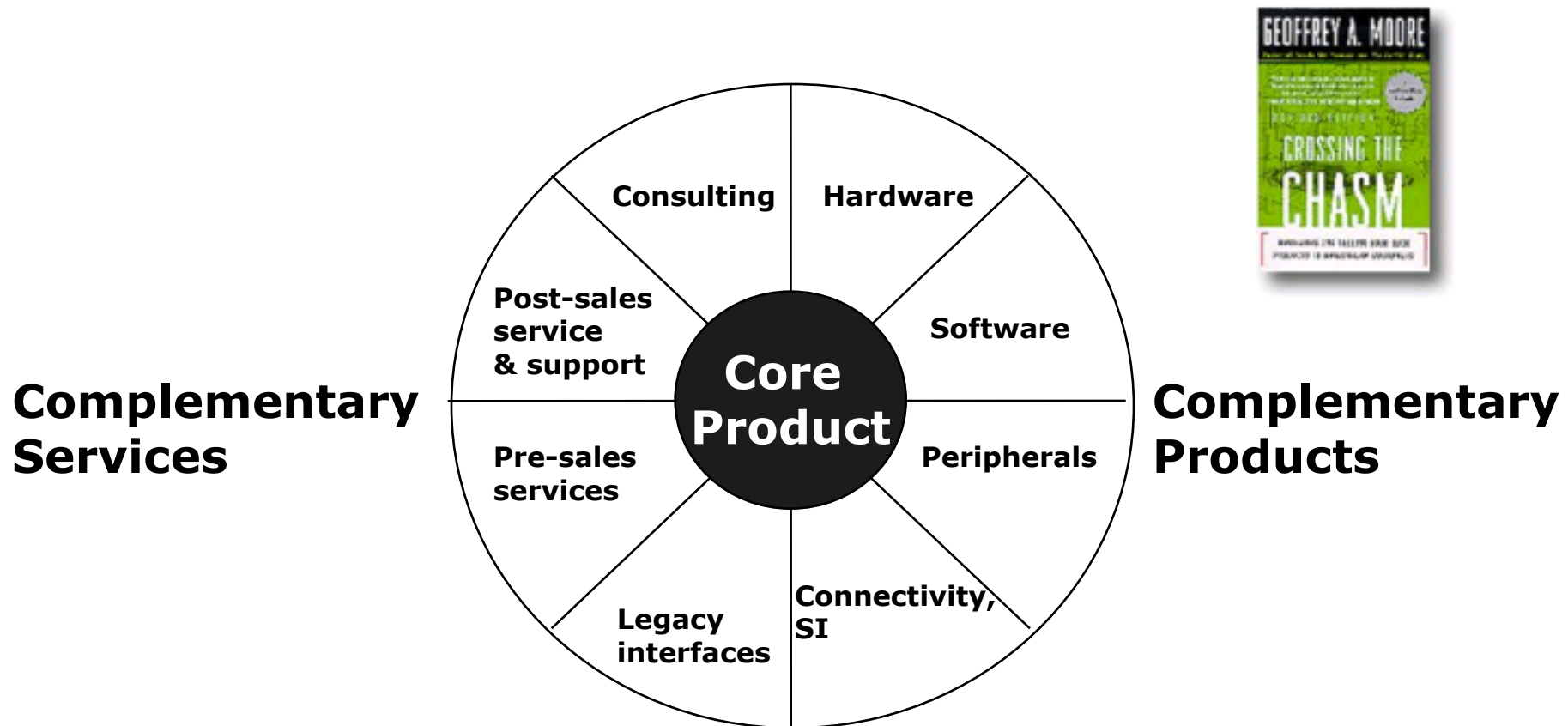
“The Whole Product”

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



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

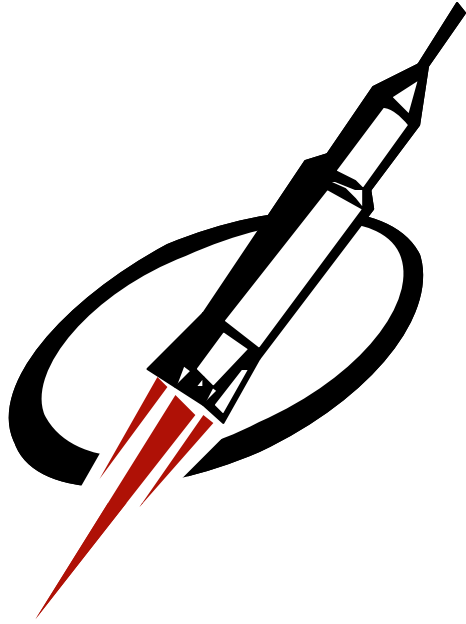


Whole Product Questions

- 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

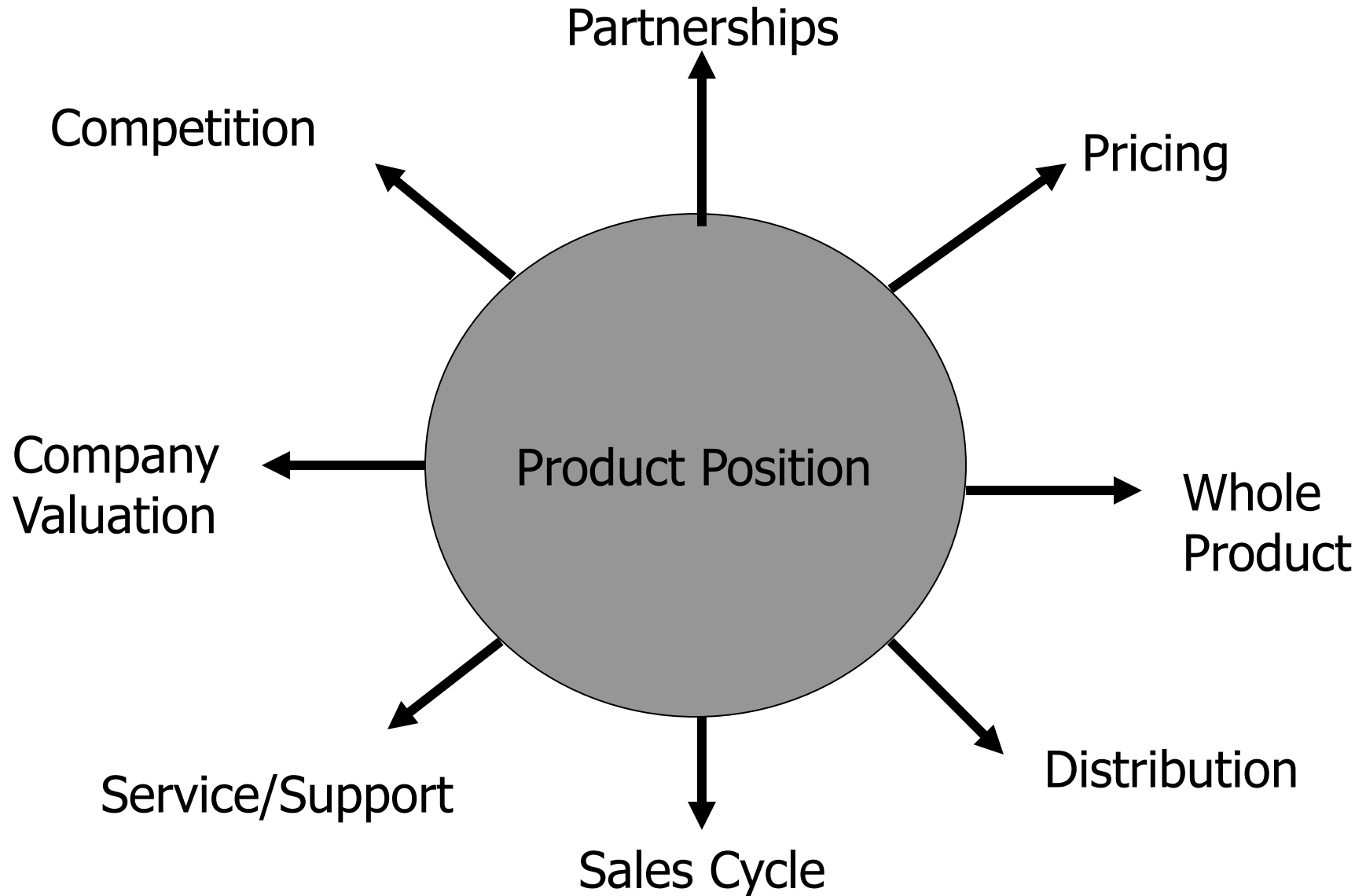
Definition

- **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 \div Competitive
Segmentation Differentiation

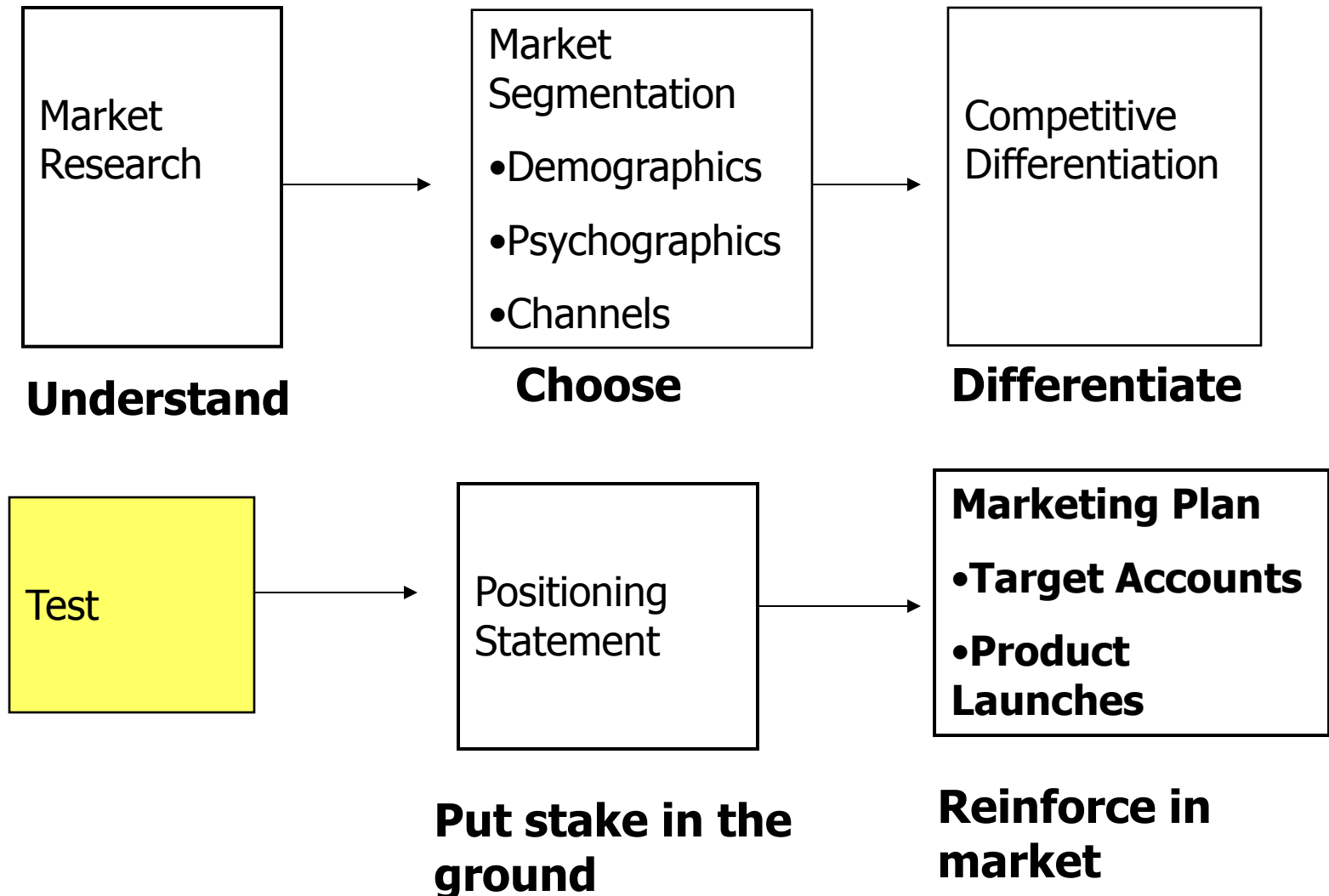
More Definitions.....

- **Perceived** status within market segment. (Exists in people's heads)
- **Build relationships** to secure & communicate competitive advantage. (Something marketing folks do)

Positioning Impact



Positioning Process



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



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

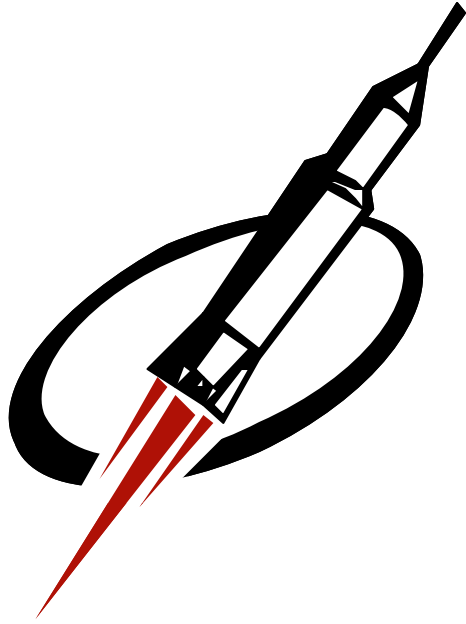
- Credible
- Relevant
- Unique
- Durable
- Emotionally appealing

■ 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 & Value

Common Pricing Issues

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

```
graph TD; A[Internal Factors] --> D[Pricing Decisions]; B[External Factors] --> D;
```

Pricing Decisions

What is Your Price Range?

DEMAND = REVENUE POTENTIAL

What the customer will pay

The price ceiling

Competitor's Prices

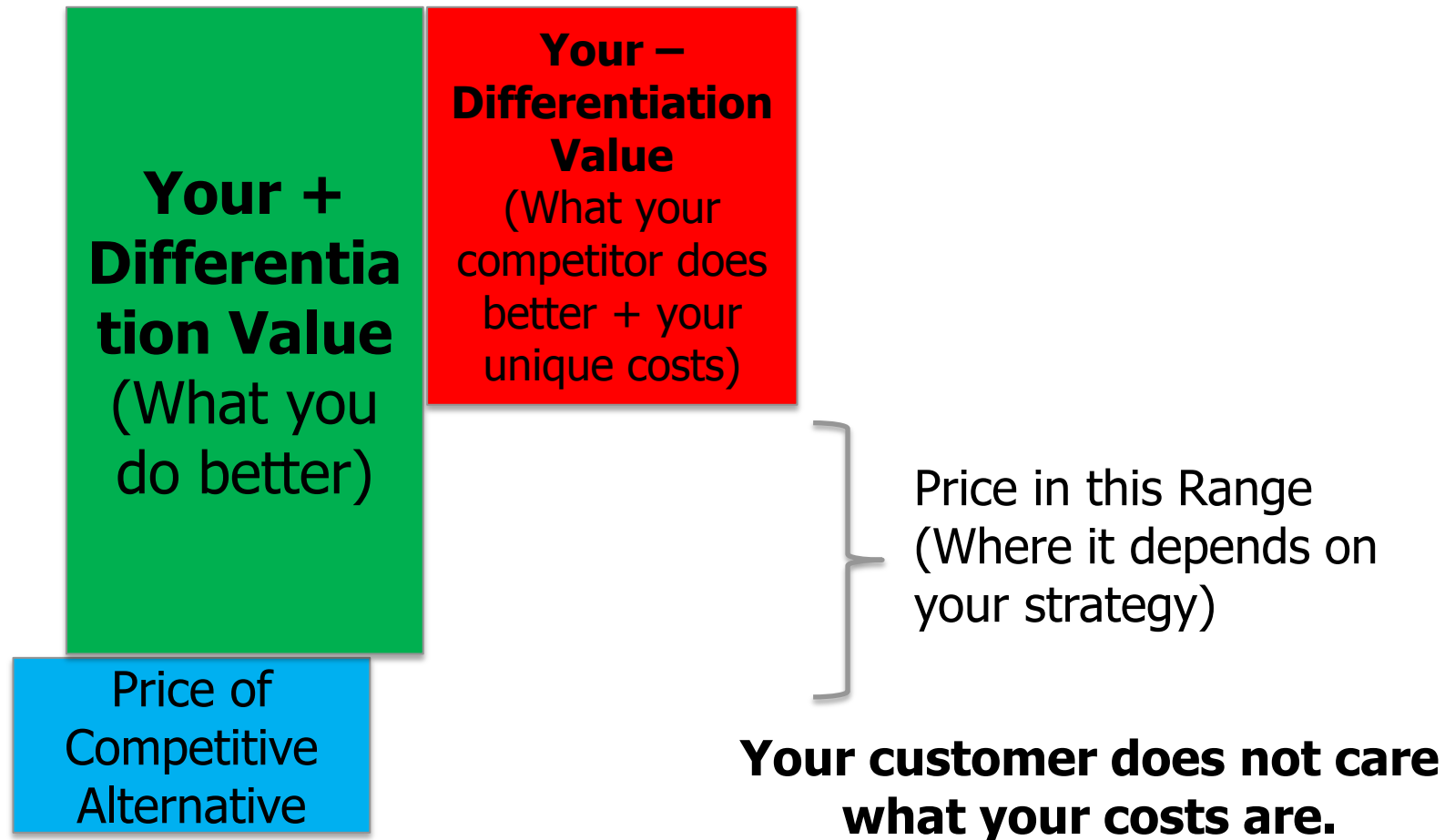
Competitive Environment

The price floor

Cost Recovery
Key to Survival

COSTS

Price Range



Pricing Methodology

1. Determine Market Size and Segments
2. Define Whole Product and Product Positioning.
3. Determine Cost of Goods and Cost of Sales.
4. Estimate the Demand Curve
5. Choose Pricing Model
6. Set Pricing Objectives
7. Choose Pricing Strategy
8. Select Pricing

Common Pricing Errors

Customer

- Differentiation value not clear
- Pricing metric does not fit buying process
- Different segments with different value drivers are combined

Competitor

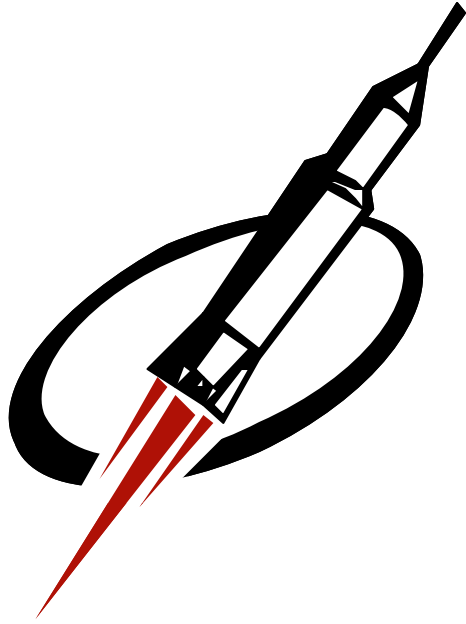
- No negative value drivers acknowledged
- Compare to wrong competitor (compare to customer's real alternatives not who you want to compete with)

Strategy

- No clear or consistent strategy
- Strategy not aligned with partners strategy (you are running a penetrate and they are committed to skimming)

Execution

- Value not communicated by marketing and sales
- Segmentation does not align with value
- Random and ad-hoc discounting



Metrics & Analytics

Customer Validation Metrics

1. Average order size
2. Customer lifetime value
3. Average time to first order
4. Rate of sales pipeline growth
5. Improvement in close rate
6. Revenue per salesperson or employee

Vanity Metrics

1. Web traffic
 2. Unique visitors
 3. Return rate
 4. Subscribers/users
-
5. Conversion Rate
 6. Churn

Example

www.phildub.com

What does he want?

Does the web traffic help him?

How to get metrics?

Get started right away

- For Inbound Marketing you have several choices (that you can mix and match)

[KISS Metrics](#)



[Hootsuite](#)

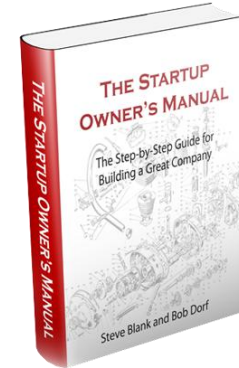
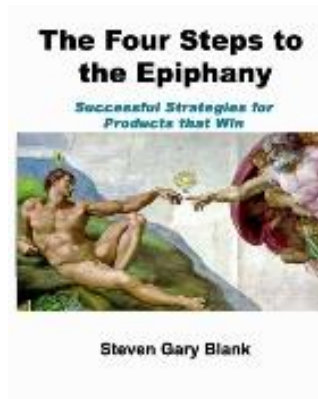
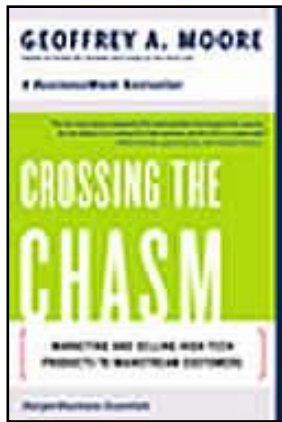


[Hubspot](#)



- For engagement
Design your product so that you can collect the metrics you need (even if you need to embed a small cloud app)
- For CAC and LTV
Design your management system to collect this data

Resources – Reading Material



- First customer to first market
- Users **and** revenue
- Targeted marketing

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